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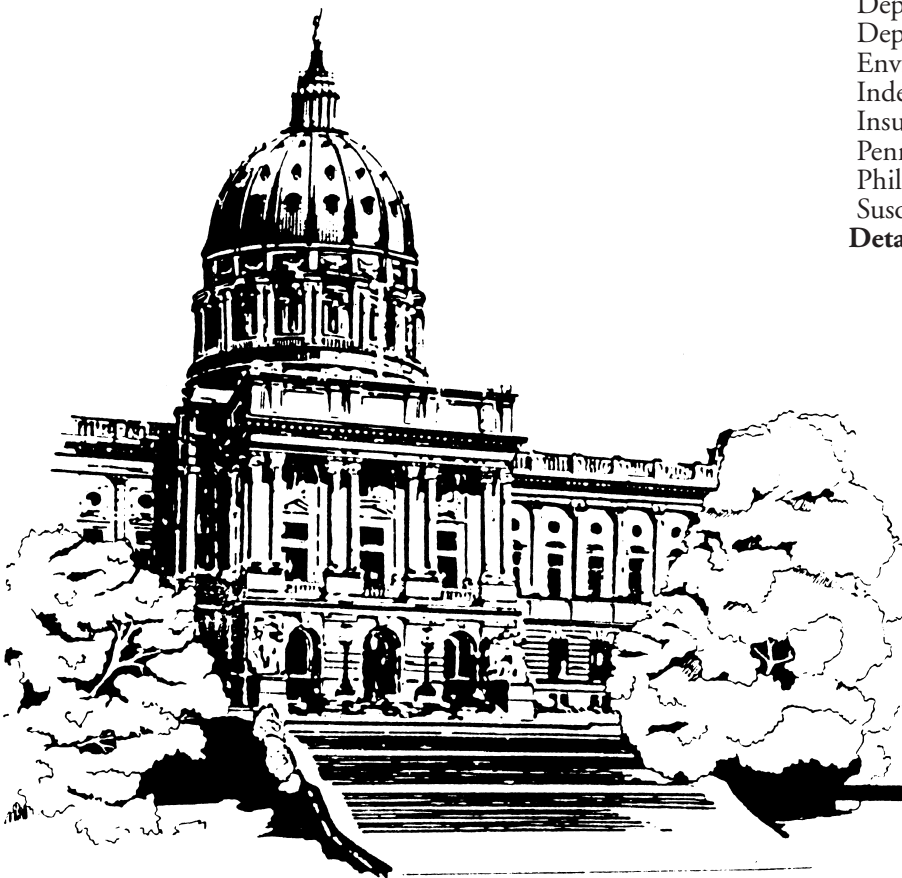
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PROPOSED RULEMAKING

PENNSYLVANIA PUBLIC UTILITY COMMISSION

[52 PA. CODE CH. 53]

Use of Fully Projected Future Test Year, 52 Pa. Code §§ 53.51—53.56a

Public Meeting held
May 12, 2022

Commissioners Present: Gladys Brown Dutrieuille, Chairperson; John F. Coleman, Jr., Vice Chairperson; Ralph V. Yanora

*Use of Fully Projected Future Test Year, 52 Pa. Code
§§ 53.51—53.56a; L-2012-2317273*

Clarified Notice of Proposed Rulemaking Order by the Commission:

The Pennsylvania Public Utility Commission (Commission) adopts this Clarified Notice of Proposed Rulemaking (NOPR) Order, including Clarified Annexes A and B to this NOPR Order,¹ and seeks comments on proposed amendments to our regulations in §§ 53.51—53.56 (relating to information furnished with the filing of rate changes).

Background

On February 14, 2012, Governor Corbett signed into law Act 11, which amended Chapters 3, 13, and 33 of the Public Utility Code (Code). Act 11, inter alia, amended Section 315(e) of the Code (relating to burden of proof) and authorized the use of a fully projected future test year (FPFTY) in public utility rate filings. Act 11 also required the Commission to adopt rules and regulations regarding the information and data to be submitted when a public utility uses a FPFTY. 66 Pa.C.S. § 315(e).

Section 315(e), as amended by Act 11, provides:

§ 315(e) Use of future test year.—In discharging its burden of proof the utility may utilize a future test year or a fully projected future test year, which shall be the 12-month period beginning with the first month that the new rates will be placed in effect after application of the full suspension period permitted under section 1308(d) (relating to voluntary changes in rates). The commission shall promptly adopt rules and regulations regarding the information and data to be submitted when and if a future test period or a fully projected future test year is to be utilized. Whenever a utility utilizes a future test year or a fully projected future test year in any rate proceeding and such future test year or a fully projected test year forms a substantive basis for the final rate determination of the commission, the utility shall provide, as specified by the commission in its final order, appropriate data evidencing the accuracy of the estimates contained in the future test year or a fully projected future test year, and the commission may after reasonable notice and hearing, in its discretion, adjust the utility's rates on the basis of such data. *Notwith-*

standing section 1315 (relating to limitation on consideration of certain costs for electric utilities), the commission may permit facilities which are projected to be in service during the fully projected future test year to be included in the rate base.

66 Pa.C.S. § 315(e) (Emphasis added to reflect Act 11 amendments).

On December 22, 2017, the Commission entered an Advance Notice of Proposed Rulemaking Order (ANOPR Order) at this docket, which was published in the *Pennsylvania Bulletin* on January 13, 2018, 48 Pa.B. 276. In the ANOPR Order, we invited stakeholder comments and directed Commission staff to convene stakeholder meetings on the information to be filed by a public utility when the public utility is requesting a general rate increase of more than \$1 million using a FPFTY. Stakeholders subsequently requested that the Commission move directly to stakeholder meetings in lieu of comments. By Secretarial Letters dated February 26, 2018,² August 22, 2018,³ and October 29, 2018, at this docket, we convened numerous stakeholder meetings in 2018 and 2019. The last meeting was held on October 30, 2019.

In addition to the public notice provided in the *Pennsylvania Bulletin*, invitations to participate in a stakeholder process were extended to the Commission's Office of Administrative Law Judge (OALJ), the Commission's Bureau of Investigation and Enforcement (I&E), the Office of Consumer Advocate (OCA), the Office of Small Business Advocate (OSBA), the Pennsylvania Utility Law Project (PULP), the Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia (TURN et al.), Industrial Energy Consumers of Pennsylvania (IECPA), the National Association of Water Companies—Pennsylvania Chapter (NAWC-PA Chapter), Aqua Pennsylvania, Pennsylvania American Water Company, Pittsburgh Water and Sewer Authority, the Energy Association of Pennsylvania, Citizens' Electric Company, Duquesne Light Company, Metropolitan Edison Company, PECO Energy Company, Pennsylvania Electric Company, Pennsylvania Power Company, Pike County Light & Power Company, PPL Electric Utilities, UGI Utilities, Inc., Wellsboro Electric Company, West Penn Power Company, Columbia Gas of Pennsylvania, Inc., Leatherstocking Gas Company LLC, National Fuel Gas Distribution Corp., PECO Energy Company, Peoples Natural Gas Company LLC, Peoples Gas Company (formerly Peoples TWP), Philadelphia Gas Works, Pike County Light & Power Company, and Valley Energy Inc.

Ratemaking Principles and Act 11

A. General Ratemaking Principles

The Code gives the Commission broad authority and responsibility to ensure that the rates charged by public utilities are just and reasonable and not unduly discriminatory. 66 Pa.C.S. §§ 1301, 1304 (relating to rates to be just and reasonable; and discrimination in rates). Pursuant to this just and reasonable standard, a public utility may obtain "a rate that allows it to recover those expenses that are reasonably necessary to provide service

¹ The clarifications to this Clarified NOPR Order and Clarified Annexes were adopted by the Commission in the Order entered on May 12, 2022, at this docket. See Use of Fully Projected Future Test Year, sections 53.51—53.56a, Docket No. L-2012-2317273 (Order Clarifying Notice of Proposed Rulemaking Order entered on May 12, 2022) (May 12, 2022 Order). For purposes of the rulemaking, this Clarified NOPR Order and Clarified Annexes A and B will be published in the *Pennsylvania Bulletin*.

² Published in the *Pennsylvania Bulletin* on March 10, 2018, 48 Pa.B. 1422.

³ Published in the *Pennsylvania Bulletin* on September 1, 2018, 48 Pa.B. 5501.

to its customers[,] as well as a reasonable rate of return on its investment.” *City of Lancaster (Sewer Fund) v. Pa. PUC*, 793 A.2d 978, 982 (Pa. Cmwlth. 2002). There is no single way to arrive at just and reasonable rates. “The [Commission] has broad discretion in determining whether rates are reasonable” and “is vested with discretion to decide what factors it will consider in setting or evaluating a utility’s rates.” *Popowsky v. Pa. PUC*, 683 A.2d 958, 961 (Pa. Cmwlth. 1996) (*Popowsky*).

The Commission is required to investigate all general rate increase filings. *Popowsky*, 683 A.2d at 961. For general rate increases, Section 1308(d) provides the procedures for changing rates, the time limitations for the suspension of the new rates, and the time limitations on the Commission’s actions. 66 Pa.C.S. § 1308(d).

The “polestar” of ratemaking concerns is the public utility’s “cost of providing service.” *Pa. PUC, et al. v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2020-3018835, et al. (Order entered February 19, 2021) (*Columbia Order*) at 46, n.17 (citing *Lloyd v. Pa. PUC*, 904 A.2d 1010, 1019-21 (Pa. Cmwlth. 2006) (*Lloyd*)). Inherent in the “cost of providing service” principle of ratemaking is the recognition that public utilities are natural monopolies and that the Commission’s oversight through cost-of-service ratemaking regulation serves as a proxy for a competitive market in appropriately restraining, or exerting downward pressure on, the profit-maximizing prices a monopoly could otherwise charge in the absence of price regulation. *Columbia Order* at 46, n.17. Other important ratemaking concerns include quality of service,⁴ rate gradualism,⁵ and rate affordability.⁶ *Columbia Order* at 46-47.

The burden of proving the justness and reasonableness of a rate is placed on the public utility. 66 Pa.C.S. § 315(a). The evidence necessary to meet this burden of proof must be substantial. *Lower Frederick Twp. Water Co. v. Pa. PUC*, 409 A.2d 505, 507 (Pa. Cmwlth. 1980).

In discharging its burden of proof in general rate increases, a public utility traditionally submits an overall claim of its cost of service, or total revenue requirement, which is established through the following two main components in a test year: (1) the allowed total expense claim, plus (2) the allowed return on investment. *Columbia Order* at 47. The allowed total expense claim typically includes the public utility’s operating expenses, depreciation expense, and taxes that are found to be prudent, reasonably necessary, and fully substantiated. *Columbia Order* at 47 (citing *Pa. PUC, et al. v. UGI Utilities, Inc.—Electric Division*, Docket Nos. R-2017-2640058, et al. (Order entered October 2, 2018) (*UGI Electric*) at 26, *aff’d McCloskey*, 225 A.3d 192 (Pa. Cmwlth. 2020) (*McCloskey*)). The allowed return on investment is typically determined by multiplying the public utility’s allowed

rate base claim by the fair rate of return.⁷ The allowed rate base claim is typically found to be the net plant (gross plant less accumulated depreciation) plus any other capital items reasonably necessary to provide utility service funded with investor capital, as fully substantiated in the test year. *Columbia Order* at 47 (citing *UGI Electric* at 26). Meanwhile, the fair rate of return is typically calculated based on the public utility’s capital structure and the cost of capital⁸ during the period in issue. *Columbia Order* at 48.

Once the revenue requirement or cost of service is determined, the next steps traditionally are to allocate these costs to customer classes and then design the specific rates. In general rate increases of more than \$1 million, a public utility traditionally submits an allocated class cost of service study for the test year, showing the allocation of the overall cost of service to each customer class based on certain allocation method(s). The public utility traditionally submits other supporting evidence relating to the development of specific rate schedules under each customer class. See *Columbia Order* at 186 (citing *Lloyd*, 904 A.2d at 1015; 66 Pa.C.S. §§ 1301, 1304).

B. The Test Year Concept

A test year is a ratemaking concept used in general rate increase filings. A test year is a snapshot of time that reflects assumptions, conditions, revenues, expenses, and capital costs, as delineated by the public utility in discharging its burden of proof. *McCloskey*, 225 A.3d at 196. The Commission is authorized to permit a public utility to elect the type of test year it opts to use in discharging its burden of proving the reasonableness of a rate. 66 Pa.C.S. §§ 315(a), (e).

Historically, a public utility has been permitted to use a historic test year (HTY) or a future test year (FTY). A HTY is what its name suggests—a view of the public utility’s historical financial and operational information. The HTY uses a public utility’s actual financial results experienced in a recent twelve-consecutive month period ending prior to the filing of the rate case. See *McCloskey*, 225 A.3d at 196. When presenting the HTY, the public utility is expected to prepare and present the public utility’s most recent experienced financial data.

Statutory authority to use a FTY was added when the General Assembly amended Section 312 of the former Public Utility Law by Act of October 7, 1976, P.L. 1057, No. 215.⁹ A FTY is a partially forward-looking depiction of a public utility’s operations using a hybrid of actual and estimated results. The FTY is the twelve-consecutive month period starting the day after the end of the HTY. It includes the filing date of the proposed rates and ends before the proposed rates would go into effect. See *McCloskey*, 225 A.3d at 196. The purpose of permitting

⁴ See 66 Pa.C.S. § 523(a)-(b) (Commission shall consider the efficiency, effectiveness and adequacy of service when determining just and reasonable rates and shall give effect to this section by making such adjustments to specific components of the utility’s claimed cost of service as it may determine to be proper and appropriate); see also 66 Pa.C.S. § 526(a) (Commission given authority to reject, in whole or in part, a public utility’s rate increase request upon finding that service rendered is inadequate in that it fails to meet quantity or quality for the type of service provided).

⁵ See *Lloyd*, 904 A.2d at 1020 (explaining that gradualism is the principle under which utility rates are gradually increased to avoid rate shock, as part of what is overall considered a reasonable rate under the circumstances and is permitted in implementing large rate increases).

⁶ See *Pa. PUC et al. v. Twin Lakes Utilities, Inc.*, Docket No. R-2019-3010958 (Order entered March 26, 2020) at 48, 80 (the ALJ did not err in considering evidence relating to the various quality of service and rate affordability issues in the proceeding and factoring in such evidence as part of her overall determination on which expert witnesses’ cost of equity to adopt for setting just and reasonable rates).

⁷ A public utility is entitled to an opportunity to earn a fair rate of return on the value of the property dedicated to public service. *Pennsylvania Gas and Water Co. v. Pa. PUC*, 341 A.2d 239, 251 (Pa. Cmwlth. 1975) (citations omitted). It is well-established that a fair rate of return allows the utility the opportunity to recover those costs prudently incurred by all classes of capital used to finance the rate base during the prospective period in which its rates will be in effect. See *Bluefield Water Works and Improvement Co. v. Public Service Comm’n of West Virginia*, 262 U.S. 679, 692-93 (1923) (*Bluefield*); see also *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591, 603 (1944) (*Hope Natural Gas*). Further, “[w]hen determining the cost of capital, the [Commission] must ‘give consideration to the [utilities’] financial structure, credit standing, dividends, interests, risks, regulatory lag, wasting assets and any peculiar features of the utility involved.’” *West Penn Power v. Pa. PUC*, 607 A.2d 1132, 1135 (Pa. Cmwlth. 1992) (*West Penn*).

⁸ The Commission is granted wide discretion, because of its administrative expertise, in determining the cost of capital. *Equitable Gas Co. v. Pa. PUC*, 405 A.2d 1055, 1059 (Pa. Cmwlth. 1979) (determination of cost of capital is basically a matter of judgment which should be left to the regulatory agency and not disturbed absent an abuse of discretion).

⁹ The former Public Utility Law was repealed by Act of July 1, 1978, P.L. 598, No. 116, and replaced with Section 315 of the Public Utility Code, 66 Pa.C.S. 315. See *Zucker v. Pa. PUC*, 401 A.2d 1377, n. 2 (Pa. Cmwlth. Ct. 1979).

the use of a FTY in rate proceedings was to reduce the regulatory lag¹⁰ between the HTY and the completion of a rate case. See *Pa. PUC, et al. v. Pennsylvania Electric Company*, Docket Nos. R-00000392, et al., 1978 WL 51034 (Pa.P.U.C) at *1 (Order entered June 28, 1978), slip at 2.¹¹

C. Act 11

Act 11 authorized the use of a FPFTY as an alternate to use of a HTY or a FTY. See *McCloskey* at 196-197, 200. A FPFTY uses the public utility's fully estimated data for the twelve-month period beginning with the first month that the new rates would be placed in effect, after the expiration of the full suspension period allowed by Section 1308(d). *UGI Electric* at 25. The goal of Act 11, in authorizing the use of a FPFTY, among other things, was to further reduce regulatory lag and encourage future plant investment to replace aging public utility infrastructure. See Implementation of Act 11 of 2012, Final Implementation Order, Docket No. M-2012-2293611, 299, P.U.R. 4th 367, 2012 WL 3249678 (Pa.P.U.C.) (Order entered August 2, 2012) at 5 (*Act 11 Implementation Order*). Under the FPFTY 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." *Id.*

In addition to authorizing the use of the FPFTY, discussed supra, Act 11 also authorized the Commission to allow the inclusion in a public utility's rate base claim new plant projected to be placed in service during the FPFTY. See *McCloskey* at 207. Prior to Act 11, a public utility's allowed rate base claim in the FTY proceeding could only include plant or facilities found to be "used and useful" and "in service to the public" at the time the rate base was being calculated. See *McCloskey*, 225 A.3d at 196 (citing 66 Pa.C.S. § 1315).¹² Act 11 altered the "used and useful" principle by allowing a public utility to include in its rate base those "facilities which are projected to be in service during the [FPFTY] [n]otwithstanding [S]ection 1315." See 66 Pa.C.S. § 315(e) (emphasis added); see *McCloskey* at 200, 207. Thus, subject to the Commission's broad ratemaking discretion and fact-finding authority, a public utility may include in its rate base those fully substantiated "costs of facilities that are not yet in service, but that are projected to be in service during the 12-month period beginning with the first month the new rates will be in effect. This 12-month period includes day 1, as well as day 365." See *McCloskey* at 207 (emphasis in the original).

Act 11 also addressed the potential of a public utility to over-project its estimates in the FPFTY. Specifically, as amended, Section 315(e) authorizes the Commission to require a public utility to provide the Commission with "appropriate data evidencing the accuracy of the esti-

¹⁰ Regulatory lag is that period between when a utility experiences a change in costs or sales levels [or both] and when the utility can reflect these changes in new rates granted by the Commission. See Costello, Ken, Future Test Year: Evidence from State Utility Commissions, National Regulatory Review Institute, NRRI Report 13-10 (October 2013) at 8, n. 24, <https://pubs.naruc.org/pub/FA86C105-05F5-9766-BC78-29829AC50361>, last viewed May 18, 2021. Nevertheless, the use of a FTY in setting rates still creates regulatory lag because by the time the new rates go into effect, they are based in part on historical cost and sales information.

¹¹ The proceeding is also referred to as Pa. PUC Docket No. R.I.D. 392.

¹² Section 1315 (relating to limitation on consideration of certain costs for electric utilities) provides:

Except for such nonrevenue producing, nonexpense reducing investments as may be reasonably shown to be necessary to improve environmental conditions at existing facilities or improve safety at existing facilities or as may be required to convert facilities to the utilization of coal, the cost of construction or expansion of a facility undertaken by a public utility producing, generating, transmitting, distributing or furnishing electricity shall not be made a part of the rate base nor otherwise included in the rates charged by the electric utility until such time as the facility is used and useful in service to the public. Except as stated in this section, no electric utility property shall be deemed used and useful until it is presently providing actual utility service to the customers.
66 Pa.C.S. § 1315.

mates" used to calculate its cost of service components in a FTY or a FPFTY and to adjust a public utility's rates based on such data after reasonable notice and a hearing. 66 Pa.C.S. § 315(e).¹³

Discussion

Based on the foregoing, we open this rulemaking to standardize and streamline the filing requirements for information and data related to various ratemaking components for a public utility in a base rate case proceeding. We seek comments on proposed amendments to our Regulations in §§ 53.51—53.56, including the proposed addition of Section 53.51a (relating to definitions) and Section 53.56a (relating to supporting data required if using a FPFTY). Our goal is to develop consistency in filing requirements across public utility types, incorporate the appropriate standard discovery requests, and eliminate the filing of unnecessary information.

A. Purpose and Benefits of the Proposed Regulation

Public utilities have been able to use a FPFTY since Act 11 became effective, and we anticipate that natural gas, electric, steam, water and wastewater public utilities will continue to use a FPFTY to meet their burden of proof in general rate increase cases.¹⁴ As the use of a FPFTY continues or increases in general rate increases of more than \$1 million in annual gross revenues, all affected stakeholders would benefit from the changes proposed in this rulemaking.

Affected stakeholders include the public utilities and public utility consumers, consumer advocates, and other interested intervenors. These stakeholders would benefit from this proposed rulemaking because the proposed regulations would standardize and streamline the required filing information and data related to various ratemaking components of a public utility's rates as based on the public utility's claimed cost of service and proposed cost allocations to customer classes. For public utilities, the new standardized and streamlined filing requirements are expected to reduce the regulatory burden and costs associated with preparing and litigating general rate increase cases. For other stakeholders, these standardized and streamlined filing requirements are expected to lessen the regulatory burden and costs associated with reviewing and litigating general rate increase cases brought by public utilities.

B. ANOPR Order Stakeholder Process

The ANOPR Order stakeholder process began with an attempt to simply incorporate new filing requirements for a FPFTY rate case into Section 53.53 by adding a proposed Exhibit E. It soon became apparent that aligning the use of a FPFTY with our existing filing requirements at Sections 53.51—53.56 would require more than merely adding an exhibit dedicated to FPFTY rate cases in Section 53.53.

The ANOPR Order stakeholder process involved a series of meetings and multiple exchanges of written

¹³ See Act 11 Implementation Order at 3 (stating that the Commission "expect[s] that in subsequent base rate cases," a public utility using a FPFTY would "be prepared to address the accuracy of the [FPFTY] projections made in its prior base rate case.")

¹⁴ In 1993, the General Assembly passed Act 1993-67 which amended the Pennsylvania Public Utility Code by adding Chapter 30, 66 Pa.C.S. §§ 3001—3009. Chapter 30 provided that the Commission may allow incumbent local exchange carriers (ILECs) to establish rates by the use of alternative forms of regulation in exchange for the accelerated deployment of a broadband capable telecommunications infrastructure. As a result, many of the Chapter 30 ILECs chose to remove themselves from earning based on traditional rate base/rate-of-return methods by filing voluntary plans that committed them to accelerate broadband deployment throughout their respective service territories. A few of the Chapter 30 ILECs are under a streamlined rate base and rate of return regulation, and there are a small number of ILECs that have a Chapter 30 waiver and continue to remain under traditional rate base/rate of return regulation.

suggestions by participating stakeholders over a two-year period in 2018 and 2019. This included extensive discussions of various procedural and substantive issues relating to the FPFTY filing requirements as well as discussions of existing HTY and FTY obligations. It also drew heavily upon the experiences of public utilities and other stakeholders who had participated in FPFTY rate proceedings at the Commission since 2012.

C. Proposed Revisions to Regulations

We propose revisions to Sections 53.51 through 53.56 and the addition of Sections 53.51a and 53.56a, governing the information to be furnished with rate change filings. Most of the proposed revisions and additions relate to the use of a FPFTY, but there are also proposed revisions and additions that relate to the use of a HTY and FTY.

1. Section 53.51. General

a. Existing Provisions

Section 53.51 governs general requirements applicable to public utilities other than common carriers.

b. Proposed Revisions to Existing Provisions

We propose to add Section 53.51(a.1) to clarify the applicability of §§ 53.51—53.56a to the following jurisdictional entities:

- A public utility, as such term is defined in 66 Pa.C.S. § 102 (relating to definitions).
- A city natural gas distribution operation, as such term is defined in 66 Pa.C.S. § 102 and used in 66 Pa.C.S. § 2212 (relating to city natural gas distribution operations).
- An Authority, as such term is defined in 66 Pa.C.S. § 3201 (relating to definitions) and used in the provisions of 66 Pa.C.S. §§ 3202—3209 (relating to water and sewer authorities in cities of the second class).
- A municipal corporation that renders service beyond its corporate limits but only to the extent of its services and facilities furnished or extended beyond its corporate limits, consistent with the jurisdiction given to the Commission under 66 Pa.C.S. § 1501 (relating to character of service and facilities).

In Section 53.51(b), we propose to update the term “utilities” to “public utilities.” This change is a proposed universal change throughout the regulations and includes changing the singular term “utility” to “public utility” where applicable.

In Section 53.51(c), we propose to delete “however, the submission of data regarding trended original cost referred to by this chapter shall be at the option of the public utility” because trended original cost methodology is no longer accepted.

Section 53.51(d) provides that public utilities filing for proposed rate changes shall serve a copy of the proposed rate changes and supporting data on the OCA. We propose to revise this provision to direct service also on the OSBA, the low-income advocates in the public utility’s service territory, the Commission’s I&E, and the Commission’s Bureau of Technical Utility Services (TUS).

2. Proposed New Section 53.51a. Definitions

We propose to add a new Section 53.51a containing definitions for “test year,” “HTY,” “FTY” and “FPFTY.” In review of the existing regulations at Sections 53.51—53.56, we observed that these terms are not defined in a central location but rather described as they are used. For example, Section 53.52, rather than asking for the

operating statement for the public utility in the HTY, asks for the operating statement for “a 12-month period, the end of which may not be more than 120 days prior to the filing.” We propose to replace all incidents of this repetitive descriptive language with appropriate test year terminology. Also, we recognized that “HTY” and “FTY” are defined only within Section 53.53(b) for application in Exhibit D, which provides:

Also, the term “historic test year” as used in these exhibits, refers to the test year chosen by the utility to support its filing, that is, presumably future test year data would be supplied in most cases. “Historic test year,” as referred to in Exhibit D, is defined as book figures for the base test year. The term “future test year,” as used in Exhibit D, refers to the adjusted historic test year for known and measurable changes 12 months beyond the book figures for the base year, or the public utility’s final claimed supporting data.

Section 53.53(b) (last amended effective May 21, 2005, see 35 Pa.B. 3024 (May 21 2005)). We propose deleting this provision and consolidating the proposed new definitions in the proposed new Section 53.51a (relating to definitions).

In the new Section 53.51a, we propose adding the following definitions for “FPFTY,” “FTY,” “HTY” and “test year” (appearing in alphabetical order as shown in the proposed new Section 53.51a.), as follows:

FPFTY—Fully projected future test year—A 12-consecutive-month period beginning with the first full month that the new rates will be in effect after the application of the full suspension period permitted under § 1308(d) of the Public Utility Code, 66 Pa.C.S. § 1308 (relating to voluntary changes in rates) and reflecting estimated results of operations of the public utility.

FTY—Future test year—A 12-consecutive-month period beginning the day after the end of the HTY and reflecting in part estimated results of operations of the public utility based on adjustments to HTY amounts for known and measurable changes or other adjustments as supported by data.

HTY—Historic test year—The experienced 12-consecutive-month period that reflects actual results of operations of a public utility based on book values, corresponding to one of the following time frames:

- (1) For a small water or small wastewater public utility, the experienced 12-consecutive-month period ending no later than 180 days prior to the rate filing.
- (2) For a public utility not subject to (1) above, either of the following:

(A) The public utility’s most recent experienced 12-consecutive-month fiscal period ending prior to the rate filing.

(B) The experienced 12-consecutive-month period ending no later than 120 days prior to the rate filing.

Test year—12-consecutive-month period used by the utility in discharging its burden of proof under 66 Pa.C.S. § 315(a) (relating to burden of proof), including the HTY, the FTY and the FPFTY.

The proposed definition for “FPFTY” tracks the statutory provisions in 66 Pa.C.S. §§ 315(e) and 2212(c) while clarifying that a FPFTY would reflect a public utility’s estimated results of operations. The proposed definition does not expand or contract the meaning of “FPFTY” as established by Sections 315(e) or 2212(c). We fully recognize that a city natural gas distribution operation may

file to request a waiver relative to the start of a FPFTY granted pursuant to 66 Pa.C.S. § 2212(c). See *Pa. PUC, et al. v. PGW*, Docket No. R-2020-3017206, et al. (Order entered on November 19, 2020) at 6. A similar option for waiver is available under 66 Pa.C.S. § 3202(b) (relating to application of provisions of title) for an authority as such term is defined in 66 Pa.C.S. § 3201 and used in the provisions of 66 Pa.C.S. §§ 3202—3209.

Section 53.53(b) currently describes the FTY, “as used in Exhibit D, [as] refer[ing] to the adjusted historic test year for known and measurable changes 12 months beyond the book figures for the base year, or the utility’s final claimed supporting data.” The proposed definition for “FTY” is the 12-consecutive-month period beginning the day after the end of the HTY and reflecting in part the public utility’s estimated results of operations based on adjustments to HTY amounts for known and measurable changes or other adjustments as supported by data. This is consistent with how the term is used under the existing regulations.

We propose to define “HTY” as the 12-consecutive-month period that reflects actual results of operations of the public utility based on book values. Consistent with the detail in Section 53.52, we propose that the dates for the HTY may correspond to: (1) for a small water or a small wastewater public utility, the experienced 12-consecutive-month period, the end of which may not be more than 180 days prior to the filing, and (2) for public utilities not covered by (1), (A) the public utility’s most recent experienced 12-consecutive-month fiscal period or (B) the experienced 12-consecutive-month period, the end of which may not be more than 120 days prior to the filing of the rate change. Further, the proposed definition is consistent with waivers granted by the Commission relative to the start of a HTY. See, e.g., Request of Citizens’ Electric, et al., Docket Nos. R-2019-3008212, et al. (Sec. Letter issued March 25, 2019).

We propose to define “test year” as the 12-consecutive-month period used by the public utility in discharging its burden of proof under 66 Pa.C.S. § 315(a), regardless of whether the public utility predicates its proposed rates on a HTY, a FTY or a FPFTY.

We also propose consolidating into Section 53.51a definitions for “Artificial gas,” “EMOF—Emergency maintenance and operation fund,” “Reserve account,” “Small wastewater public utility,” and “Small water public utility.” Further, we propose a definition for “artificial gas.”

3. Section 53.52. Applicability; public utilities other than canal, turnpike, tunnel, bridge and wharf companies

a. Existing Provisions

Section 53.52 governs the information to be provided by a public utility, other than a canal, turnpike, tunnel, bridge or wharf company, when it files a tariff, revision or supplement either (1) effecting changes in the terms and conditions of service; or (2) increasing or decreasing bills to its customers. With respect to bill increases or decreases, Section 53.52 requires the public utility to provide information and data using the public utility’s HTY.

b. Proposed Revisions to Existing Provisions

In Section 53.52(a) and (b), we propose housekeeping updates to clarify language and remove redundant language.

Section 53.52(a)(7) uses the term “subsection” to refer to itself, and Section 53.52(a)(8) uses the term “paragraph” to refer to itself. As a housekeeping update in this section, we propose to use the term “paragraph” for both internal references.

In Section 53.52(b) and (c), we propose to replace descriptive language of the HTY with the actual defined term “HTY,” where applicable.

In Section 53.52(d), we propose a housekeeping revision to clarify that the reference to (c)(2) is to Section 53.52(c)(2).

4. Section 53.53. Information to be furnished with proposed general rate increase filings in excess of \$1 million

a. Existing Provisions

Section 53.53¹⁵ governs the information and data to be provided by a public utility, other than a canal, turnpike, tunnel, bridge or wharf company, when it files a general rate increase under 66 Pa.C.S. § 1308(d) in excess of \$1 million in gross annual revenues. There are four exhibits, Exhibits A, B, C, and D, containing sets of filing requirements according to the utility type indicated and seeking information and data for the public utility’s HTY and FTY. In relevant part,¹⁶ Exhibit A to that section addresses the information and data to be provided by public utilities other than telecommunications, electric, water, and wastewater public utilities. Effectively, Exhibit A applies to public utilities providing natural gas, artificial gas and steam heat.¹⁷ Exhibit C addresses electric public utilities. Exhibit D addresses water and wastewater public utilities.¹⁸ These three exhibits provide the initial filing requirements and framework for the provision of information and data in support of a public utility’s general rate increase request in the HTY and FTY. Section 53.53 also requires the public utility to file direct testimony in support of the public utility’s positions.

b. Proposed Revisions to Existing Provisions

In Section 53.53(a), we propose adding language directing public utilities to provide the filing information in the Exhibit according to their utility type. A new Section 53.53(a)(5) is added to refer to the new Exhibit E being proposed, which is discussed further as follows.

As noted previously, in Section 53.53(b) we propose deleting the language identified previously relating to the terms “HTY” and “FTY,” since the need for the language would be replaced by the definitions in the new Section 53.51a.

¹⁵ The provisions of Section 53.53 were adopted September 2, 1977, 7 Pa.B. 2527; amended through March 29, 1985, effective for rate increase requests filed on and after July 1, 1985. Those public utilities meeting the filing requirements in the new regulations were permitted, upon request, to file under the new regulations at an earlier date, 15 Pa.B. 1178; amended October 23, 1987, effective November 23, 1987, 17 Pa.B. 4221; corrected May 13, 1994, effective December 3, 1983, 24 Pa.B. 2533; amended May 20, 2005, effective May 21, 2005, 35 Pa.B. 3024.

¹⁶ Exhibit B is not at issue as it refers to telecommunications utilities, which are not affected by Act 11. Among other things, 66 Pa.C.S. §§ 3011—3019, Chapter 30 (2004), instituted alternative rate setting processes for incumbent local exchange carriers (ILECs) that allowed them to move away from traditional rate base/rate-of-return regulation. Similarly, competitive local exchange carriers (CLECs) are currently not regulated on a rate base/rate-of-return basis. Also, to a degree, Section 53.59 (relating to cost support requirements and effective filing dates for tariff filings of noncompetitive services) has replaced Section 53.53 Exhibit B. Section 53.59 governs the filing requirements and information that needs to be filed for a rate increase for both ILECs and CLECs. See 30 Pa.B. 6202. Further, Section 53.59 and other telecommunications sections in Title 52 of the *Pennsylvania Code* are now under review in the Commission’s pending rulemaking at Docket No. L-2018-3001391 regarding Chapters 53, 63 and 64. Parties are invited to comment on whether, inter alia, to withdraw Exhibit B entirely as part of this rulemaking, to defer that consideration to Docket No. L-2018-3001391, to amend Exhibit B, or to leave Exhibit B as it is.

¹⁷ We note an anomaly regarding the existing Exhibit A, which is proposed for deletion. While Exhibit A is applicable to utilities “except communications, electric, water and wastewater utilities,” it contains the following section pertaining to telephone utilities with filing requirements appearing thereunder. (The filing requirements themselves are not reproduced below):

B. TELEPHONE UTILITIES ONLY, IN ADDITION TO PROVIDING THE INFORMATION REQUESTED IN “A.” HEREINABOVE, PROVIDE THE FOLLOWING ADDITIONAL INFORMATION IF YOU PROCURE MATERIALS, SUPPLIES, OR SERVICES FROM A MANUFACTURING SUBSIDIARY

¹⁸ As noted above, Exhibit B is not at issue as it refers to telecommunications utilities, which are not affected by Act 11.

In Section 53.53(c), we propose to delete the existing language and replace it with more succinct and clear language relating to the filing of direct testimony.

Under the Commission's existing regulations, when a public utility elects to use a FTY in discharging its burden of proof, the public utility is also required to provide actual data for the experienced HTY. See 52 Pa. Code §§ 53.52, 53.53, 53.56. When a public utility uses a FTY, the HTY serves as a base year or baseline to connect a public utility's experienced results with its future estimates in the FTY. In the absence of this historical information and data, the ability to evaluate the validity of a public utility's forecasts or estimates is constrained. Thus, as part of the existing standard filing requirements in rate cases, Sections 53.52, 53.53 and 53.56 require a public utility to provide information and data for the HTY as well as for the FTY. Based on the foregoing, we take the same approach for the FPPTY. We propose that a public utility electing to use a FPPTY be required to provide experienced data for the HTY and the FTY as well as its estimated data for the FTY. The provision of this historical data in the HTY and FTY as well as the intervening estimated data for the FTY will enable a thorough evaluation by the Commission of the validity of a public utility's forecasts for the FPPTY.

Accordingly, under our proposed approach of eliminating Exhibits A, C, and D, as discussed below, the new Section 53.53(a.1) would direct public utilities using the proposed new Exhibit E, in all cases, to provide the information requested for the HTY and any years prior to the HTY. It further would direct that if the public utility uses a FTY in discharging its burden of proof, it must provide the data requested in Exhibit E for the FTY but not for the FPPTY. It would further clarify that if the public utility uses a FPPTY, it would have to provide the data requested in Exhibit E for the FTY and the FPPTY and any years following the FPPTY. We expect that the HTY and FTY data and information would be provided in proximity and association with the data and support provided for the FPPTY. Section 53.53(a.1) would clarify that if a public utility elects to use a FTY and a question in Exhibit E requests information for the year(s) immediately following the FPPTY, then the public utility would be required to provide the information for the years immediately following the FTY (instead of the FPPTY). We invite comments on this approach.

c. Exhibits A, B, C, and D

We note that the ANOPR Order did not contemplate changes to Exhibit A, B, C, or D, except for a housekeeping change proposed to Exhibit D.¹⁹ We considered preserving the requirements of Exhibits A, B, C, and D for rate cases in which a utility, in discharging its burden of proof, uses a HTY or a FTY and does not use a FPPTY. We also considered adapting the existing Exhibits A, C, and D to add FPPTY provisions to them. We note, however, that there is little consistency among Exhibits A, C, and D regarding what the exhibits require. Further, we have learned, at least anecdotally, that depending on the industry generally and on the public utility particularly, some public utilities voluntarily include significantly more information with their rate case filings than others, thereby significantly reducing the need for discovery, saving both time and money for all parties concerned.

¹⁹ Specifically, in Exhibit D—§ 5.423 is referenced in Section VII.25. Section 5.423 has, however, been replaced by § 5.365 (relating to orders to limit availability of proprietary information), effective September 21, 2013, 43 Pa.B. 5593. If Exhibit D is retained, we would continue to propose to update that cross reference.

To update all provisions in Exhibits A, B, C, and D would in essence require a near-complete re-writing of each of them.

We now propose to eliminate Exhibits A, C, and D,²⁰ and replace them solely with the proposed new Exhibit E, attached to this Clarified NOPR as Clarified Annex B. As discussed further below, we currently view the proposed new Exhibit E as an overall improvement upon the existing data requirements in Exhibits A, C, and D by standardizing, streamlining, and supplementing those requirements.

Finally, we are not currently proposing to eliminate or amend Exhibit B because the stakeholder process did not have participation by telecommunications stakeholders. However, Section 53.59 (relating to cost support requirements and effective filing dates for tariff filings of noncompetitive services) has in large measure replaced Section 53.53 Exhibit B for telecommunications public utilities that use alternate rate making. Section 53.59 governs the filing requirements and information that needs to be filed for a rate increase for both Incumbent Local Exchange Carriers (ILECs) and Competitive Local Exchange Carriers (CLECs). See 30 Pa.B. 6202. Further, Section 53.59 and other telecommunications sections in Title 52 of the *Pennsylvania Code* are now under review in the Commission's pending rulemaking at Docket No. L-2018-3001391 regarding Chapters 53, 63 and 64. Parties are invited to comment in this proceeding on whether, inter alia, to withdraw Exhibit B entirely as part of this rulemaking, to leave Exhibit B as it is, or to incorporate provisions for telecommunications public utilities into the proposed Exhibit E. (*Editor's Note: The then-pending rulemaking at Docket No. L-2018-3001391 was published at 52 Pa.B. 5049 (August 13, 2022) as final.*)

d. Proposed New Exhibit E

Attached as Clarified Annex B to this Clarified NOPR, we propose a new Exhibit E—Filing requirements for public utilities seeking a general rate increase above \$1 million in annual gross revenues to Section 53.53. The proposed Exhibit E would require a public utility to furnish certain information and data addressing rate base, rate of return, financial statements, operating revenues, operating expenses, depreciation expense, interest expense, taxes, and employee costs, pension and other benefits expense, rate structure, cost of service allocation, and the public utility's Commission-approved Long-Term Infrastructure Improvement Plan (LTIIP) and Annual Asset Optimization Plan (AAO Plan).²¹

The proposed Exhibit E applies to natural gas, artificial gas, electricity, steam, water and wastewater public utility types, as well as stormwater provided by water and sewer authorities in cities of the second class, and includes both (1) general filing requirements, applying

²⁰ Due to their large sizes, the existing Exhibits A, C, and D currently in § 53.53 are not printed in full in the Clarified Annex A to this Clarified NOPR Order as a proposed deletion and also are not being published in full as a proposed deletion in the *Pennsylvania Bulletin*.

²¹ While implementation issues related to a public utility's distribution system improvement charge (DSIC), as authorized under Act 11, have been addressed in other Commission-docketed proceedings, the proposed Exhibit E requires a public utility to furnish relevant documentation relating to its LTIIP and AAO Plans. See 66 Pa.C.S. §§ 1352-1360; see also Act 11 Implementation Order; see also Review of LTIIP, Docket No. 2012-2317274 (Order entered May 23, 2014) (establishing regulations in §§ 121.1—121.8 relating to LTIIPs).

equally to these utility types, and (2) industry-specific filing requirements, applicable to a particular public utility type as indicated.²²

In drafting the proposed Exhibit E, we attempted to streamline, update, standardize and supplement the filing requirements across the various public utility types using Exhibits A, C, and D to formulate the structure of the proposed new Exhibit E. To that, we note that there are several points of divergence between the data and supporting information required by the existing Exhibits A, C, and D for the various public utility types. Some of these differences are preserved in the proposed Exhibit E as industry-specific information filing requirements while others are standardized as general filing requirements. We also incorporated many of the items commonly sought through discovery by interested parties in voluntary rate filings.

Accordingly, in the proposed Exhibit E, Subsections E.III.A.—E.III.N. provide common filing requirements for the electricity, natural and artificial gas, steam, water, wastewater and stormwater public utility industries. Subsections E.IV.A.—E.IV.D. provide further filing requirements specific to public utility industries, specifically water, wastewater, stormwater, natural gas, artificial gas and steam heat public utilities.

Below is an overview of the proposed new Exhibit E:

Exhibit E—Filing requirements for public utilities seeking a general rate increase above \$1 million in annual gross revenues.

Subsection E.I. Applicability.

Subsection E.II. Definitions.

Subsection E.III. General filing requirements that delineate the following:

- A. General
- B. Summary of Filing
- C. Description of Public Utility Operations
- D. Rate Base
- E. Rate of Return
- F. Balance Sheet
- G. Income Statement and Cash Flow Statement
- H. Operating Revenue
- I. Operating Expenses
- J. Employee Costs, including Related Costs such as Benefits and Retiree Costs
- K. Depreciation
- L. Taxes
- M. Rate Structure, Cost of Service Allocation Study, Bill Frequency Analysis, and Special Rate Contracts

²² Telecommunications stakeholders did not participate in the ANOPR Order stakeholder process. As noted above, Exhibit B refers to telecommunications utilities, which are subject to Chapter 30 (2004). Chapter 30 (2004) instituted alternative rate setting processes for ILECs that allowed them to move away from traditional rate base/rate-of-return regulation. Similarly, CLECs are currently not regulated on a rate base/rate-of-return basis. Also, to a degree, Section 53.59 (relating to cost support requirements and effective filing dates for tariff filings of noncompetitive services) has replaced Section 53.53 Exhibit B. Section 53.59 governs the filing requirements and information that needs to be filed for a rate increase for both ILECs and CLECs. See 30 Pa.B. 6202. Further, Section 53.59 and other telecommunications sections in Title 52 of the *Pennsylvania Code* are now under review in the Commission's pending rulemaking at Docket No. L-2018-3001391 regarding Chapters 53, 63 and 64. Parties are invited to comment on whether, inter alia, to withdraw Exhibit B entirely as part of this rulemaking, to defer that consideration to Docket No. L-2018-3001391, to amend Exhibit B, or to leave Exhibit B as it is. (*Editor's Note*: The then-pending rulemaking at Docket No. L-2018-3001391 was published at 52 Pa.B. 5049 (August 13, 2022) as final.)

N. Long Term Infrastructure Improvement Plan and Annual Asset Optimization Plan

Subsection E.IV. Industry Specific Filing Requirements

A. Water, Wastewater and Stormwater Public Utilities

B. Gas Public Utilities

C. Manufactured Gas Public Utilities

D. Steam Public Utilities

For discussion, we note that in certain areas of the filing requirements, certain financial information and data is sought not just for the public utility but also its parent company and the consolidated group. We propose to add definitions for the terms “affiliated company,” “consolidated group,” “parent company,” “public utility,” and “subsidiary company,” as follows (in alphabetical order as appearing in the proposed Exhibit E in Clarified Annex B):

Affiliated company—A company in any chain of successive ownership of stock or membership interest, regardless of the tier, under the parent company.

Consolidated group—The public utility and its parent company and affiliated companies.

Parent company—The beneficial holder of the largest voting interest in the public utility or the company listed at the top of a corporate hierarchy structure with ultimate controlling interest in the public utility. Includes the municipality if the public utility is a municipal utility subject to Commission regulation.

Public utility—For purposes of this Exhibit E, the filing entity using a FPPTY pursuant to this subchapter (relating to rates).

Subsidiary company—A company in which the public utility is the beneficial holder of the largest voting interest.

We note these definitions were not proposed or discussed during the ANOPR Order stakeholder process. As for the definition of “parent company,” this proposed definition recognizes that the direct parent company of a public utility may be a holding company and not the ultimate controlling parent for which the data is being sought. We invite comment on these proposed definitions and the use of these defined terms in the filing requirements.

We noted the frequent use of other undefined terms in the filing requirements that resulted from the ANOPR Order stakeholder process. We anticipate that it would bring clarity to assign definitions to such terms. Accordingly, we propose to define the following terms in Exhibit E in Clarified Annex B as follows:

AFUDC—Allowance for funds used during construction—The capitalized cost of debt and equity funds used to finance an addition of public utility plant to rate base while the plant is under construction.

Billing determinant—The detailed customer usage data per unit of consumption by rate schedule needed to bill customers at present rates, for example, kWh for electric utilities, Mcf for gas utilities, or other unit of consumption for water or wastewater, as specified by the public utility in an approved tariff.

CWIP—Construction work in progress—A holding account for capitalizing construction costs of public utility plant not yet ready to be placed in service.

Customer class—A broad rate group that is used to allocate costs for rate design, such as residential, commercial and industrial classifications.

Customer charge—A flat monthly charge to cover fixed costs incurred to provide public utility service to a customer.

Pro forma—Calculations of financial results using certain projections or assumptions as delineated by the public utility which provide information about the public utility's potential financial performance in a test year.

Rate schedule—A specific rate group within a customer class defined in the public utility's tariff.

Tariff—A document, on file with, and approved by, the Commission, establishing the types of rates charged for specific public utility services and the general terms and conditions under which such services will be provided.

USoA—Uniform System of Accounts—An accounting system prescribed by FERC and adopted by the Commission applicable to public utilities regulated by the Commission. The accounting system prescribes the manner and form by which public utility accounts shall be maintained.

Again, we note these definitions were not proposed or discussed during the ANOPR Order stakeholder process. We invite comment on these proposed definitions and the use of these defined terms in the filing requirements. We also invite comments on whether additional definitions are needed.

We have largely refrained from referring specifically to stakeholder discussions, but we note, without specific attribution, that the proposed Exhibit E, subsection III.D. Rate Base, Requirement 11, generated an extensive discussion during the stakeholder process. At this stage, we propose inclusion of this requirement as we understand that it is intended to obtain information and data pertaining to projected plant additions during the FPFTY. The proposed requirement would require a public utility to:

Provide a schedule that shows a breakdown of plant additions and retirements by plant account for the FTY and the FPFTY, showing all of the following:

- a. Account number.
- b. Description of the addition.
- c. Project number.
- d. Addition amount.
- e. Completion date.
- f. Description of retirement.
- g. Retirement amount.
- h. Grand totals.

The information that would be required could permit further discovery by parties to a general rate increase case as well as permit an evidence-based determination by the Commission on the merits of including or excluding the plant for rate recovery. Specifically, the proposed data would appear to go to the question of whether a projected plant addition appears certain to occur in the FPFTY and whether it would be reasonable for inclusion in rate recovery from consumers. The proposed data would, in the alternative, appear to address whether the projected plant addition is speculative or in the preliminary planning stages and thus should be excluded from rate base. See *UGI Electric* at 28, 31 (denying the

inclusion of a \$13.4 million Operations Center in rate base because, based on the evidence presented, there was too much uncertainty surrounding the proposed building to conclude with reasonable certainty that it would be operational in the FPFTY). We anticipate extensive comment on this issue.

The following terms, as proposed for use in Exhibit E, are sourced from the existing exhibits but are not clearly defined in the existing exhibits: "investment tax credits" and "job development credits." Parties are requested to provide their understanding, including citations, of these terms as they would be used in Exhibit E.

We propose for use in Section III.K.31 of proposed Exhibit E the following language:

III.K.31. Regarding responses to these filing requirements on income taxes paid on the HTY operating statement, reconcile data from both federal and state income taxes showing effects due to normalization, yearly write-offs of past years, income tax deferrals and normalization of investment tax and development credits.

This proposal draws upon the following provision in existing Exhibit A:

Reconcile all data given any answers to questions on income taxes charged on the HTY operating statement with regard to income taxes paid, income taxes charged because of normalization and credits due to yearly write-offs of past years' income tax deferrals and from normalization of investment tax and development credits. (Both Federal and State income taxes.)

Parties are requested to address the proposed filing requirement as it would be used in Exhibit E.

We propose for use in Section III.K.8 of proposed Exhibit E the following language:

III.K.8. Provide a table showing the cumulative depreciated original cost by year of installation for public utility plant by asset type in service at the end of the HTY, the FTY and the FPFTY (depreciable plant only) as claimed in the measures of value. Formulate the table with all of the following:

- a. Column 1: Year installed.
- b. Column 2: Original cost.
- c. Column 3: Accrued depreciation.
- d. Column 4: Depreciated original cost (which is original cost minus accrued depreciation); total this column.
- e. Column 5: Cumulative depreciated original cost, increased year by year.
- f. Column 6: Cumulative depreciated original cost, year by year, divided by the total of column 4, shown as a percent.

This proposal draws upon multiple references in the existing exhibits to "measures of value," "depreciated original cost," "surviving cost," "survivor curve," "calculated depreciation reserve," and "annual depreciation accruals" as well as other elements to be provided in various formats and tables to arrive at cumulative depreciated original cost by year. Parties should comment on how this table should be structured including definitions for the terms used in the table if existing terms are not clear.

Section IV.A.6.c.i would use the term “acute” to modify the term “violation.” This term is used only once and is drawn from the existing Exhibit D. Parties are requested to provide their understanding, including citations, of the term “acute” as it would be used in Exhibit E or propose alternative language.

In proposed sections IV.B.8 and IV.B.9 of Exhibit E, we propose the following two requirements:

8. To the extent applicable, provide the annual recorded expenses by USoA for the HTY and as projected for the FTY and FPFTY by account. Identify all accounts used but not specifically listed in B.9 below.

9. Natural gas production expenses: To the extent applicable, provide the annual recorded expenses by USoA for the HTY and as projected for the FTY and FPFTY by the following accounts: . . .

It is possible that these two proposed requirements are covered by proposed section III.B.11 in proposed Exhibit E. Parties are requested to address whether the proposed sections IV.B.8 and IV.B.9 of Exhibit E are redundant or whether they would require information not otherwise addressed in the proposed Exhibit E.

5. *Section 53.54. Small water and wastewater utilities*

a. *Existing Provisions*

In paragraph (6) of Section 53.54(a), a small water or wastewater public utility is defined as having annual gross revenue of less than \$250,000.

Section 53.54 governs the information and data to be furnished by small water and small wastewater utilities to support their rate filings. Small water and wastewater public utilities have been able to request and use short-form rate forms under the existing regulations. See Section 53.54(6). The short-form schedules, with instructions, as developed by Commission staff, that are currently available for optional use by small water public utilities and wastewater public utilities, are available for download from the Commission’s website at <https://www.puc.pa.gov/filing-resources/forms/waterwastewater-forms/>.

A small water public utility or a small wastewater public utility is permitted to use an EMOF to cover listed contingencies if they occur with no return on such funds; EMOF funds cannot be claimed as part of a public utility’s rate base. They are subject to strict and extensive Commission oversight regarding use and disbursement. Contributions to an EMOF, which are collected from customers through rates, are treated as an expense. See Small Water and Sewer Company Rate Methodologies, Docket No. L-00930082, 27 Pa.B. 301 (January 18, 1997).

b. *Proposed Revisions to Existing Provisions*

We propose to refine the references to small water and small wastewater public utilities consistent with Commission interpretation of this existing subsection and with the proposed definitions of “small water public utility” and “small wastewater public utility” in Section 53.51a. Throughout Section 53.54, we propose to update the terms to reflect a small water or a small wastewater public utility.

We also propose to define “EMOF” in Section 53.51a and propose to provide clarity on the use of an EMOF in Clarified Annex A.

c. *Proposed Use of Short-Form Schedules and Instructions*

In Section 53.54(a), we propose to direct small water and small wastewater public utilities to use Short-Form Schedules, to be available on the Commission’s website, as the starting point for their Section 53.54 rate change filings. The use of Short-Form Schedules by a small water or small wastewater public utility would standardize and streamline the filing requirements necessary for these entities. This would also present the potential for increased process efficiency for the Commission Staff responsible for reviewing the rate change filing and preparing a report for Commission action.

We are proposing several revisions to the existing Short-Form Schedules and Instructions which are available for download from the Commission’s website at <https://www.puc.pa.gov/filing-resources/forms/waterwastewater-forms/>. The proposed revisions to the Short-Form Schedules and Instructions include:

(1) Disclaimers that each document is an informal staff opinion, is only an aid to the public utilities and the public, does not have the force and effect of law or legal determination and is not binding on the Commonwealth or the Commission. See 52 Pa. Code § 1.96 (relating to unofficial statements and opinions by Commission personnel).

(2) Housekeeping and administrative edits such as changing references to “Office of Trial Staff” to “Bureau of Investigation and Enforcement.”

The proposed revisions to the Short-Form Schedules include:

(3) Adding formulas that calculate adjustments or claims for the adjusted test year, including the following:

(a) The maximum allowable operating revenue increase based on the public utility’s claims for expenses, rate base and rate of return compared with operating revenue at present rates.

(b) Cash working capital rate base claim equals (total operating and maintenance expenses minus purchased water or wastewater conveyance and/or treatment and minus non-cash operating and maintenance expenses) divided by 8.

(c) Revenue Factor Adjustment to account for increases in bad debt expense, regulatory expense (that is, Commission, OCA and OSBA assessments) and for Federal and State income tax expenses that directly result from increases in operating revenues. Rates for bad debt expense and regulatory commission expense would be based on adjusted test year claims. Federal and State income tax expenses would be based on default rates of 21% and 9.99%, respectively, and would consider the deductibility of state income taxes for federal income tax purposes.

(4) Revising Schedule D—Statements of Income to include additional account numbers from Schedule 407 of the water and wastewater annual report forms including bad debt expense and regulatory commission expense account numbers.

The proposed revisions to the Short-Form Schedule and Instructions include adding the following directives:

(5) Provide information for proposed changes in terms and conditions of service. See 52 Pa. Code § 53.52(a).

(6) Explain how cash working capital is calculated including the formula used to calculate the claim. Exclude the following from cash working capital when the 1/8 method is used:

(a) Exclude income taxes because income taxes are not an operating and maintenance expense, and funds are collected from customers prior to payments being made;

(b) Exclude Purchased Water or Wastewater Conveyance/Treatment expenses because funds are collected from customers prior to payments being made unless the public utility can justify that it is billed in advance for services rather than in arrears; and

(c) Exclude non-cash operating and maintenance expenses, such as depreciation, amortization, and bad debt expenses.

(7) Explain how the revenue factor adjustment is calculated.

(8) Use Federal and State income tax rates of 0% if the public utility is not subject to corporate income tax (that is, sole proprietorships, partnerships, certain limited liability corporations, S-Corporations, and municipal corporations).

(9) Schedule D—Statements of Income and the public utility's rate base claim:

(a) Base claims on facility service lives rather than tax lives;

(b) Consider historic service lives that the public utility used for similar facilities and service lives from recent service life studies and/or annual depreciation reports filed with the Commission when selecting service lives for new utility facilities; and

(c) Annualize related depreciation expenses to reflect the actual annual depreciation expense the public utility will incur going forward for facilities that were added or that became fully depreciated, or both, during the test year.

(10) Schedule G—Rate of Return:

(a) Consider using a return on equity that is no greater than the Commission-approved return on equity for water and wastewater utilities for DSIC purposes, as specified in the most recent Bureau of Technical Utility Services Report of the Quarterly Earnings of Jurisdictional Utilities; and

(b) Reduce the rate of return to reflect the fact that the investor is not subject to income taxes if the public utility is a municipal entity.

The proposed revisions to the instructions also would include:

(11) A link to the most recent Bureau of Technical Utility Services Report of the Quarterly Earnings of Jurisdictional Utilities on the Commission's website.

(12) Explanation of the option order process described in 52 Pa. Code § 53.54(a).

(13) Explanation of the option of alternative rate-making methodologies, such as the operating ratio methodology under § 53.54(b) and multiyear rate plans pursuant to 66 Pa.C.S. § 1330(b).

(14) A sample certificate of service.

(15) A link for *A Guide to Utility Ratemaking* on the Commission's website.

(16) Information regarding posting of customer notices in public utility offices and issuing news releases. See 52 Pa. Code § 53.45(b)(1) and (3).

(17) Sample customer notice and the telephone number for the Commission's Bureau of Consumer Services.

While we invite comments on the use and content of the Short-Form Schedules and Instructions, we specifically invite comments on whether it would be reasonable for small water or wastewater pass-through entities (that is, entities other than municipal corporations) that are not subject to corporate income tax to be permitted to use statutory corporate tax rates when completing the form or for the Commission to consider awarding additional return on equity basis points for such entities.

These Short-Form Schedules and Instructions will not be promulgated in the regulations.²³ Rather, after reviewing any comments or reply comments submitted to the Commission in this proceeding relating to the existing schedules and instructions and the areas of proposed revisions identified above, we intend to adopt final Short-Form Schedules and Instructions in a future Commission order. The final Short-Form Schedules and Instructions would be available on the Commission's website and be subject to future modification by Commission order. The final-form regulation will list the information to be required and that the information is required to be filed on a form provided by the Commission.

6. *Section 53.55. Applicability; canal, turnpike, tunnel, bridge, and wharf companies*

a. *Existing Provisions*

Section 53.55 governs the information to be provided by a canal, turnpike, tunnel, bridge or wharf company public utility when it files a tariff, revision or supplement increasing or decreasing rates and seeks information and data using the public utility's HTY.

b. *Proposed Revisions to Existing Provisions*

We invite comment as to whether this Section 53.55 is being used in contemporary rate cases or rate change filings of canal, turnpike, tunnel, bridge or wharf companies. In conducting our review, we were not able to locate any recent or historical rate cases or rate change filings of canal, turnpike, tunnel, bridge or wharf companies using Section 53.55. We ask that commenters address whether this entire section is still necessary or if it can be deleted for lack of use.

If it appears we should keep Section 53.55, like Section 53.52(b) and (c), we propose in Section 53.55(a) and (b) to replace descriptive language of the HTY with the actual defined term "HTY," where applicable. Additionally, if Section 53.55 is retained, we would add a provision to the definition of "HTY" in Section 53.51a that for canal, turnpike, tunnel, bridge and wharf companies, the HTY would be "the 12-consecutive-month period, the end of which may not be more than 60 days prior to the filing."

7. *Section 53.56. Supporting data for future test year*

a. *Existing Provisions*

Section 53.56 permits the use of a FTY in discharging a public utility's burden of proof under Section 315 of the Code, and specifies that if a FTY is used, it shall be in addition to, and not in lieu of, other data and material required to be submitted for the HTY.²⁴ It also provides

²³ The adoption of a form as a regulation requires an agency to amend the regulation to change the form, even if only a minor change is necessary.

²⁴ Section 53.56 became effective January 3, 1989, 18 Pa.B. 5451.

that a FTY shall be based on estimates for a period of 12-consecutive months, beginning on the day following the end of the HTY. If a FTY is used, Section 53.56 requires the public utility to submit for the record, during the rate proceeding, the results of its actual experience in the FTY for each quarter starting with the day following the end of the HTY within 30 days of the end of the quarter or as soon thereafter as available.

b. *Proposed Revisions to Existing Provisions*

We propose to preserve the major substantive provisions of the existing Section 53.56. We propose some housekeeping updates, however. First, to separate the different concepts being addressed, we propose to separate certain text appearing in subsection (a) into a new subsection (a.1). In the new subsection (a.1), we propose to add “fully substantiated” before estimates to clarify that the FTY shall be based on fully substantiated estimates. Finally, we propose to replace the term future test year with FTY and the descriptive language of the HTY with the actual term “HTY.”

We note that the existing Section 53.56(b) requires the public utility, if a FTY is used, to submit for the record, during the rate proceeding, the actual results of its experienced quarter in the FTY, starting with the day following the end of the HTY within 30 days of the end of the quarter or as soon thereafter as available. We propose in a new § 53.56(c) that, following the completion of a rate proceeding, the public utility be required to also file “appropriate data evidencing the accuracy of the estimates” used to calculate its cost of service components in the FPFTY. Section 53.56(b) and our proposed revisions in § 53.56(c), and § 53.56a discussed below, are consistent with the requirements in Section 315(e) relating to the potential of a public utility to over-project its estimates in the FTY or the FPFTY:

Whenever a utility utilizes a [FTY] or a [FPFTY] in any rate proceeding and such [FTY] or a [FPFTY] forms a substantive basis for the final rate determination of the commission, the utility shall provide, as specified by the commission in its final order, appropriate data evidencing the accuracy of the estimates contained in the [FTY] or a [FPFTY], and the commission may after reasonable notice and hearing, in its discretion, adjust the utility’s rates on the basis of such data.

66 Pa.C.S. § 315(e).

8. *Proposed New Section 53.56a. Supporting data for fully projected future test year*

We propose to add a new Section 53.56a regarding supporting data required if a public utility is using a FPFTY. Section 53.56a(a) would provide that if a FPFTY is used, the public utility would also submit information and data for the HTY and FTY. Section 53.56a(b) would provide that if a FPFTY is used, it would be based on fully substantiated estimates and that the estimates for a FPFTY would have to be of the same or similar type, quantum and nature as required to be submitted for a HTY and FTY and would have to describe the methodology, data and material used as the basis for the estimates.

Finally, consistent with the language in Section 315(e) discussed above, Section 53.56a(c) provides that if a public utility submits and uses data for a FPFTY and such FPFTY forms a substantive basis for the final rate determination of the Commission, it shall, following the completion of the proceeding, file with the Commission and serve on the interested parties in the same docketed

proceeding in which the final rate determination was entered, the results of its actual experience in the FPFTY. The results shall be submitted within 30 days of the end of the last quarter of the FPFTY or as soon thereafter as available. The public utility shall submit such data as appropriate evidencing the accuracy of the estimates contained in the FPFTY.

D. *Comments and Reply Comments*

We invite public utilities and other interested parties to file comments and/or reply comments on this Clarified NOPR Order and the proposed changes to our regulations as set forth in Clarified Annex A and Clarified Annex B. Parties may provide comments or reply comments on any existing or proposed provisions, including terms and definitions, of Sections 53.51—53.56a regardless of whether comments are specifically invited. We note that “major” and “significant” are used several times in Clarified Annexes A and B. We invite the parties to comment on how to quantify these terms relative to the sections where they are used. Parties may also offer suggestions for additional provisions not covered in the proposed regulations.

We establish a 90-day comment period, consisting of a 45-day comment period and a 45-day reply comment period. Comments will be due within 45 days of publication of this Clarified NOPR Order in the *Pennsylvania Bulletin*. Reply comments will be due 45 days after the deadline for comments. This Clarified NOPR Order, Clarified Annex A and Clarified Annex B will be served on all parties to this proceeding, made public on the Commission’s website, and provided to the Governor’s Budget Office and the Office of the Attorney General. Publication of the foregoing in the *Pennsylvania Bulletin* will not occur until after this Clarified NOPR Order, Clarified Annex A and Clarified Annex B have been reviewed by the Governor’s Budget Office and by the Office of the Attorney General. Parties should note that the official versions of this Clarified NOPR Order, the proposed Clarified Annex A and proposed Clarified Annex B are the versions published in the *Pennsylvania Bulletin*.

Conclusion

Accordingly, under Sections 315, 501, 1301, 1304, 1308, 1350—1360 and 1501 of the Public Utility Code, 66 Pa.C.S. §§ 315, 501, 1301, 1304, 1308, 1350—1360, and 1501; the Commonwealth Documents Law, Act of July 31, 1968, P.L. 769, as amended, 45 P.S. §§ 1201, et seq.; and the regulations promulgated thereunder, at 1 Pa. Code §§ 7.1—7.4; we propose adoption of new regulations at 52 Pa. Code §§ 53.51—53.56a as set forth in Clarified Annex A and at 52 Pa. Code § 53.53 as set forth in Clarified Annex B; the Short-Form Schedules and Instructions for small water public utility and small wastewater public utilities will not be promulgated in the regulations; *Therefore,*

It Is Ordered That:

1. A proposed rulemaking be opened to consider the regulations set forth in Clarified Annex A and Clarified Annex B.

2. The Law Bureau shall submit this Clarified Notice of Proposed Rulemaking Order and Clarified Annexes A and B to the Office of Attorney General for review and approval and to the Governor’s Budget Office for review for fiscal impact.

3. Upon completion of the reviews by the Office of Attorney General and the Governor’s Budget Office, the Law Bureau shall submit this Clarified Notice of Pro-

posed Rulemaking Order and Clarified Annexes A and B for review and comment to the Legislative Standing Committees, the Legislative Reference Bureau for publication in the *Pennsylvania Bulletin*, and the Independent Regulatory Review Commission.

4. Interested parties may file written comments referencing Docket No. L-2012-2317273 within 45 days of publication in the *Pennsylvania Bulletin*, and may file written reply comments within 45 days of the deadline for comments. Comments and reply comments are to be filed electronically through the Commission’s e-File System. See <https://efiling.puc.pa.gov/> for instructions. Confidential materials should be clearly marked as such and be e-mailed to Rosemary Chiavetta, Commission Secretary, rchiavetta@pa.gov, in lieu of being e-Filed.

5. The Secretary shall serve this Clarified Notice of Proposed Rulemaking Order and Clarified Annexes A and B on the Energy Association of Pennsylvania (EAP), the National Association of Water Companies (NAWC), the Pennsylvania Telephone Association (PTA), all jurisdictional electric distribution companies, all jurisdictional natural gas distribution companies, Philadelphia Gas Works, all jurisdictional water and wastewater utilities, Pittsburgh Water and Sewer Authority (PWSA), the Commission’s Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, and all other parties of record at this docket.

6. The Secretary shall publish to the Commission’s website this Clarified Notice of Proposed Rulemaking Order and Clarified Annexes A and B at Docket No. L-2012-2317273.

7. The contact persons for this rulemaking are Louise Fink Smith, Assistant Counsel, Law Bureau, finksmith@pa.gov; Melanie J. El Atieh, Assistant Counsel, Law Bureau, melatieh@pa.gov; Erin Laudenslager, Manager, Bureau of Technical Utility Services, elaudensla@pa.gov; and Karen Thorne, Regulatory Review Assistant, Law Bureau, kathorne@pa.gov. Parties shall e-mail electronic copies in Microsoft Word®-compatible format of their filings at this docket to these contact persons. Electronic copies in Microsoft Word®-compatible format of all comments and reply comments shall be provided via email to the following Commission email account: RA-PC-FPPTY2317273E@pa.gov.

ROSEMARY CHIAVETTA,
Secretary

ORDER ADOPTED: May 12, 2022

ORDER ENTERED: August 24, 2022

Fiscal Note: 57-334. No fiscal impact; (8) recommends adoption.

Clarified Annex A

TITLE 52. PUBLIC UTILITIES

PART I. PUBLIC UTILITY COMMISSION

Subpart C. Fixed [**Service**] **Services Public** Utilities

CHAPTER 53. Tariffs for [**Noncommon**]
Non-Common Carriers

**INFORMATION FURNISHED WITH THE FILING
OF RATE CHANGES**

§ 53.51. General.

(a) In order that the Commission may be concurrently advised of the net effect of a proposed change in rates upon the customers and the revenues of a public utility, as well as the *prima facie* reasonableness of the proposed

rate changes, the data called for in §§ **53.51—53.56a**, as appropriate, shall accompany the filing of the proposed rates.

(a.1) Each of the following jurisdictional entities listed in paragraphs (1)—(4) are subject to §§ 53.51—53.56a. For purposes of providing the data called for in §§ 53.51—53.56a to accompany the filing of proposed rates, each of the entities described in paragraphs (2)—(4) are subject to the same filing requirements as a public utility, as such term is used in the singular or plural throughout §§ 53.51—53.56a.

(1) A public utility, as such term is defined in 66 Pa.C.S. § 102 (relating to definitions), that owns or operates in this Commonwealth equipment or facilities for at least one of the following activities:

(i) Producing, generating, transmitting, distributing or furnishing natural or artificial gas, electricity or steam for the production of light, heat or power to or for the public for compensation.

(ii) Diverting, developing, pumping, impounding, distributing or furnishing water to or for the public for compensation.

(iii) Wastewater collection, treatment or disposal for the public for compensation.

(iv) Conveying or transmitting messages or telecommunications, except as a canal, turnpike, tunnel, bridge, wharf company and the like, by telephone or telegraph or domestic public land mobile radio service including, but not limited to, point-to-point microwave radio service for the public for compensation.

(2) A city natural gas distribution operation, as the term is defined in 66 Pa.C.S. § 102 and used in the provision of 66 Pa.C.S. § 2212 (relating to city natural gas distribution operations).

(3) An Authority, as such term is defined in 66 Pa.C.S. § 3201 (relating to definitions) and used in the provisions of 66 Pa.C.S. §§ 3202—3209.

(4) A municipal corporation furnishing or rendering public utility services or facilities beyond its corporate limits, but only to the extent of its services or facilities furnished, rendered, or extended beyond its corporate limits, consistent with the jurisdiction conveyed to the Commission in 66 Pa.C.S. § 1501 (relating to character of service and facilities).

(b) [**Utilities**] **Public utilities** shall file with the Commission Secretary an original of the proposed rate changes and of the data required under this chapter. If necessary or appropriate, the Secretary shall request additional copies.

(c) No tariff or tariff supplement will be deemed perfected for filing purposes until all data required by this chapter to accompany the tariff or tariff supplement [**is**] **are** filed with the Commission. A tariff or tariff supplement not accompanied by the data and required to be so accompanied is not perfected for filing purposes and will be rejected unless the Commission, by order and for good cause shown, allows the tariff or tariff supplement to be filed [**;** **however, the submission of data regarding trended original cost referred to by this chapter shall be at the option of the public utility. In the event that**]. **If** a tariff or tariff supplement filing is

deemed not perfected and is rejected [**for the reason that**] **because** it is not in compliance with this chapter, the Secretary will notify the sender, within 30 days after the filing, that the filing is not perfected, and will, in the notice, set forth specifically the deficiencies in the filing.

(1) Whenever a tariff or tariff supplement filing is rejected in accordance with this subsection, the sender, in submitting an amended filing, shall submit a new proposed effective date, not earlier than 60 days after the amended filing is perfected, for the tariff or tariff supplement.

(2) Notwithstanding this subsection, if the Secretary fails to notify the sender within 30 days that a tariff or tariff supplement is not perfected because it is not accompanied by the required data, with deficiencies specifically set forth in the notice, the tariff or tariff supplement will be deemed perfected for filing purposes and will be filed as of the date it was first filed with the Commission.

(d) Each **public** utility filing a proposed rate change with the Commission shall serve a copy of the proposed rate change and supporting data required by this chapter upon the Office of Consumer Advocate[**. Verification of service of this information upon the Office of Consumer Advocate shall be filed with the Commission, the Office of the Small Business Advocate, the low-income advocates for the service territory, the Commission's Bureau of Investigation and Enforcement and the Commission's Bureau of Technical Utility Services. Additionally, the public utility shall file a certificate of service of this information with the Commission.**

(*Editor's Note:* The following text is proposed to be added and is printed in regular type to enhance readability.)

§ 53.51a. Definitions.

The following words and terms, when used in §§ 53.51—53.56a (relating to information furnished with the filing of rate changes), have the following meanings, unless the context clearly indicates otherwise:

Artificial gas—A manufactured gaseous fuel created from coal, oil, and the like, as differentiated from natural gas.

EMOF—Emergency maintenance and operation fund—An expense claim, by a small water public utility or a small wastewater public utility, in lieu of a cash working capital claim which may be allowable in anticipation of emergencies as a restricted reserve account.

FPFTY—Fully projected future test year—A 12-consecutive-month period beginning with the first full month that the new rates will be in effect after the application of the full suspension period permitted under section 1308(d) of the Public Utility Code, 66 Pa.C.S. § 1308 (relating to voluntary changes in rates) and reflecting estimated results of operations of the public utility.

FTY—Future test year—A 12-consecutive-month period beginning the day after the end of the HTY and reflecting in part estimated results of operations of the public utility based on adjustments to HTY amounts for known and measurable changes or other adjustments as supported by data.

HTY—Historic test year—The experienced 12-consecutive-month period that reflects actual results of operations of a public utility based on book values, corresponding to one of the following time frames:

(1) For a small water or small wastewater public utility, the experienced 12-consecutive-month period ending no later than 180 days prior to the rate filing.

(2) For a public utility not subject to paragraph (1), either of the following:

(A) The public utility's most recent experienced 12-consecutive-month fiscal period ending prior to the rate filing.

(B) The experienced 12-consecutive-month period ending no later than 120 days prior to the rate filing.

Reserve account—A segregated account of a small water or a small wastewater public utility, to be funded by customer contributions collected by a small water or a small wastewater public utility through base rates for the purpose of making capital improvements to utility plant pursuant to a long-range plan developed in conjunction with the Commission or the Department of Environmental Protection or as required to assure compliance with Federal or State safe drinking water statutes or regulations.

Small wastewater public utility—A jurisdictional wastewater public utility with average gross annual revenue of less than \$250,000 (in all cases, annual revenue excludes contributions in aid of construction and advances for construction). The term also includes a municipal corporation providing jurisdictional wastewater service outside of its corporate limits with average gross annual revenue for such service of less than \$250,000 (in all cases, annual revenue excludes contributions in aid of construction, advances for construction, and non-jurisdictional operating revenue). Average gross annual revenue is calculated as an average of gross annual operating revenue for the last 3 calendar years.

Small water public utility—A jurisdictional water public utility with average gross annual revenue of less than \$250,000 (in all cases, annual revenue excludes contributions in aid of construction and advances for construction). The term also includes a municipal corporation providing jurisdictional water service outside of its corporate limits with average gross annual revenue for the service of less than \$250,000 (in all cases, annual revenue excludes contributions in aid of construction, advances for construction, and non-jurisdictional operating revenue). Average gross annual revenue is calculated as an average of gross annual operating revenue for the last 3 calendar years.

Test year—The 12-consecutive-month period used by the public utility in discharging its burden of proof under 66 Pa.C.S. § 315(a) (relating to burden of proof).

§ 53.52. Applicability; public utilities other than canal, turnpike, tunnel, bridge and wharf companies.

(a) Whenever a public utility, other than a canal, turnpike, tunnel, bridge or wharf company, files a tariff, revision or supplement effecting changes in the terms and conditions of service rendered or to be rendered, it shall [**submit to**] **file with** the Commission, [**with the tariff, revision or supplement,**] statements showing all of the following:

(1) The specific reasons for each change.

(2) The total number of customers served by the public utility.

(3) A calculation of the number of customers, by tariff subdivision, whose bills will be affected by the change.

(4) The effect of the change on the public utility's customers.

(5) The direct or indirect effect of the proposed change on the public utility's revenue and expenses.

(6) The effect of the change on the service rendered by the public utility.

(7) A list of factors considered by the public utility in its determination to make the change. The list shall include a comprehensive statement about why these factors were chosen and the relative importance of each. This [subsection] paragraph does not apply to a portion of a tariff change seeking a general rate increase as defined in 66 Pa.C.S. § 1308 (relating to voluntary changes in rates).

(8) Studies undertaken by the public utility in order to draft its proposed change. This paragraph does not apply to a portion of a tariff change seeking a general rate increase as defined in 66 Pa.C.S. § 1308.

(9) Customer polls taken and other documents which indicate customer acceptance and desire for the proposed change. If the poll or other documents reveal discernible public opposition, an explanation of why the change is in the public interest shall be provided.

(10) Plans the public utility has for introducing or implementing the changes with respect to its ratepayers.

(11) FCC, FERC or Commission orders or rulings applicable to the filing.

(b) [Whenever] When a public utility other than a canal, turnpike, tunnel, bridge or wharf company files a tariff, revision or supplement which will increase or decrease the bills to its customers, it shall [submit] file with the Commission in addition to the requirements of subsection (a) [, to the Commission, with the tariff, revision or supplement,] statements showing all of the following:

(1) The specific reasons for each increase or decrease.

(2) The operating income statement of the public utility for [a 12-month period, the end of which may not be more than 120 days prior to the filing. Water and wastewater utilities with annual revenues under \$100,000 and municipal corporations subject to Commission jurisdiction may provide operating income statements for a 12-month period, the end of which may not be more than 180 days prior to the filing] the HTY.

(3) A calculation of the number of customers, by tariff subdivision, whose bills will be increased.

(4) A calculation of the total increases, in dollars, by tariff subdivision, projected to an annual basis.

(5) A calculation of the number of customers, by tariff subdivision, whose bills will be decreased.

(6) A calculation of the total decreases, in dollars, by tariff subdivision, projected to an annual basis.

(c) If a public utility files a tariff, revision or supplement which it is calculated will increase the bills of a customer or a group of customers by an amount, when projected to an annual basis, exceeding 3% of the operat-

ing revenues of the public utility—subsection (b)(4) divided by the operating revenues of the public utility for [a 12-month period as defined in subsection (b)(2)] the HTY—or which it is calculated will increase the bills of 5% or more of the number of customers served by the public utility—subsection (b)(3) divided by subsection (a)(2)—it shall submit to the Commission with the tariff, revision or supplement, in addition to the statements required by subsections (a) and (b), all of the following information:

(1) A statement showing the public utility's calculation of the rate of return or operating ratio (if the public utility qualifies to use an operating ratio under § 53.54 (relating to small water and wastewater [utilities] public utilities)) earned in the [12-month period referred to in subsection (b)(2),] HTY and the anticipated rate of return or operating ratio to be earned when the tariff, revision or supplement becomes effective. The rate base used in this calculation shall be supported by summaries of original cost for the rate of return calculation. When an operating ratio is used in this calculation, it shall be supported by studies of margin above operation and maintenance expense plus depreciation as referred to in § 53.54(b)(2)(B).

(2) A detailed balance sheet of the public utility as of the close of the [period referred to in subsection (b)(2)] HTY.

(3) A summary, by detailed plant accounts, of the book value of the property of the public utility [at the date of the balance sheet required by paragraph (2)] as of the close of the HTY.

(4) A statement showing the amount of the depreciation reserve, at the [date of the balance sheet required by paragraph (2)] close of the HTY, applicable to the property, summarized as required by paragraph (3).

(5) A statement of operating income, setting forth the operating revenues and expenses by detailed accounts [for the 12-month period ending on the date of the balance sheet required by paragraph (2)] at the close of the HTY.

(6) A brief description of a major change in the operating or financial condition of the public utility occurring between the [date of the balance sheet required by paragraph (2)] close of the HTY and the date of transmittal of the tariff, revision or supplement. As used in this paragraph, a major change is one which materially alters the operating or financial condition of the public utility [from that] as reflected in paragraphs (1)—(5).

(d) If a public utility renders more than one type of public service, such as electric and natural or artificial gas, information required by §§ 53.51—53.53 (relating to information furnished with the filing of rate changes), except subsection (c)(2), relates solely to the kind of service to which the tariff or tariff supplement is applicable. In subsection (c)(2), the book value of property used in furnishing each type of public service, as well as the depreciation reserve applicable to the property, shall be shown separately.

§ 53.53. Information to be furnished with proposed general rate increase filings in excess of \$1 million.

(a) When a public utility, other than a canal, turnpike, tunnel, bridge or wharf company, files a tariff or tariff

supplement seeking a general rate increase within the meaning of 66 Pa.C.S. § 1308(d) (relating to voluntary changes in rates), and the general rate increase exceeds \$1 million in gross annual revenues, in addition to the data required by other provisions of this chapter, the tariff or tariff supplement shall be accompanied by responses to the data requests contained in the following exhibits which apply to the public utility types, as indicated.

(1) Exhibit A—[Utilities except communications, electric, water and wastewater utilities] [Reserved].

(2) Exhibit B—[Communications] Telecommunications public utilities.

(3) Exhibit C—[Electric utilities] [Reserved].

(4) Exhibit D—[Water and wastewater utilities] [Reserved].

(5) Exhibit E—Filing Requirements For Public Utilities Seeking A General Rate Increase Above \$1 Million In Annual Gross Revenues.

(a.1) In answering the data requests contained in Exhibit E, the public utility shall indicate the test year it has elected to use in discharging its burden of proof. If a public utility elects to use a FTY in discharging its burden of proof, it must provide the data and information requested for the HTY and the FTY but not for the FPFTY. If a public utility elects to use an FPFTY in discharging its burden of proof, it must provide the data and information requested for the HTY, the FTY and the FPFTY. In all cases, the public utility must also provide the data and information for any specified years preceding or following the applicable test year. If a public utility elects to use a FTY and a question in Exhibit E requests information for the year(s) immediately following the FPFTY, the public utility shall provide the information for the years immediately following the FTY.

(b) In providing responses to these data requests, if the requested data have been previously filed with the Commission, they may be incorporated by reference. [Also, the term “historic test year” as used in these exhibits refers to the test year chosen by the utility to support its filing, that is, presumably future test year data would be supplied in most cases. “Historic test year,” as referred to in Exhibit D, is defined as book figures for the base test year. The term “future test year,” as used in Exhibit D, refers to the adjusted historic test year for known and measurable changes 12 months beyond the book figures for the base year, or the utility’s final claimed supporting data.]

(c) [Initial utility direct testimony of a witness who shall testify in support of the utility’s position shall be provided as part of the filing materials. The testimony of the filing utility shall include a complete explanation and justification of claims which depart from the unadjusted test year results of operations, including the methodology and rationale. The testimony shall be accompanied by supporting worksheets, if necessary, and shall refer to supporting exhibits to which the testimony relates. The explanation and documentation of the proposed adjustments shall enable a reasonably in-

formed party to determine how the amount was calculated and to understand why the amount is being claimed] Testimony.

(1) Filed materials shall include the direct testimony of each public utility witness who is testifying in support of the public utility’s position. The public utility’s witness testimony shall be accompanied by supporting worksheets, if necessary, and shall refer to supporting exhibits to which the testimony relates.

(2) If adjustments from the test year are proposed, the public utility’s witness testimony shall also include a complete explanation and justification of any claims which depart from the unadjusted test year results of operations, including the methodology and rationale. The public utility’s witness testimony, explanation and documentation of the proposed adjustments shall enable a reasonably informed party to determine how the amount was calculated and to understand why the amount is being claimed.

(Editor’s Note: The Commission is proposing to amend 52 Pa. Code § 53.53 by deleting Exhibits A, C and D, which appear at 52 Pa. Code Pages 53-21 to 53-61 and 53-80 to 53-100.16, serial pages (213595) to (213598), (311901) to (311902), (213601) to (213612), (311903) to (311904), (213621) to (213630), (311905) to (311906), (213635), (213654) to (213670) and (311907) to (311926). For proposed Exhibit E, see Clarified Annex B.)

§ 53.54. [Small] Applicability; small water and small wastewater public utilities.

(a) *Procedures.*

(1) [Whenever] When a small water or small wastewater public utility desires to file a change in its tariff which increases annual revenues, it may [advise the Commission of its intention in letter form and request the necessary Commission forms] obtain copies of the applicable rate forms from the Commission’s web site. [When filing, the] The small water or small wastewater public utility shall set forth its proposed tariff changes and reasons for the changes, together with the [necessary] completed [Commission] forms. [If the utility is unable to fully complete the necessary forms, it may request assistance from the Commission staff.]

(2) [The small water utility or wastewater utility is required to fully cooperate with the Commission staff in providing the necessary information to complete these forms if the utility is unable to do so on its own] [Reserved].

(3) [Upon completion of the Commission forms in a manner satisfactory to the Commission staff, the] The small water or small wastewater public utility shall file a tariff or tariff supplement, [along with] including the completed forms if used, incorporating the proposed changes. The effective date of the proposed increase contained in the tariff or tariff supplements [may] shall not be less than 61 days after the filing, and customers shall be notified in accordance with § [53.45(a)(2)] 53.45(b)(2) (relating to notice of new tariffs and tariff changes).

(4) On the basis of the tariff or tariff supplement filing, the accompanying data and completed forms if

used, the Commission staff [shall determine] may prepare a report that includes staff-determined tentative allowable revenues [and submit a report to the Commission]. If this report forms the basis of any action by the Commission, the report shall be made public as an attachment to a Commission order as described in paragraph (5).

(5) If the proposed revenues exceed the tentative allowable revenues, the Commission will [**suspend**] **enter an order suspending** the supplement but with a “condition subsequent” added, to the effect that if the **small water or small wastewater public** utility within a specified number of days files a superseding **tariff or tariff** supplement which produces the allowable revenues found by the staff and which has a rate structure satisfactory to the Commission, the suspension and investigation orders of the Commission shall be deemed inoperative and terminated. However, if the **small water or small wastewater public** utility fails to meet the “condition subsequent,” or if a customer files a formal complaint, the **small water or small wastewater public** utility may present the supporting data and the additional facts referred to in this section in formal proceedings. Additionally, in these formal proceedings, the **small water or small wastewater public** utility may agree to accept the most recent rate of return or operating ratio allowed a water or wastewater **public** utility by the Commission in a fully-litigated water or wastewater **public** utility rate case, but the agreement will not be binding on the Commission or any formal complainant.

(6) [**A water or wastewater utility with a gross revenue of less than \$250,000 annually shall be considered a small water or wastewater utility for purposes of short-form rate filings**] [**Reserved**].

(7) When a small water or small wastewater public utility’s operating revenues increase in such amounts that the public utility no longer meets the criteria of the definition of a small water or small wastewater utility at § 53.51a (relating to definitions), the public utility shall continue to use previously Commission-approved EMOF, reserve account and rates and reporting as required under this section until the public utility is permitted by the Commission to change its EMOF or rates as a result of a base rate case filed with the Commission.

(b) *Operating ratio methodology.*

(1) This ratemaking method develops a revenue requirement where little or no rate base exists. The operating ratio at present rates shall be calculated as a ratio of operating expenses to operating revenues, where the numerator shall include operations and maintenance expense, annual depreciation on [**non contributed**] **non-contributed** facilities, amortization of multiyear expenses and applicable taxes and the denominator shall consist of the **small water or small wastewater public** utility’s operating revenues at present rates.

(2) The appropriate target operating ratio in a particular case shall be determined by considering at least **all of** the following factors:

(i) The operating ratios of comparable water or wastewater **public** utilities.

(ii) Coverage of actual hypothetical, or both, interest expense.

(iii) A comparison of the cost of service with the cost of service of similar companies which do not employ an operating ratio rate methodology.

(iv) Current market conditions, including price inflation.

(v) The quality of service and efficiency of operations.

(vi) The rate case history.

(vii) Whether there is any rate base and, if so, whether any depreciation expense is being claimed in the filing.

(viii) An acquisition adjustment, if any.

(ix) Financial resources.

(x) The fairness of the resulting return.

(3) An increase or decrease in operating revenues shall be determined by dividing the **small water or small wastewater public** utility’s reasonable and legitimate operating expenses by the target operating ratio determined in paragraph (2)[,] and subtracting that amount from the test period operating revenues.

(4) The operating ratio methodology shall be available to **small** water [and] **or small** wastewater **public** utilities [**with annual gross revenues (excluding current year Contributions In Aid of Construction (CIAC)) of less than \$250,000**]. If a **small** water or **small** wastewater **public** utility [**wishes**] **chooses** to employ an operating ratio methodology in calculating its rates, it shall make this request in the context of a rate case[,] and shall bear the burden of proving all necessary elements thereof.

(c) *Purchased water cost adjustment or purchased wastewater conveyance and/or treatment cost adjustment—sliding scale of rates.*

(1) A **small** water or **small wastewater public** utility [**with annual gross revenues of less than \$250,000,**] may establish a sliding scale of rates under 66 Pa.C.S. § 1307 (relating to sliding scale of rates; adjustments) upon 60 days’ notice to customers[,] to recover the cost of purchased water **or purchased wastewater conveyance and/or treatment** obtained from municipal authorities or entities which are not affiliated interests as defined in 66 Pa.C.S. § 2101 (relating to the definition of affiliated interest). The purchased water cost adjustment **or purchased wastewater conveyance and/or treatment cost adjustment** filing shall be accompanied [**with a**] **by all of the following:**

(i) A tariff or tariff supplement which establishes the new rates to be placed into effect[, a].

(ii) A calculation showing the application of the new rate schedule to the [**company’s**] **small water or small wastewater public utility’s** average level of customer usage[, an].

(iii) An income statement demonstrating the effect of the tariff or tariff supplement upon the **small water or small wastewater public** utility’s revenues for the period in which the proposed tariffs would be in effect [, a].

(iv) A copy of the notice provided to customers [and a].

(v) A verification that all customers have received notice of the proposed rate change.

(2) A purchased water cost adjustment **or purchased wastewater conveyance and/or treatment cost adjustment** shall be revised and refiled within 60 days of a decrease in purchased water costs[,] **or purchased**

wastewater conveyance and/or treatment costs and shall be designed to pass through to customers the entire reduction in purchased water costs or purchased wastewater conveyance and/or treatment costs from the date the reduction becomes effective. A purchased water adjustment may be revised and refiled at any time after an increase in purchased water costs[,] or purchased wastewater conveyance and/or treatment costs and shall be designed to recover cost increases prospectively from the date of filing only.

(3) Within 30 days following the end of the calendar year, [every] a small water or small wastewater public utility utilizing a purchased water cost adjustment shall file the report prescribed by 66 Pa.C.S. § 1307(e) for the preceding 1-year period ending December 31st. These reports shall be reviewed by the Commission's Bureau of Audits, and, if no complaint or objection is raised within 45 days after filing, either by the Commission's Bureau of Audits or another person, the reports shall be deemed approved.

(d) *Emergency Maintenance and Operation Fund (EMOF)*.

(1) *EMOF burden of proof*. [An expense claim in lieu of a cash working capital claim which may be allowable] A small water or a small wastewater public utility may submit a claim for an EMOF in anticipation of emergencies such as extraordinary repairs and maintenance, drought conditions, extraordinary environmental and physical damages to sources of supply, floods, storms, freeze-ups, or other health and welfare-threatening situations. The burden of demonstrating that actual or proposed disbursements from the [fund] EMOF are reasonable and in the public interest shall be borne by the small water or small wastewater public utility.

(2) *Methodology*. The [Fund] EMOF expense may not exceed 45 days of average operating expenses, excluding taxes and [depreciation] non-cash operating expenses (for example, depreciation, amortization and bad debt expenses). If a claim for [Fund] EMOF expense is made, no additional claim for cash working capital shall be made or considered.

(3) *Procedures*. The amounts allocated for an EMOF shall be kept in a separate cash account, and disbursements shall be restricted to the uses in paragraph (1). The small water or small wastewater public utility shall report all disbursements from the [Fund] EMOF to the Commission within 10 days and shall provide a summary of each year's disbursements on its Annual Report. Disbursements from the [Fund] EMOF which are found by the Commission to have been made improperly, or in violation of a statute, regulation or order of the Commission or other Commonwealth agency shall be returned to the account or be refunded to ratepayers as the Commission may direct. A person or individual who makes, authorizes or directs disbursement from [a Fund] an EMOF which is improper or in violation of any statute, regulation or order of the Commission shall be subject to [66 Pa.C.S. § 3301 or § 3301 (relating to civil penalties for violations); and criminal penalties for violations] 66 Pa.C.S. §§ 3301 and 3302 (relating to civil penalties for violations; and criminal penalties for violations).

(4) *Availability*. The Commission may authorize funding a [Fund] EMOF for a small water [and] or

wastewater [utilities] public utility. [with annual gross revenues (excluding current year CIAC) of less than \$250,000.]

(e) *Reserve account*.

(1) *Reserve account burden of proof*. [A segregated account to be funded by customer contributions collected through base rates for the purpose of making capital improvements to utility plant pursuant to a long-range plan developed in conjunction with the Commission or the Department of Environmental Protection, or as required to assure compliance with State or Federal safe drinking water statutes or regulations.] The burden of demonstrating that actual or proposed expenditures are reasonable and in the public interest shall be borne by the small water or small wastewater public utility.

(2) *Procedures*. The amounts to be allocated to the reserve account will be determined by the Commission after review of the small water or small wastewater public utility's proposed capital budget and the justification for that budget. Funds in the reserve account shall be kept in a separate [interest bearing] interest-bearing cash account. Interest accrued shall be credited to the reserve account and shall become part of the corpus of the reserve account. Funds from the reserve account shall not be employed for a purpose other than those permitted under this section. Disbursements from the [fund] reserve account shall not be made without written authorization by the Commission upon petition, shall be restricted to the uses in subsection (d)(1), and shall be made in accordance with a capital budget submitted with the initial rate filing or as modified with the consent of the Commission. In proposing any modifications of the capital budget, the Commission or a party may solicit the advice or testimony of the Department of Environmental Protection. The small water or small wastewater public utility shall report all disbursements from the reserve account by written notice to the Commission and to other persons as the Commission may direct. Disbursements from the reserve account which are found by the Commission to have been made improperly [,] or in violation of any statute, regulation or order of the Commission or other Commonwealth agency shall be returned to the reserve account or be refunded to ratepayers as the Commission may direct. A person who makes, authorizes or directs a disbursement from a reserve account without authorization by the Commission in accordance with these rules shall be subject to [66 Pa.C.S. § 3301 or §] 66 Pa.C.S. §§ 3301 and 3302.

(3) *Accounting*. Plant capitalized by means of the reserve account shall be accounted for as a contribution in aid of construction.

(4) *Availability*. The Commission may authorize funding of a reserve account for a small water [and sewage utilities with annual gross revenues (excluding current year CIAC) of less than \$250,000] or small wastewater public utility.

§ 53.55. [Applicability; canal, turnpike, tunnel, bridge and wharf companies] [Reserved].

[(a) Whenever a canal, turnpike, tunnel, bridge or wharf company public utility files a tariff or tariff supplement which will increase or decrease the rates to any of its patrons, it shall submit to the Commission, with the tariff or tariff supplement, statements showing all of the following:

(1) The specific reasons for each such increase or decrease.

(2) The operating revenues of the utility for the latest 12-month period, the end of which shall not be more than 60 days prior to such filing.

(3) The estimated effect of each rate increase or decrease on the annual revenues of the utility.

(b) Whenever such a public utility files a tariff or tariff supplement which will increase its operating revenues for the latest 12-month period by more than 3% (subsection (a)(3) divided by subsection (a)(2)), it shall submit to the Commission with the tariff or tariff supplement, in addition to the statements required by subsection (a), all of the following information:

(1) A detailed balance sheet of the public utility as of the close of the period referred to in subsection (a)(2).

(2) A summary, by detailed plant accounts, of the book value of the property of the utility devoted to public service, as applicable, at the date of the balance sheet required by paragraph (1).

(3) A statement showing the amount of the depreciation reserve, at the date of the balance sheet required by paragraph (1), applicable to the property referred to in paragraph (2).

(4) A statement of operating income derived from public service, setting forth the operating revenues and expenses by detailed accounts, for the 12-month period covered by subsection (a)(2).]

§ 53.56. Supporting data [for future test year] required if using a FTY.

(a) In discharging its burden of proof under [section] 66 Pa.C.S. § 315[of the act] (relating to burden of proof), a public utility may submit and use data for a [future test year] FTY. The submission of information and data using a FTY shall be in addition to, and not in lieu of, other data or material required under this title, including the [submission] filing requirements for [an experienced 12-month test period] the HTY. [If a future test year is used, it shall be based on estimates for a period of 12 consecutive months, which begins on the day following the end of the required experienced 12-month period. The estimate for a future test year shall be of the same or similar type, quantum and nature as required to be submitted for an experienced test year and include the methodology, data and material used as the basis for the estimates] Specifically for a general rate increase in excess of \$ 1 million in gross annual revenues, the public utility shall provide the information and data required under § 53.53 Exhibit E (relating to filing requirements for public utilities seeking a general rate increase above \$1 million in annual gross revenues) for the HTY. In all other cases, the public utility shall provide the information and data required for the HTY under § 53.52 (relating to applicability; public utilities other than canal, turnpike, tunnel, bridge and wharf companies).

(a.1) If a FTY is used, it shall be based on fully substantiated estimates. The estimates for a FTY shall be of the same or similar type, quantum and

nature as required to be submitted for a HTY and shall describe the methodology, data and material used as the basis for the estimates.

(b) If a public utility submits and uses data for a [future test year] FTY, it shall, during the course of the proceeding, [submit for] file and serve on the parties of record the [results of its] actual [experience] results experienced in the [future test year] FTY for each quarter starting with the day following the end of the [required experienced 12-month period] HTY. The results shall be submitted within 30 days of the end of the quarter [or]. If the results are not then available, the public utility shall file a status report indicating when the results will be available and file the results as soon thereafter as available.

(c) Following the completion of the rate proceeding, if the public utility's FTY data forms a substantive basis for the Commission's final rate determination, the public utility shall file with the Commission and serve on the parties of record in the same docketed proceeding in which the final rate determination was entered, the public utility's actual results experienced in the FTY. In this filing, the public utility shall provide appropriate data evidencing the accuracy of its estimates contained in the FTY. This filing shall be submitted within 30 days of the end of the last quarter of the FTY. If the results are not then available, the public utility shall file and serve on the parties of record a status report indicating when the results will be available and file the results as soon thereafter as available.

(Editor's Note: The following text is proposed to be added and is printed in regular type to enhance readability.)

§ 53.56a. Supporting data required if using a FPFTY.

(a) In discharging its burden of proof under 66 Pa.C.S. § 315 (relating to burden of proof), a public utility may submit and use data for a FPFTY. The submission of information and data using a FPFTY shall be in addition to, and not in lieu of, other data or material required under this title, including the filing requirements for a HTY and a FTY. Specifically for a general rate increase in excess of \$ 1 million in gross annual revenues, the public utility shall provide the information and data required under § 53.53 Exhibit E (relating to filing requirements for public utilities seeking a general rate increase above \$1 million in annual gross revenues) for the HTY and FTY. In all other cases, the public utility shall provide the information and data required for the HTY under § 53.52 (relating to applicability; public utilities other than canal, turnpike, tunnel, bridge and wharf companies) and the information and data required for the FTY under § 53.56 (relating to supporting data required if using a FTY).

(b) If a FPFTY is used, it shall be based on fully substantiated estimates. The estimates for a FPFTY shall be of the same or similar type, quantum and nature as required to be submitted for a HTY and a FTY and describe the methodology, data and material used as the basis for the estimates.

(c) Following the completion of the rate proceeding, if the public utility's FPFTY data forms a substantive basis for the Commission's final rate determination, the public utility shall file with the Commission and serve on the parties of record in the same docketed proceeding in which the final rate determination was entered, the

public utility's actual results experienced in the FPFTY. In this filing, the public utility shall provide appropriate data evidencing the accuracy of its estimates contained in the FPFTY. This filing shall be submitted within 30 days of the end of the last quarter of the FPFTY. If the results are not then available, the public utility shall file a status report indicating when the results will be available and file the results as soon thereafter as available.

Clarified Annex B

TITLE 52. PUBLIC UTILITIES

PART I. PUBLIC UTILITY COMMISSION

Subpart C. Fixed [**Service**] **Services Public** Utilities

CHAPTER 53. Tariffs for [**Noncommon**]

Non-Common Carriers

INFORMATION FURNISHED WITH THE FILING OF RATE CHANGES

§ 53.53. Information to be furnished with proposed general rate increase filings in excess of \$1 million.

* * * * *

(Note: The following exhibit is proposed to be added and is shown in regular type to enhance readability.)

Exhibit E

I. Applicability

Exhibit E applies to a public utility filing for general rate increase pursuant to 66 Pa.C.S. § 1308(d) in excess of \$1 million in annual gross revenues. Subsection E.II provides definitions. Subsections E.III.A—E.III.N provide common filing requirements. Subsections E.IV.A—E.IV.D provide further filing requirements specific to a particular public utility industry.

II. Definitions

The following words and terms, when used in this exhibit, have the following meanings, unless the context clearly indicates otherwise:

AAO Plan—Annual asset optimization plan—The term has the meaning prescribed in 66 Pa.C.S. § 1356 (relating to asset optimization plans).

AFUDC—Allowance for funds used during construction—The capitalized cost of debt and equity funds used to finance an addition of public utility plant to rate base while the plant is under construction.

Affiliated company—A company in any chain of successive ownership of stock or membership interest, regardless of the tier, under the parent company.

Artificial gas—A manufactured gaseous fuel created from coal, oil and the like, as differentiated from natural gas.

Billing determinant—The detailed customer usage data per unit of consumption by rate schedule needed to bill customers at present rates, for example, kWh for electric utilities, Mcf for gas utilities, or other unit of consumption for water or wastewater, as specified by a public utility in its tariff.

CWIP—Construction work in progress—A holding account for capitalizing construction costs of public utility plant not yet ready to be placed in service.

Commission—The Pennsylvania Public Utility Commission.

Consolidated group—A public utility and its parent company and affiliated companies.

Customer charge—A flat monthly charge to cover fixed costs incurred to provide public utility service to a customer.

Customer class—A broad rate group that is used to allocate costs for rate design, such as residential, commercial and industrial classifications.

DSIC—Distribution system improvement charge—The term has the meaning prescribed in 66 Pa.C.S. § 1351 (relating to definitions).

FERC—The Federal Energy Regulatory Commission.

LTIIP—Long-term infrastructure improvement plan—The term has the meaning prescribed in 66 Pa.C.S. § 1352 (relating to long-term infrastructure improvement plan).

Parent company—The beneficial holder of the largest voting interest in a public utility or the company listed at the top of a corporate hierarchy structure with ultimate controlling interest in the public utility. Includes the municipality if the public utility is a municipal utility subject to Commission regulation.

Pro forma—Calculations of financial results using certain projections or assumptions as delineated by the public utility which provide information about the public utility's potential financial performance in a test year.

Public utility—For purposes of this exhibit, a filing entity seeking a general rate increase greater than \$1 million in gross annual revenues.

Rate schedule—A specific rate group within a customer class defined in the public utility's tariff.

Subsidiary company—A company in which the public utility is the beneficial holder of the largest voting interest.

Tariff—A document, on file with and approved by the Commission, establishing the types of rates charged for specific public utility services and the general terms and conditions under which such services will be provided. Prior to approval, the document filed by a public utility in a rate case is a proposed tariff.

USoA—Uniform System of Accounts—An accounting system prescribed by FERC and adopted by the Commission specifying the manner in which a public utility regulated by the Commission shall maintain its public utility accounts.

III. General Filing Requirements

A. General

1. Provide a statement indicating that the public utility is subject to the Commission's jurisdiction.

2. Provide a statement of the total amount and percentage of the base rate increase being sought for recovery in rates under 66 Pa.C.S. § 1308(d).

3. Provide a statement indicating the test year the public utility is using in discharging its burden of proof under 66 Pa.C.S. § 315 (relating to burden of proof).

4. To the extent the public utility claims information required by this exhibit is confidential or proprietary, provide a summary statement indicating, with specificity, which Filing Requirement(s) have responses designated to be confidential or proprietary. A claim of confidentiality shall be subject to review by the presiding officer under § 5.365 (relating to orders to limit availability of proprietary information).

5. Provide the following supplemental information when providing the information required by this regulation and in response to each discovery request relative to the current base rate case proceeding, as applicable:

a. Provide the data for the HTY and the first year that new rates were in effect from the immediately preceding base rate case if the time periods for the data requested relative to the current base rate case do not include the HTY and first year under new rates from the immediately preceding base rate case.

b. Explain the difference in projections and adjustments made for the immediately preceding base rate case as compared to the projections and assumptions made relative to the current base rate case.

c. Provide details of any reconciliations and adjustments made relative to the immediately preceding base rate case and explain whether (and how) they would be expected to be rolled into base rates in the current base rate case or whether they are expected to arise relative to rates as may be established in the current base rate case.

6. Supplement the filing with the most recent information if more recent year-end information becomes available during the course of the current base rate case.

7. If a requirement calls for information for an immediately preceding year(s) or immediately following year(s) to a test year, provide information for the 12 consecutive month period conforming to the test year dates (for example, January 1 through December 31 or October 1 through September 30).

8. Provide a working electronic copy of filing schedules in Microsoft Excel or similar electronic spreadsheet format with all formulas intact including existing links, for the HTY, the FTY and the FPFTY, that support the proposed revenue requirement, rate structure and cost allocation, including, but not limited to, all schedules provided in response to these Filing Requirements.

B. Summary of Filing

1. Provide a summary discussion of the rate change request, including the total requested increase in dollars, and specific reasons for each adjustment. Provide a breakdown which identifies the revenue requirement value of the major items generating the requested rate change.

2. Identify the specific witnesses for each statement and schedule of revenues, expenses, taxes, cash flow, debt, debt coverage, property, valuation and the like and provide direct testimony supporting each element of the rate increase.

3. Provide the following schedules at present rates. In each schedule, provide references in the pro forma adjustments column for each adjustment which ties to corresponding supporting schedule detailing and explaining each operating budget adjustment.

- a. Income Statement;
- b. Cash Flow Statement;
- c. Debt-Service Coverage Ratio schedule; and
- d. Balance Sheet, showing individual columns for the following:
 - i. Actual amounts for each of the 2 years immediately preceding the HTY;
 - ii. HTY actual amounts;

iii. Pro forma adjustments between HTY and FTY, including the adjusted HTY for known and measurable changes between the HTY and FTY;

iv. FTY claimed amounts;

v. Pro forma adjustments between FTY and FPFTY, including 12 consecutive month period beginning with the first full month that new rates will be in effect after the application of the full suspension period permitted under Section 1308(d) amounts; and

vi. FPFTY claimed amounts.

4. Provide the following schedules at proposed rates. In each schedule, provide references in the pro forma adjustments column for each adjustment which ties to corresponding supporting schedule detailing and explaining each operating budget adjustment.

a. Income Statement;

b. Cash Flow Statement;

c. Debt-Service Coverage Ratio schedule; and

d. Balance Sheet, showing individual columns for the following:

i. Actual amounts for each of the 2 years immediately preceding the HTY;

ii. HTY actual amounts;

iii. Pro forma adjustments between FTY and FPFTY claimed amounts; and

iv. FPFTY claimed amounts.

5. Provide a schedule showing the number of customers by:

- a. Tariff subdivision, whose bills will be increased; and
- b. Tariff subdivision, whose bills will be decreased.

6. Provide reference and citations to FERC and Commission orders or rulings directly applicable to the filing.

7. Provide a list of reports, data or statements requested by and submitted to the Commission during the year immediately preceding the HTY through the current date.

8. Provide a statement of past and anticipated changes since the immediately preceding base rate case in major accounting procedures.

9. Provide an explanation of differences between the basis or procedure used in allocations of revenues, expenses, depreciation and taxes in the current base rate case and the basis or procedure that was used in the immediately preceding base rate case.

10. Identify each major addition to plant or facilities to be placed in operating service or removed from operating service. The supporting documentation shall indicate the effect of the plant addition or removal from service upon rate base, revenue, expense, tax, income and revenue requirement.

11. Provide revenues and expenses by the account classifications for the applicable industry's USoA.

C. Description of Public Utility Operations

1. Provide a corporate history including the date of original incorporation and any subsequent merger or acquisition.

2. Indicate all counties, cities and other governmental subdivisions in which service is provided (including service areas outside this Commonwealth) and the total number of customers by customer class or billed units in each State and county, estimated if not known.

3. Provide an organizational chart explaining the public utility's corporate relationship to affiliated companies showing the consolidated group structure and indicating whether each affiliated company is a regulated public utility under the Commission's jurisdiction or under the jurisdiction of another state public utility commission or both.

4. Provide a list and brief description of the two most recent Commission- conducted audits with related docket numbers.

5. Provide a list and brief description of internal audit reports and independent audit reports for the most recent 2-year period.

D. Rate Base

1. Provide a schedule showing the HTY rate base and rates of return at original cost less accrued depreciation under present rates and under proposed rates. Cross-reference claims made on this schedule to appropriate supporting schedules. Show pro forma adjustments for the FTY and the FPFTY.

2. If a claim is made for CWIP, provide all of the following:

- a. An exhibit with a description of each project.
- b. A summary of all work orders.
- c. Amount expended at the end of the HTY, the FTY, the FPFTY and at the completion of the project.
- d. Whether each project will be funded by the DSIC.
- e. Anticipated in-service dates.
- f. If the project is revenue producing or expense reducing, identify the revenue or expense associated with the project.

3. If a claim is made for plant held for future use, provide all of the following:

- a. A brief description of the plant or land site and its original cost.
- b. Expected date of use for each item claimed.
- c. Explanation why it is necessary to acquire each item in advance of its date of use.
- d. Date when each item was acquired.
- e. Date when each item was placed in the plant held for future use account.

4. If a claim is made for materials and supplies or fuel inventory, provide all of the following:

- a. A description of the methodology used to value material and supplies.
- b. The actual 13-month balances of the inventory of materials and supplies for the HTY.
- c. The 13-month average for materials and supplies as of the end of the HTY.
- d. The type of fuel, and location, as in station, and the quantity and price claimed.

5. If a claim is made for cash working capital, provide a supporting schedule setting forth the method and data used to determine the cash working capital, requirement. Include a lead-lag study of working capital completed no more than 6 months prior to the rate increase filing.

6. Indicate if amortized expenses have been removed from the lead-lag study. If so, provide documentation showing the removal. If not, provide a list of such amortization expenses included.

7. In the cash working capital computation, either include sales for resale and related expenses in revenues and in expenses or exclude them from revenues and expenses. Explain procedures followed.

8. Provide schedules and data in support of all of the following working capital items:

- a. Prepayments—list and identify all items.
- b. Federal Excise Tax accrued or prepaid.
- c. Federal Income Tax accrued or prepaid.
- d. Pennsylvania State Income Tax accrued or prepaid.
- e. Pennsylvania Gross Receipts Tax accrued or prepaid.
- f. Pennsylvania Public Utility Realty Tax accrued or prepaid.
- g. State sales tax accrued or prepaid.
- h. Payroll taxes accrued or prepaid.
- i. Any adjustments related to the previously listed items for ratemaking purposes.

9. Identify fund availability arrangements or terms which the public utility has with its banks with respect to deposits of customer checks.

10. If a claim is made for an additional item in rate base not otherwise addressed in these Filing Requirements, identify such claim and provide a statement, exhibit, or both, explaining in detail the appropriateness of such claim.

11. Provide a schedule that shows a breakdown of plant additions and retirements by plant account for the FTY and the FPFTY, showing all of the following:

- a. Account number.
- b. Project number of each addition and each retirement.
- c. Completion date of each addition and each retirement.
- d. Description of the addition.
- e. Addition amount of each addition.
- f. Description of retirement.
- g. Retirement amount of each retirement.
- h. Totals of additions and retirements.

12. Explain how the plant balances for the FTY and the FPFTY were projected. Provide supporting workpapers and documentation.

13. Provide the estimated percentage of assets used for non-jurisdictional service. Include any asset included in the plant in service claim not used exclusively for jurisdictional service.

14. Identify plant that will not be providing jurisdictional service and prepare a schedule listing those plant

items identified by account. Explain why such plant is not being used and the anticipated future disposition of the plant. Indicate if plant is used to provide more than one mode of jurisdictional service.

15. Provide all workpapers and supporting documentation showing the derivation of the projected balances for the FTY and the FPFTY of each of the following:

- a. Contributions in aid of construction.
- b. Customer and developer advances for construction and public utility service line.
- c. Customer deposits.

16. Provide schedules supporting claimed amounts for plant in service by function and by account for the HTY, the FTY and the FPFTY.

17. Provide supporting schedules which indicate the procedures and calculations employed to develop the original cost plant and applicable reserves to the HTY, the FTY and the FPFTY as submitted in the current proceeding.

18. Provide a schedule showing details of plant in service and accumulated depreciation adjustments for the HTY, the FTY and the FPFTY.

E. Rate of Return

1. Provide capitalization and capitalization ratios for the last 5-year period and projected through the FTY and the FPFTY (with short-term debt and without short-term debt) for the public utility, the parent company and the consolidated group.

2. Provide the most recent year-end interest coverage before and after taxes for the last 3 years and at the most current, including indenture and Securities and Exchange Commission (SEC) basis, for the public utility, the parent company and the consolidated group.

3. Provide the year-end preferred stock dividend coverages for the last 3 years and at most current date, including charter and SEC basis.

4. Provide the most recent quarterly financial reports within the last year (for the public utility and for its parent company), stockholder's reports (for the public utility and for its parent company) and prospectuses (for the public utility and for its parent company).

5. Provide actual and projected capital requirements and sources of capital for the public utility, the parent company, and the consolidated group for the HTY, the FTY, the FPFTY and the 2 years immediately following the FPFTY.

6. Provide a nominal cost schedule of debt and preferred stock of the public utility, the parent company and the consolidated group as of the HTY year-end and most current date. Note projected new issues, retirements, and other major changes from the comparable historical data. Include all of the following details:

- a. Date of issue.
- b. Date of maturity.
- c. Amount issued.
- d. Amount outstanding.
- e. Amount retired.
- f. Amount reacquired.
- g. Gain or loss on reacquisition.
- h. Coupon rate.

i. Discount or premium at issuance.

j. Issuance expenses.

k. Net proceeds.

l. Sinking fund requirements.

m. Effective interest rate.

n. Dividend rate.

o. Effective cost rate.

p. Total average weighted effective cost rate.

7. If a claim is made for a cost of debt that exceeds the cost of debt shown in the nominal cost schedule under E.6 because of, for example, convertible features, sale with warrants or other reason, provide a full statement of the basis for such claim.

8. Provide details on available common stock offerings of the public utility if publicly traded and of the parent company for the past 5 years to present including details of any planned issuance in the FTY and the FPFTY, as follows for all of the following:

- a. Date of prospectus.
- b. Date of offering.
- c. Record date.
- d. Offering period including dates and number of days.
- e. Amount and number of shares of offering.
- f. Offering ratio, if rights offering.
- g. Percent subscribed.
- h. Offering price.
- i. Gross proceeds per share.
- j. Expenses per share.
- k. Net proceeds per share in previously listed 8.i and 8.j.

l. Market price per share to include each of the following:

- i. At record date.
- ii. At offering date.
- iii. One month after close of offering.
- m. Average market price during offering to include each of the following:
 - i. Price per share.
 - ii. Rights per share-average value of rights.
 - n. Most current reported earnings per share at time of offering.
 - o. Most current reported dividends at time of offering.

9. Provide complete support for the claimed rate of return on common equity. Provide the actual earned return on common equity for the HTY and the 2 years immediately preceding the HTY.

10. Provide schedules of comparative financial data and ratios for the public utility for the HTY, the 2 years immediately preceding the HTY, the FTY and the FPFTY. Note changes in ratings by all applicable rating agencies covering the entity on the schedules. Include the rating agencies' write-ups of these changes if available. Provide the financial data and ratio schedules and ratings change information for the parent company if the data, schedules or information are not available for the public utility. Show all of the following:

- a. Earnings-price ratio (average).

b. Times interest earned ratio on a pre-tax basis and a post-tax basis.

c. Preferred stock dividend coverage ratio on a post-tax basis.

d. Times fixed charges earned ratio on a pre-tax basis.

e. Dividend payout ratio.

f. AFUDC as a percent of earnings available for common equity.

g. CWIP as a percent of net public utility plant.

h. Effective income tax rate.

i. Internal cash generation as a percent of total capital requirements.

j. Times fixed charges earned ratio on a post-tax basis.

k. Earnings per share.

l. Dividend per share.

m. Average dividend yield (52-week high/low common stock price).

n. Average book value per share.

o. Average market price per share.

p. Market price-book value ratio.

q. Earnings-book value ratio (per-share basis, average book value).

r. Debt-Service Coverage Ratio.

11. Provide an AFUDC schedule that includes all of the following:

a. AFUDC rate charged by the public utility at the end of the HTY, the FTY and the FPFTY.

b. How the AFUDC rate was calculated.

c. Explanation of the method used to calculate the AFUDC amounts.

d. Cross-reference to where each of the items in previously listed 11.a—11.c is reflected in the current base rate case filing.

12. Provide all of the following information concerning bank notes payable for the HTY (per book):

a. Line of credit at each bank.

b. Average daily balances of notes payable to each bank, by name of bank.

c. Interest rate charged on each bank note (prime rate, formula).

d. Purpose of each bank note (for example, construction, fuel storage, working capital, debt retirement and the like).

e. Prospective need in the next 5 years for this type of financing.

13. If a claim is made for compensating bank balances, provide all of the following information:

a. Name and address of each bank.

b. Types of accounts with each bank such as checking, savings, escrow, other services, and the like.

c. Average daily balance in each account from the start of the HTY through the date of filing.

d. Amount and percentage requirements for compensating bank balances at each bank.

e. Average daily compensating bank balance at each bank.

f. Documents from each bank explaining compensating bank balance requirements.

g. Interest earned on each type of account.

h. A calculation showing the average daily float for each bank.

14. If a claim is made for compensating bank balances, provide the amount of compensating bank balances required under each of the following:

a. Annualized test year operations at pro forma present rates; and

b. Operations under pro forma proposed rates.

15. Provide the charter and indentures provisions, if applicable, for the public utility and the parent company that describe coverage requirements, limits on proportions of types of capital outstanding, and restrictions on dividend payouts.

16. Provide copies of the summaries of the public utility's projected revenues, expenses and capital budgets for the FTY and the FPFTY.

17. Describe long-term debt reacquisition by issue by the public utility and the parent company as follows including all of the following:

a. Reacquisition by issue by year.

b. Total gain or loss on reacquisitions by issue by year.

c. Accounting for gain or loss for income tax and book purposes.

d. Proposed treatment of gain or loss on such reacquisition for ratemaking purposes.

18. Provide a schedule showing the major components of claimed capitalization and the derivation of the weighted costs of capital to support the claim. Include a descriptive statement concerning the major elements of changes in claimed capitalization, cost rates and overall return from comparable historical data.

19. Provide a schedule in the same format as the schedule provided in Filing Requirement as previously listed in E.18, except for the omission of the descriptive statement, for the most immediate comparable annual historical period prior to the HTY and the 2 calendar years most immediately preceding the rate of return claim period. Include reflect capital ratios with and without short-term debt regardless of whether the capitalization claimed on the schedule provided in Filing Requirement as previously listed in E.18, includes short-term debt.

20. Provide the capitalization data requested in Filing Requirements as previously listed in E.18 and E.19, for the parent company and the consolidated group.

21. Provide the bond rating history for the public utility from the major credit rating agencies for the most recent 5 years.

22. Provide the bond rating history for the parent company from the major credit rating agencies for the most recent 5 years if applicable.

23. Provide copies of each presentation and report made by management and securities analysts on the public utility's behalf, including presentations of financial projections, in the past 2 years.

24. Provide copies of each presentation and report made by management and securities analysts on the parent company's behalf, including presentations of financial projections, in the past 2 years if applicable.

25. Provide a listing of all securities issuances for the public utility projected for the next 2 years following the end of the test year. Identify for each projected issuance all of the following:

- a. Date.
- b. Dollar amount.
- c. Type of security.
- d. Effective cost rate.

26. Provide a listing of all securities issuances for the parent company projected for the next 2 years following the end of the test year if applicable. The response shall identify for each projected issuance all of the following:

- a. Date.
- b. Dollar amount.
- c. Type of security.
- d. Effective cost rate.

27. Provide the actual cost of long-term debt for the HTY and the 2 years immediately preceding the HTY. Identify any plan by the public utility to refinance high-cost long-term debt or preferred stock.

28. Provide a listing of common equity infusions from the parent company to the public utility during the HTY if applicable. Indicate any common equity infusions made or anticipated in the FTY and anticipated in the FPFTY calculations. Identify date, dollar amount and intended use of the funds for each infusion.

29. Identify the public utility's common dividend payments to the parent company for the HTY and the 2 years immediately preceding the HTY if applicable.

30. Provide year-by-year financial projections for the public utility for the next 3 years beyond the end of the test year.

31. Identify the public utility's capital structure targets (percentages of capital types) for the FTY and the FPFTY. Explain the basis for the capital structure targets. Provide a schedule showing targets and actuals for the HTY and the 2 years immediately preceding the HTY.

32. Identify the parent company's capital structure targets (percentages of capital types) for the FTY and the FPFTY if applicable. Explain the basis for the capital structure targets. Provide a schedule showing targets and actuals for the HTY and the 2 years immediately preceding the HTY.

33. For each month of the most recent 24 months, provide all of the following public utility's:

- a. Short-term debt balance.
- b. Short-term debt interest rate.
- c. Balance of CWIP.
- d. Balance of CWIP which is eligible for AFUDC accrual.

34. Identify debt, other than instruments traded in public markets, owed to shareholders, corporate officers, members of the board of directors, affiliated companies, parent company or subsidiary companies.

35. Provide a summary statement of all stock dividends, splits or par value changes during the 2-year calendar period immediately preceding the current base rate case filing.

36. Provide a schedule of purchases or retirements of stock of the public utility or its parent company during

the 2-year calendar period immediately preceding the current base rate case filing. Provide the details of any planned purchases or retirements of stock of the public utility or its parent company in the FTY and the FPFTY.

37. If the rate of return claim is based on the use of the capital structure or capital costs of the parent company or the consolidated group, state and support the reasons for such a claim. If applicable, explain why a hypothetical or non-actual capital structure is being employed.

F. Balance Sheet

1. Provide the most current available balance sheet for the public utility, the parent company and the consolidated group.

2. Provide a comparative balance sheet for the HTY and the year immediately preceding the HTY.

3. Provide a detail of other physical property, investments in affiliated companies, and other investments for the HTY. Provide a schedule showing any anticipated changes for the FTY and the FPFTY, if applicable.

4. Supply the amounts and purpose of special cash accounts of all types, including any of the following:

- a. Interest and dividend special deposits.
- b. Working funds other than general operating cash accounts.
- c. Other special cash accounts and amounts (e.g., temporary cash investments).

5. Describe the nature, origin and amounts of notes receivable, accounts receivable and accounts payable to and from affiliates, and any other receivables or payables, other than customer accounts, which appear on the HTY balance sheet. Identify amounts that are greater than 15% of total receivables and payables respectively. Do not net receivables and payables unless there is a master agreement between the public utility and the third party that permits the netting of accounts receivable and accounts payable.

6. Provide the amount of accumulated reserve, method and rate of accrual, amounts accrued, and amounts written-off for uncollectible accounts in the HTY and the 2 years immediately preceding the HTY.

7. Provide a list of prepayments not otherwise identified elsewhere in response to the reporting requirement in connection with rate base.

8. Provide all of the following detail for each deferred asset and deferred liability on the HTY balance sheet:

- a. Description of each deferral.
- b. Date of origin for each deferral.
- c. Account name and number.
- d. Reference to Commission or other regulatory authority approval, including docket number(s).
- e. Amount contained on the balance sheet for each individual deferral and corresponding amount charged to operations for the HTY.
- f. Disposition policy (for example, method of determining yearly amortization).
- g. Anticipated changes to each account through end of the FPFTY.

9. If the public utility is not publicly traded, supply the basis for injury and damages reserve and amortization shown on the HTY balance sheet. If the public utility is

publicly traded, provide the independent audit report that includes an analysis of the reserve for injuries and damages.

10. Provide brief description and amount for any reserves outside the ordinary course of business appearing on the HTY balance sheet.

11. Provide an analysis of unappropriated retained earnings for the HTY and the 2 years immediately preceding the HTY.

12. Describe the purpose of each advance made by the public utility to the parent company and describe the terms and conditions associated with such advance for the HTY and the 2 years immediately preceding the HTY. Provide an estimate of future advances or repayments by the public utility to the parent company that are expected to occur in the FTY or the FPFTY or both.

G. Income Statement and Cash Flow Statement

1. Provide most current available income statement for the public utility, the parent company, and the consolidated group. If a claim is made for separate operating divisions of the public utility, an income statement must be shown for each operating division.

2. Provide copies of the summaries of the public utility's projected revenues, expenses, and capital budgets for the FTY and the FPFTY.

3. Provide a summary income statement showing all of the following:

- a. Per book income statement for the HTY.
- b. FTY adjustments to annualize and normalize revenue and expenses under present rates.
- c. Pro forma FTY income statement at present rates.
- d. FPFTY adjustments to revenues and expenses at present rates.
- e. Pro forma FPFTY income statement at present rates.
- f. Requested increase and corresponding iterative changes (e.g., uncollectible accounts, assessments and income taxes) with increase.
- g. Pro forma FPFTY income statement at proposed rates.
- h. References to schedules that contain supporting details for corresponding adjustments.

4. Provide comparative income statements for the HTY and the 2 years immediately preceding the HTY showing increases and decreases between the three periods. Provide explanations for variances that are greater than 15% of the summary level account type.

5. Provide operating income claims and rate of return on rate base for the HTY, the FTY and the FPFTY under all of the following:

- a. Present rates.
- b. Pro forma present rates.
- c. Pro forma proposed rates.

6. If a cash flow analysis is provided with the filing, provide a cash flow statement under present rates showing all of the following:

- a. All cash inflows from customer rates.
- b. Depreciation.
- c. Deferred taxes.

d. External financing.

e. Investment income.

f. All other sources of cash.

g. All cash outflows used to pay for public utility operations, administrative and general expenses, taxes, capital investments and dividends.

h. All other cash outflows identifying the uses of funds.

7. If a cash flow analysis is provided with the filing, provide a cash flow statement under the FPFTY proposed rates showing all of the following:

a. All cash inflows from customer rates.

b. Depreciation.

c. Deferred taxes.

d. External financing.

e. Investment income.

f. All other sources of cash.

g. All cash outflows to pay for public utility operations, administrative and general expenses, taxes capital investments, and dividends.

h. All other cash outflows identifying the uses of funds.

H. Operating Revenues

1. Provide for the HTY, the 2 years immediately preceding the HTY, the FTY and the FPFTY all of the following by customer class:

a. Customer count.

b. Sales by unit.

c. Revenues.

d. Change in revenue expressed as a percentage and a dollar amount.

e. Forfeited discounts.

f. Detailed breakdown of miscellaneous revenues.

g. Annualizing and normalizing adjustments, showing all calculations.

h. Surcharge revenues from recorded revenues itemized by appropriate revenue category.

2. State the manner in which revenues are being presented for ratemaking purposes, and provide details, using one of the following methods:

a. Unbilled Revenues.

b. Billed Revenues.

c. Cash Revenues.

3. If unbilled revenue is recorded at the end of the public utility's fiscal period, provide unbilled revenue at the end of the HTY, at the year-end immediately preceding the HTY and at the beginning of the FTY. State whether recovery is reversed for ratemaking purposes and the impact on the FPFTY. Provide a detailed explanation of the procedures and methods used in developing unbilled revenues and the impact on the FTY and the FPFTY.

4. Provide a schedule of present rates and proposed rates showing dollar change and percent of change by customer class. Prepare a comparative schedule of monthly (or quarterly where applicable) billings at present rates and at proposed rates to demonstrate the impact of proposed rates over a range of usages. Identify any changes in rate design or any rate re-structure and

provide supporting explanations. Provide a copy of the proposed tariff or tariff supplement on a red line basis to identify any proposed changes.

5. Provide a detailed breakdown of miscellaneous revenues for the HTY and the 2 years immediately preceding the HTY. For the HTY, provide a monthly breakdown and an explanation of monthly variances greater than 15%. Detail any anticipated variances in the FTY and the FPPTY.

6. Provide for the HTY, the 2 years immediately preceding the HTY, the FTY and the FPPTY all of the following by customer class:

- a. Monthly customer counts.
- b. Monthly customer usage.

7. Provide growth patterns of usage and customer numbers by customer class, using historical and projected data.

8. If the public utility is affiliated with another public utility within a consolidated group, explain the effects, if any, upon allocation factors used in the current base rate case or in any recent rate increases allowed to the other public utility segment (or segments) of the consolidated group.

9. If the public utility has a curtailment rate in its current or proposed tariff, provide supporting data detailing curtailment adjustments, procedures and policies.

10. Provide details of the public utility's attempts, since the immediately preceding rate case filing, to recover uncollectible and delinquent accounts.

11. Describe the procedures involved in determining whether forfeited discounts or penalties are applied to customer billing.

12. Provide annualization of revenues as a result of rate changes occurring during the test year, at the level of operations as of the end of the test year.

13. Provide a schedule showing sales from all customer classes by unit per month for the HTY and for each of the 3 years immediately preceding the HTY. Provide the projections for the FTY and the FPPTY.

14. Provide an analysis showing the average usage per customer by rate schedule in the operating revenue detailed in previously listed 13. If the public utility is projecting a change in the average usage per customer, provide all of the following for each rate schedule listed in the tariff:

a. A monthly history of the average usage per rate schedule that the public utility is projecting will change covering at least 5 years; indicate if data are weather normalized.

b. A detailed description, analysis and rationale for historical or projected, or both, changes in usage per customer and support for the change by rate schedule.

c. The proposed year-end usage per rate schedule that the public utility is projecting for the FPPTY.

d. The change in volume in the HTY, the FTY and the FPPTY.

e. The dollar impact in the HTY, the FTY and the FPPTY.

15. If the public utility uses an alternative ratemaking mechanism, provide an analysis showing the alternative ratemaking mechanism's proposed impact on revenues in the FTY and the FPPTY. If the public utility is projecting

an increase or decrease in the average usage per customer as a result of the alternative ratemaking mechanism, provide all of the following for each rate schedule listed on the tariff:

- a. The non-adjusted sales used in the calculation.
- b. The alternative ratemaking mechanism used.
- c. The proposed average usage per rate schedule that the public utility is projecting for the FPPTY.
- d. The change in volume in the HTY, the FTY and the FPPTY.
- e. The dollar impact in the HTY, the FTY and the FPPTY.

16. If the public utility uses an alternative ratemaking mechanism adjustment in the tariff, provide the most recent 3-year calculation of the alternative ratemaking calculation used to adjust rates, summarizing the revenue received by the public utility or credited to the customers by rate schedule each year.

17. If the public utility's present tariff uses an alternative ratemaking adjustment, describe how the revenue received by the public utility or credited to customers was reflected in the filing.

18. Provide a schedule that shows the actual monthly amount received from each of the following sources for the HTY and the 2 years immediately preceding the HTY. State how revenues are presented for ratemaking purposes. Provide a breakdown of the amount projected to be received from each of the following sources that supports the amount reflected on the FTY and the FPPTY Income Statements:

- a. Forfeited discounts.
- b. Late payment fees.
- c. Miscellaneous revenues.
- d. Other revenues.
- e. Interest and Dividend Income.
- f. Other public utility Operating Income.
- g. Revenues from merchandising, jobbing and contract work.
- h. Revenues from non-public utility operations.
- i. Rental income.
- j. Equity in earnings of subsidiary companies.
- k. Interest and dividend income.
- l. AFUDC.
- m. Miscellaneous nonoperating income.
- n. Gain on disposition of property.
- o. Rent from public utility property.
- p. Revenues from transporting water, gas or electricity for others.

I. Operating Expenses

1. Provide a list of operating expenses for the HTY, the 2 years immediately preceding the HTY, the FTY and the FPPTY. Include explanations and calculations of adjustments made for ratemaking.

2. Provide a summary of claimed operating expenses for the HTY (with similar account breakdown to previously listed H.1), including annualizing and normalizing

adjustments fully supported (including explanations, documentation and calculations) to arrive at adjusted future operating expenses for ratemaking, including supporting data for the FTY and the FPFTY.

3. List extraordinary property losses as a separate item, not included in operating expenses or depreciation and amortization (not included in cost of service when the gain or loss on this property has occurred or is likely to occur in the FTY or the FPFTY). Provide the proposed ratemaking treatment of extraordinary gains and losses. Provide supporting data including an explanation and breakdown of costs.

4. For the base rate case expense claim, provide all of the following:

a. Detailed calculations of normalized base rate case expense, including supporting data for outside services rendered.

b. Justification for the proposed normalization period for the current base rate case.

c. Details and related dollar amounts by category of the base rate case expense claim. Include the actual billings or invoices and the applicable contracts in support of each category of base rate case expense.

d. Docket numbers and filing dates, indicating fully litigated or settled, for the immediately preceding three base rate cases filed with the Commission.

e. Details and related dollar amounts by category of the actual expenses of the immediately preceding three base rate cases.

5. Provide a list by applicable industry's USoA of charges by affiliates (service corporations, and the like) to the public utility, grouped by the claimed operating expenses and capitalized amounts for the HTY, the 2 years immediately preceding the HTY, the FTY and the FPFTY. Include all of the following:

a. Copy of contract(s) governing the services provided and charges, if any.

b. Explanation of the nature of the services provided.

c. Explanation of the basis on which charges are made.

d. If charges are allocated to the public utility, identify the affiliate provider of the charges, allocation factors and dollar amounts used for all affiliated companies not receiving allocation and explain why there is no allocation.

6. For the HTY, the FTY and the FPFTY, describe costs relative to leasing equipment, computer rentals, and office space, including terms and conditions of the lease (including but not limited to, beginning and end date(s) of lease(s), monthly or annual dollar amount of payment(s)) and copies of contracts for each. Explain the method of calculating monthly or annual payments. If allocated from the parent company or an affiliated company, provide an explanation and supporting documentation for the method of allocation.

7. For the HTY, the 2 years immediately preceding the HTY, the FTY and the FPFTY, provide detailed calculations of the cost by year resulting from storm damage. Explain the method and basis for estimates.

8. For the HTY, the 2 years immediately preceding the HTY, the FTY and the FPFTY, submit schedules showing, by applicable industry's USoA, the claimed expenses incurred in all of the following expense categories:

a. Miscellaneous general expenses.

b. Outside service expense.

c. Regulatory commission expenses.

d. Advertising expenses broken down by category for claimed amounts, including but not limited to advertising engaged in by trade associations whenever the public utility has claimed a contribution to the trade association as a ratemaking claim. Explain the basis for recovery.

e. Research and development expenses, showing a list of major projects.

f. Charitable and civic contributions, by recipient and amount, showing types of social and service organization memberships paid for, the cost thereof, the accounting and tax treatment, and whether included in above-the-line claimed expenses. Explain the basis for recovery.

g. Lobbying expenses, including but not limited to amounts that are a portion of membership dues. Explain the basis for recovery.

9. For the HTY, the FTY and the FPFTY, provide a schedule showing insurance expense (other than employee benefits) for each type of insurance coverage. Include all of the following:

a. A statement as to whether the public utility is self-insured or third-party insured.

b. Amounts of any reserves for claims.

c. Explanation of the extent to which employees contribute to the coverage.

d. Explanation of how insurance expense claims in the FPFTY are calculated.

10. For the HTY, the FTY and the FPFTY, show the amounts paid or claimed for industry or professional organizations expenses. Include a description of each payee organization and purpose.

11. Submit costs claimed for recovery in the FPFTY associated with cancelled construction projects or obsolete inventory. Separately identify all of the following:

a. Projects (including employee costs broken down by payroll and benefits) or inventory.

b. All other expense categories.

c. Related amounts and explain the reason for the cancellation or obsolescence.

J. Payroll, Employee Benefits and Retiree Costs

1. Provide all of the following information for employee counts for the HTY, the 2 years immediately preceding the HTY, the FTY and the FPFTY:

a. Actual and projected month-end employee counts by union, nonunion and temporary employee categories.

b. Explanation of any material changes in employee counts.

2. Provide all of the following payroll expense information, by union, nonunion and temporary employee categories:

a. Total annual payroll and overtime for the HTY, the 2 years immediately preceding the HTY, the FTY and the FPFTY.

b. Percentage and annual amount of payroll expense increases for the HTY, the FTY and the FPFTY. For increases not attributable to routine cost of living wage rate increases (1—3% increases) or union contracts, provide the percentage and annual amount of payroll expense increases for the 2 years immediately preceding the HTY.

c. Percentage and annual amount of payroll expense increases attributable to incentive plans or bonuses for the HTY, the 2 years immediately preceding the HTY, the FTY and the FPFTY.

d. Dates and percentages of pay increases for the 2 years immediately preceding the HTY in the same format for test year data provided in response to previously listed J.2.c.

e. Document(s) or statement(s) verifying that the actual payroll plus the increases equal the payroll expense claimed in the supporting data (by categories of expenses) for the HTY.

f. Document(s) or statement(s) showing that the verification shown in J.2.e will be conducted for the FTY and the FPFTY. Indicating the procedures for addressing any material differences between estimated expenses and actual expenses for the FTY and the FPFTY.

g. Copy of incentive compensation and bonus compensation plan documents.

3. Provide all of the following employee benefit information by union, nonunion and temporary employee categories:

a. Actual and projected expenses, by benefit type, for the HTY, the 2 years immediately preceding the HTY, the FTY and the FPFTY, separately identifying specific benefits and costs for executives and officers.

b. Total annual insurance premiums for each type of employee insurance coverage for the HTY, the FTY and the FPFTY, indicating whether the public utility is self-insured or third-party-insured.

c. Explanation of any projected increases in employee insurance expenses for the FTY and the FPFTY.

d. Actual and projected total annual contributions by employees for insurance coverage for the HTY, the FTY and the FPFTY.

4. Provide capitalized percentages and amounts of payroll and employee benefit expense for the HTY, the 2 years immediately preceding the HTY, the FTY and the FPFTY.

5. If deferred compensation is a part of the payroll and employee benefit expense claim, provide the actual and projected annual total of any deferred income paid to employees in the HTY, the 2 years immediately preceding the HTY, the FTY and the FPFTY.

6. Provide all of the following pension information for the HTY, the FTY and the FPFTY:

a. Total annual pension expense claimed.

b. Method used to develop the pension plan claim.

c. Breakdown between capitalized and expensed pension amounts.

d. Actual cash pension contribution amounts for the HTY and 2 years immediately preceding the HTY, and projected cash pension contributions for the FTY and the FPFTY.

e. Most recent actuarial studies for the pension plan.

f. Actuarial support, if any, for actual and projected pension cash contribution amounts for the FTY, the FPFTY and any additional future periods.

g. Credit balance in the test year used to make the base rate claim. If not reflected in the claim, state why not.

h. Copy of the pension funding policy.

i. Copy of retirement plan documents.

j. If the pension cost figures include any unfunded pension costs, state the unfunded portion.

7. Provide for other post-employment benefits expense (OPEB) all of the following:

a. Actual and projected OPEB expenses for the HTY, the FTY and the FPFTY.

b. Explanation of the basis for the claim, for example, accrual, pay-as-you-go, some other method, or combination of bases.

c. Most recent actuarial studies for OPEBs.

d. Documentation necessary to support the claimed amounts.

8. List and explain all non-recurring abnormal or extraordinary expenses related to employee costs incurred in the HTY which will not be present in the FTY or the FPFTY. List and explain all non-recurring abnormal or extraordinary expenses related to employee costs expected to be incurred in the FTY or FPFTY which were not present in the HTY.

9. List and explain expenses related to employee costs included in the HTY, the FTY and the FPFTY which do not occur yearly but are of a nature that they do occur within an extended period of years.

K. Depreciation

1. Provide a description of the depreciation methods used to calculate annual depreciation amounts and depreciation reserves, together with a discussion of the factors which were considered in arriving at estimates of service life and dispersion by account. Provide a comprehensive statement of any changes made in the method of depreciation since the immediately preceding base rate case and explain the impact of added DSIC projects on service lives.

2. Provide a description of the amortization methods used to calculate annual amortization amounts and amortization reserves. Provide a comprehensive statement of any changes made in the method of amortization since the immediately preceding base rate case.

3. Provide an exhibit and charts depicting the original and estimated survivor curves and a table presenting the original life table plotted on the chart for each account where the retirement rate method of analysis is used.

4. Provide the surviving original cost at the HTY year-end by vintage by account and include applicable depreciation reserves and accruals. Provide these calculations for plant in service as well as other categories of plant, including contributions in aid of construction and customers' advances for construction, and anticipated retirements associated with any CWIP claims if applicable.

5. Provide a comparison of the calculated depreciation reserve used for ratemaking purposes compared to the book reserve by account at the end of the HTY, the FTY and the FPFTY.

6. Provide a schedule by account and depreciable group showing the survivor curve and annual accrual rate estimated to be appropriate and changes in annual accrual rates by account or by depreciable group for all of the following:

a. For the purposes of this current filing.

b. For the purposes of the immediately preceding rate increase filing prior to the current proceeding.

7. Provide a comprehensive statement of any changes made in method of depreciation and in the selection of average service lives and dispersion as a result of implementing the DSIC.

8. Provide a table showing the cumulative depreciated original cost by year of installation for public utility plant by asset type in service at the end of the HTY, the FTY and the FPFTY (depreciable plant only) as claimed in the measures of value. Formulate the table with all of the following:

- a. Column 1: Year installed.
- b. Column 2: Original cost.
- c. Column 3: Accrued depreciation.
- d. Column 4: Depreciated original cost (which is original cost minus accrued depreciation); total this column.
- e. Column 5: Cumulative depreciated original cost, increased year by year.
- f. Column 6: Cumulative depreciated original cost, year by year, divided by the total of column 4, shown as a percent.

9. Provide an exhibit showing, by account, the gross salvage, cost of removal, and net salvage for the HTY and the 4 years immediately preceding the HTY.

L. Taxes

1. Provide a copy of the Federal Tax Returns and State Tax Returns and amended returns, including supporting schedules, for the most recent 3 tax years for the public utility.

2. Provide a schedule of Federal and Pennsylvania taxes, other than income taxes, calculated on the basis of test year per book, pro forma at present rates, and pro forma at proposed rates, to include all of the following categories:

- a. Social Security.
- b. Unemployment.
- c. Public Utility Realty.
- d. Commission assessment.
- e. Other property.
- f. Sales and use tax.
- g. Other taxes.

3. Provide the three most recently filed Pennsylvania Corporate Tax reports and any associated Pennsylvania Corporate Tax Determinations.

4. Submit a schedule showing the Gross Receipts Tax base used in computing Pennsylvania Gross Receipts Tax adjustment if applicable.

5. Submit details of calculations for taxes, other than income, where a public utility is assessed taxes for doing business in another state or on its property located in another state.

6. State amount of the debt interest used for income tax calculations and details of debt interest computations for each of the following:

- a. Actual HTY.
- b. Annualized HTY year-end.
- c. Claimed FTY year-end, using present rates and proposed rates.
- d. Claimed FPFTY year-end, using present rates and proposed rates.

7. State amount of debt interest used for income tax calculations which has been allocated from the debt interest of an affiliate, and details of the allocation, for each of the following:

- a. Actual HTY.
- b. Annualized HTY year-end.
- c. Claimed FTY year-end, using present rates and proposed rates.
- d. Claimed FPFTY year-end, using present rates and proposed rates.

8. Provide all of the following income tax data:

- a. Consolidated income tax adjustments, if applicable.
- b. Interest for tax purposes (tax basis).

9. Provide a schedule showing for the last 3 years' income tax refunds, plus interest, net of taxes, received from the Federal government due to prior year claims.

10. To account for the difference between tax depreciation and ratemaking depreciation include all of the following:

a. Provide detailed computations showing the deferred income taxes derived by using accelerated tax depreciation applicable to post-1969 public utility property that increases productive capacity, and accelerated depreciation rates (ADR) on property, separating between Federal and State and rate used. Justify if based on the HTY.

b. State whether tax depreciation is based on all rate base items claimed as of the end of the FTY, and whether it is the annual tax depreciation at the end of the FTY.

c. Reconcile any difference between the deferred tax balance as shown as a reduction to measures of value (rate base) and the deferred tax balance as shown on the balance sheet.

d. Make appropriate adjustment and projections for the FPFTY.

11. Provide a schedule showing a breakdown of the deferred income taxes by Federal and State per book, pro forma, present rates and under proposed rates.

12. Regarding the Tax Cuts and Jobs Act of 2017 (TCJA) (Pub.L. No. 115-97) which became effective January 1, 2018, provide all of the following:

a. Explanation of the method used to return excess accumulated deferred income tax (ADIT) to ratepayers as a result of the TCJA and the resulting reduced Federal income tax rate.

b. Verification that the remaining excess ADIT balance is being subtracted from rate base in the FPFTY claim.

c. Breakdown between ADIT and excess ADIT (broken down by protected and unprotected) and explain how many years remain on the amortization.

d. Amount of excess ADIT being flowed back to ratepayers in the HTY, the FTY and the FPFTY, indicating where this is accomplished in the base rate case filing schedules.

13. Submit a schedule showing a breakdown of accumulated investment tax credits (3%, 4%, 7%, 10% and 11%), together with details of methods used to write-off the unamortized balances.

14. Submit a schedule showing the adjustments for taxable net income per book, including below-the-line items, and pro forma under present rates, together with

an explanation of any difference between the adjustments. Indicate charitable donations and contributions in the tax calculation for ratemaking purposes.

15. Submit detailed calculations supporting taxable net income before Federal and State income taxes where the income tax is subject to allocation due to the operations in another state, or due to operation of other taxable utilities or non-public utility businesses, or by operating divisions or areas.

16. Submit detailed calculations showing the derivation of deferred income taxes for amortization of the repair allowance if the policy is followed. Submit schedules for each accounting area if the public utility has more than one accounting area.

17. State the public utility's policy and practice on capitalization of repairs maintenance. If the public utility has opted out of Treasury Regulations 26 CFR 1.162-1.263, submit a depreciation/amortization schedule to reflect depreciation as taken over the useful life of the asset(s).

18. Provide details of the Federal Surtax Credit allocated to the Commonwealth jurisdictional area if applicable.

19. Furnish a breakdown of major items comprising prepaid and deferred income tax charges and other deferred income tax credits, reserves and associated reversals on liberalized depreciation.

20. Explain the reason for the use of cost of removal of any retired plant figures in the income tax calculations.

21. Submit all of the following data applicable to Pennsylvania Corporate Income Tax deferral:

a. Amounts of straight-line depreciation and accelerated tax depreciation, indicating the difference between these categories, and explaining which category gave rise to the normalizing tax charged back to the HTY operating statement.

b. Normalization for both Federal and State income taxes.

c. Tax rates used to calculate tax deferral amount.

22. Provide the accelerated tax depreciation and the book depreciation used to calculate the HTY deferrals in amounts segregated by each of the following:

a. Property installed prior to 1970.

b. Property installed subsequent to 1969. Indicate increasing capacity additions and non-increasing capacity additions.

23. State whether all tax savings due to accelerated depreciation on property installed prior to 1970 have been passed through to income. If not, explain why not.

24. Explain how the public utility handled the reduction in tax caused by the 2008 change in method for accounting for repairs in the HTY. Explain the future impact of the change in accounting method on taxable income relative to the FTY and the FPFTY.

25. Show any income tax loss/gain carryovers from previous years that may affect the HTY income taxes, the FTY income taxes or the FPFTY Income Taxes. Show loss or gain carryovers by years of origin and amounts remaining by years at the end of the HTY.

26. State whether the public utility eliminates tax savings by the payment of actual interest on CWIP not in the rate base claim. If so, provide all of the following:

a. Amount of construction claimed in this tax savings reduction. Explain the basis for this amount.

b. Explanation of the manner in which the debt portion of this construction is determined for purposes of the deferral calculations.

c. Interest rate used to calculate interest on this construction debt portion and the manner in which it is derived.

d. Details of calculation to determine tax savings reduction. State whether state taxes are increased to reflect the construction interest elimination.

27. Provide a detailed analysis of taxes accrued per books as of year-end for the HTY and as anticipated for the FTY and the FPFTY. Provide the basis for the accrual and the amount of taxes accrued monthly.

28. For the HTY as recorded on the HTY's operating statement, supply all of the following:

a. Amount of Federal income taxes actually paid.

b. Amount of the Federal income tax normalizing charge to tax expense due to excess of accelerated tax depreciation over book depreciation.

c. Normalizing tax charge to Federal income taxes for the 10% Job Development Credit during the test year.

d. Amount of the credit of Federal income taxes due to the amortization or normalizing yearly debit to the reserve for the 10% Job Development Credit.

e. Amount of the credit to Federal income taxes for the normalizing of any 3% Investment Tax Credit Reserve that may remain on the public utility's books.

29. Provide the debit and credit in the HTY to the deferred taxes due to accelerated depreciation for Federal income taxes.

30. Provide the debit and credit for that Job Development Credits for the HTY.

31. Regarding responses to these filing requirements on income taxes paid on the HTY operating statement, reconcile data from both Federal and State income taxes showing effects due to normalization, yearly write-offs of past years, income tax deferrals and normalization of investment tax and development credits.

32. With respect to determination of Federal and State income taxes, provide all of the following:

a. Income tax results of the annualizing and normalizing adjustments to the HTY and the FTY before any rate increase.

b. Income taxes, annualized and normalized, for the HTY and the FTY.

c. Income tax effect of the requested rate increase.

d. Income taxes for the normalized and annualized test year after application of the full requested rate increase.

e. Projections for the FPFTY.

33. In adjusting the HTY to an annualized year under present rates, explain any changes that may be due to book or tax depreciation changes and to debits and credits to income tax expense due to accelerated depreciation, deferred taxes, job development credits, tax refunds, or other items.

34. State whether section 1552 of the Internal Revenue Code (IRC) (26 U.S.C. § 1552) or 26 CFR 1.1552-1 (1983) apply to the public utility or the parent company or both. If these provisions are not applicable, state why they are

not applicable. State whether the parent company has filed a consolidated income tax return for the consolidated group. Provide all of the following as applicable:

a. Statement on what option has been chosen by the consolidated group.

b. Amount of tax liability, in summary form, that has been allocated to each of the participating members in the consolidated income tax return for the test year and the most recent 3 years for which data is available.

c. Schedule, in summary form, of contributions, which were determined on the basis of separate tax return calculations, made by each of the participating members to the tax liability indicated in the consolidated group tax return.

d. Total amounts of actual payments to the tax depository for the tax year, as computed on the basis of separate returns of members in the consolidated income tax return.

e. Most recent annual income tax return for the group.

f. Details of the amount of the net operating losses of any member allocated to the income tax returns of each of the members of the consolidated group for the most recent years for which data is available, together with a summary of the actual tax payments for those years.

g. Details of the amount of net negative income taxes, after all tax credits are accounted for, of any member allocated to the income tax return on each of the members of the consolidated group for the three most recent years for which data is available, together with a summary of the actual tax payments for those years.

h. Explanation of any changes in accounting method under IRC Sections 446 and 448 (26 U.S.C. §§ 446 and 448) and the effects of the changes on the public utility's Federal taxable income for the HTY, FTY and FPFTY.

M. Rate Structure, Cost of Service Allocation Study, Bill Frequency Analysis and Special Rate Contracts

1. Rate Structure

a. Provide copies of all present and proposed tariffs.

b. Provide a redlined document showing the changes to a tariff between the present tariff and the proposed tariff.

c. Provide a summary schedule of the individual rate effects of the proposed rates. For each tariffed rate, show all of the following information for the FPFTY:

i. Rate schedule designation.

ii. At present rates each of the following:

(a) Customers served as of end of FPFTY.

(b) Annual sales per billing determinant.

(c) Base rate revenues adjusted for any changes in base rate application that may have occurred during the FPFTY.

(d) Tax surcharge revenues.

(e) Revenues received from other clauses or riders separately accounted for.

(f) Total of all revenues for FPFTY.

iii. At proposed rates, each of the following:

(a) Estimated number of customers whose charges for service will be increased or decreased as a result of this filing.

(b) The increase or decrease in base rate revenues shown in annual dollar amount and percentage change.

(c) Estimated tax surcharge revenues based on the assumption that the base rate changes proposed were in place.

(d) Revenues received from other clauses or riders separately accounted for.

(e) The increase or decrease in total of all revenues shown in annual dollar amount change and percentage change.

iv. Supplement the revenue summary to show a complete revenue statement of the public utility's business, that is, show delayed payments, other revenues, non-jurisdictional sales and revenues and all other claimed revenue items and adjustments.

v. Provide the grand total revenue requirement showing both total sales and revenues, as adjusted, and the various increases and decreases in rates, including percentage effects, at present and proposed rates.

2. Cost of Service Allocation Study.

a. Provide a cost study allocating the claimed total cost of service, or revenue requirement, to each proposed tariff rate schedule. Tariff rate schedules may be combined for this purpose provided they are of a similar supply or end use nature. Provide a statement describing which rates were combined and the supporting explanations.

b. Provide a comparative schedule showing the rate of return for each tariff rate schedule, customer class, and service area, if applicable, at both present rates and proposed rates. If the study considers revenue sources other than base rate revenues, provide an explanation of other revenue sources included and reasons therefor.

c. Provide a description of the complete methodologies used in the cost of service allocation study.

d. Provide a statement along with the necessary data showing how the rate structure is fair and equitable to all customer classes.

e. Provide a complete description and back-up calculations for each allocation factor. Provide a description of the allocation method used, such as, peak responsibility, average and excess, or any other method.

f. Provide a schedule of the allocated revenue requirement by customer class, and service area, if applicable, at both present rates and proposed rates.

g. Indicate if the allocation method used for the current rate case is consistent with the immediately preceding base rate case study. Explain the impact of any changes.

h. Provide a detailed cost analysis supporting the customer charges, showing all direct and indirect costs included.

i. Supply the average day, the maximum day and the maximum hour deliveries to the system, adjusted for storage, for the HTY and the 2 years immediately preceding the HTY.

j. Provide workpapers, analyses, comparative data or other documentation supporting the estimated maximum day and peak hour demands by customer class for the HTY, the FTY and the FPFTY.

k. Explain the methodology used to distinguish between transmission and distribution or collection mains if applicable.

1. Provide a detailed explanation of how storage is used to meet base maximum day and maximum hour demands if applicable.

3. *Bill Frequency Analysis.*

a. Submit a bill frequency analysis for each tariffed rate schedule. The billing analysis may consist of the use of bill frequency distributions or individual customer billing records for the most recent annual periods available. Display all billing determinants. Apply the blocking and corresponding prices of the present rates and the proposed rates to the determinants to derive the base rate revenues under both present rates and proposed rates. Use the derived base rate revenues as the basis for measuring the annual base rate effect of the rates in question for the test year.

b. Supply a chart or tabulation of base rate bills for each rate schedule comparing the present rates to proposed rates. Show the dollar difference and the per cent increase or decrease.

4. *Special Rate Contracts.*

a. State whether the public utility has negotiated special rates not specified in the currently effective tariff.

b. Provide a listing of negotiated special rate contracts. Include a comparison of revenues for special rate contracts and under tariff rates.

N. Long Term Infrastructure Improvement Plan and Annual Asset Optimization Plan

1. Provide docket numbers for the most recent LTIP approved by the Commission as well as any pending LTIP filed by the public utility.

2. Provide docket numbers for AAO Plan(s) approved since the most recent approved LTIP and a copy of pending AAO Plan(s) filed by the public utility.

3. Provide a schedule comparing the anticipated and experienced impact on service reliability, safety enhancements, and operational savings resulting from LTIPs and AAO Plans, such as, for example, reduced equipment-failure-related expenses, fewer field investigations for outages, fewer complaints.

IV. Industry-Specific Filing Requirements

A. WATER, WASTEWATER AND STORMWATER PUBLIC UTILITIES

1. *Private Fire Service.*

a. Provide a breakdown of the number and size of private fire services according to the general service class of customers.

b. Provide a breakdown of the number and size of sprinkler systems serving municipal buildings.

2. *Public Hydrants.* List all public fire customers showing the number of public hydrants by size for each customer for the end of the HTY and projected for the FTY and the FPFTY.

3. *Base Cost per Billing Unit.* Provide a calculation of the public utility's base cost per billing unit of each of the following:

- a. Water.
- b. Wastewater.
- c. Stormwater.

4. *Purchased water or purchased conveyance.* Furnish the name of each supplier, gallonage (estimated if not known) and expense for water purchased or wastewater

or stormwater conveyance, treatment and/or disposal services purchased for the HTY and 2 preceding years. Provide projections for the FTY and the FPFTY.

5. *Resale.* Provide details of sales for resale, based on periods 5 years before and projections for 5 years after the FPFTY. List resale customers, units sold or projected to be sold, revenues received or projected to be received, source of units sold, contracted or spot sales, whether sales are to affiliated companies, and any other pertinent information.

6. *Quality of Service.*

a. List violations since the completion of the immediately preceding base rate case of any provision of the Pennsylvania Safe Drinking Water Act (SDWA) (35 P.S. §§ 721.1—721.17) and 25 Pa. Code §§ 109.1—109.1413 (relating to safe drinking water); the Pennsylvania Sewage Facilities Act (35 P.S. §§ 750.1—750.20a) and 25 Pa. Code §§ 71.1—71.83 (relating to administration of sewage facilities planning program); the Pennsylvania Clean Streams Law (35 P.S. §§ 691.1—691.1001), and 25 Pa. Code §§ 102.1—102.43 (relating to erosion and sediment control); or any rule, regulation or order, or any condition of any permit variance or exemption granted by the Pennsylvania Department of Environmental Protection (PA DEP), or its predecessor or successor.

i. Provide a copy of each public notification given regarding such violation.

ii. Provide a detailed explanation of actions taken to remedy such violation and to comply with the requirements prescribed by a variance or exemption. iii. State whether any fines or penalties were assessed and indicate the amounts paid by the public utility.

b. List any violation since the completion of the immediately preceding base rate case of Federal statutes or regulations implemented by the United States Environmental Protection Agency or otherwise relating to quality of service.

i. Provide a copy of each public notification given regarding the violation.

ii. Provide a detailed explanation of actions taken to remedy the violation and to comply with the requirements prescribed by a variance or exemption.

iii. State whether any fines or penalties were assessed and indicate the amounts paid by the public utility.

c. Provide information indicating whether the public utility is in compliance with SDWA provisions at 25 Pa. Code §§ 109.407—109.418 (relating to public notification):

i. Provide a copy of each public notification given in accordance with §§ 109.407—109.418 since the immediately preceding rate proceeding.

ii. Provide a detailed explanation of all actions taken to remedy an acute violation and to comply with the requirements prescribed by a variance or exemption.

iii. State whether any fines or penalties were assessed by PA DEP and indicate the amounts paid by the public utility.

d. Provide the most recent copies of all annual consumer confidence reports issued under SDWA amendments of 1996 since the last rate proceeding.

i. Provide any annual consumer confidence reports which reflect violations of Federal and State safe drinking water requirements.

- ii. Explain how these violations were resolved.
 - e. Indicate whether the public utility is in compliance with § 65.6(d) (relating to pressures) regarding pressure surveys at regular intervals. Provide details of any non-compliance and actions to bring the public utility into compliance.
 - f. Provide details on any water pressure problems lasting longer than 5 days which have occurred since the last rate proceeding in any part of the water transmission and distribution system and actions to prevent recurrences.
 - g. Describe any action taken on a temporary basis and the long-term solutions developed to address any water pressure problems.
 - h. Provide support to demonstrate that water or wastewater or stormwater service is being furnished on a continuous basis by supplying a summary of the public utility's records of each service interruption greater than 24 hours since the last rate proceeding.
 - i. Indicate whether the public utility is in compliance with § 65.4(b) (relating to records) regarding complete and current mapping of its entire distribution or collection system(s). If not in compliance, indicate what needs to be done to get into compliance and the docket numbers for any proceedings addressing non-compliance.
 - j. Provide a summary report demonstrating the public utility's efforts in water conservation, since the last rate proceeding, under § 65.20 (relating to water conservation measures—statement of policy).
 - k. Provide a discussion of the public utility's policy on tracking and responding to customer complaints. Include a copy of the policy if in written form.
 - l. Provide a summary report demonstrating the public utility's compliance with § 65.3 (relating to complaints) regarding the full and prompt investigation of service or facility complaints and the recordkeeping requirements of such complaints.
 - m. Provide a discussion of the public utility's policy regarding meter requirements, replacements and testing. State if the public utility's procedures are in compliance with § 65.8(b) (relating to meters).
 - i. Provide meter test records as required in § 65.8(c) for the 50 meters most recently removed from service.
 - ii. Provide a discussion on the public utility's policy and history of compliance with § 65.9 (relating to adjustment of bills for meter error) regarding adjustments of bills for meter error within the last year.
 - iii. If not in compliance, indicate what needs to be done to get into compliance and the docket numbers for any proceedings addressing non-compliance.
7. *Cost of Service Allocation.* Provide all workpapers and supporting documentation for the fire flow requirement and duration used in the cost of service allocation study.
8. *Unaccounted-for Water.*
- a. Provide a schedule that shows the amount and percentage of unaccounted-for water for each water distribution system for the HTY, the experienced portion of the FTY and 2 years immediately preceding the HTY.
 - b. Describe how the amount and percentage reported in IV.A.8.a were determined and explain any steps taken to reduce unaccounted-for water.

c. Explain the basis for the non-revenue water reductions used in the calculation in previously listed 8.a-8.b if applicable.

d. Explain the impact on proposed rates.

9. *Wastewater Inflow and Infiltration.*

a. Provide a schedule that shows the amount and percentage of inflow and infiltration for each wastewater or stormwater collection and conveyance system for the HTY, the experienced portion of the FTY and the 2 years immediately preceding the HTY.

b. Describe how the amount and percentage reported in IV.A.9.a were determined and explain any steps taken to reduce inflow and infiltration.

c. Explain the basis for the calculations in previously listed 9.a-9.b if applicable.

d. Explain the impact on proposed rates.

B. NATURAL GAS PUBLIC UTILITIES

1. Address lost and unaccounted-for gas:

a. Provide a schedule that shows the percentage of lost and unaccounted-for gas for the natural gas distribution system for the HTY and 2 years immediately preceding the HTY.

b. Describe how the amount in previously listed B.1. was determined and explain any steps taken to reduce lost and unaccounted-for gas.

2. Supply an exhibit showing the gas deliveries to each customer class for the most recent 24-month period. Identify the source of the gas, such as "purchased" (pipeline), "production" (includes purchases from local producers), "storage withdrawal," "propane/air" and "unaccounted-for."

3. Provide, with respect to the scope of operations of the utility, a description of all property, including an explanation of the system's operation, and plans for significant future expansion, modification or other alteration of facilities. Include all of the following:

a. If the public utility has multiple natural gas service areas, indicate if the service areas are integrated such that the gas supply is available to all customers.

b. Provide pertinent data regarding policy related to the addition of new consumers in the public utility's service area.

4. Explain how the public utility obtains its gas supply for each of the following:

a. Explain how it stores or manufactures gas if applicable.

b. State whether it has peak shaving facilities.

c. Provide details of coal-gasification programs if any.

d. Describe the potential and process for emergency purchases of gas.

e. Provide the amount of gas in MCF supplied by various suppliers in the test year. (Include a copy of all contracts).

f. Provide the amount of gas in MCF supplied from public utility-owned wells during the HTY and projected for the FTY and FPFTY.

5. Address plans for future gas supply including each of the following:

a. Supply details of anticipated gas supply from its near-term development of gas wells, if any.

b. Provide gas supply agreements and well development ventures and identify the parties thereto.

6. Indicate curtailments in the HTY and anticipated curtailments in the FTY and the FPFTY. Explain the reasons for the curtailments and the basis for projected the anticipated curtailments.

7. Provide current data on any FERC action or programs that may affect or tend to affect the natural gas supply to the public utility.

8. To the extent applicable, provide the annual recorded expenses by USoA for the HTY and as projected for the FTY and FPFTY by account. Identify all accounts used but not specifically listed in B.9 as follows.

9. To the extent applicable, provide the annual recorded natural gas production expenses by USoA for the HTY and as projected for the FTY and FPFTY by all of the following accounts:

Natural Gas Production and Gathering Operation

- 750 Operation supervision and engineering
- 751 Production maps and records
- 752 Gas wells expenses
- 753 Field lines expenses
- 754 Field compressor station expenses
- 755 Field compressor station fuel and power
- 756 Field measuring and regulating station expenses
- 757 Purification expenses
- 758 Gas well royalties
- 759 Other expenses
- 760 Rents Total _____

Maintenance

- 761 Maintenance supervision and engineering
- 762 Maintenance of structures and improvements
- 763 Maintenance of producing gas wells
- 764 Maintenance of field lines
- 765 Maintenance of field compressor station equipment
- 766 Maintenance of field measuring and regulating station equipment
- 767 Maintenance of purification equipment
- 768 Maintenance of drilling and cleaning equipment
- 769 Maintenance of other equipment
- Total _____

Total Natural Gas Production and Gathering _____

Products Extraction Operation

- 770 Operation supervision and engineering
- 771 Operation labor
- 772 Gas shrinkage
- 773 Fuel
- 774 Power
- 775 Materials
- 776 Operation supplies and expenses
- 777 Gas processed by others
- 778 Royalties on products extracted
- 779 Marketing expenses
- 780 Products purchased for resale
- 781 Variation in products inventory
- 782 Extracted products used by the utility—Credit
- 783 Rents
- Total _____

Maintenance

- 784 Maintenance supervision and engineering
- 785 Maintenance of structures and improvements
- 786 Maintenance of extraction and refining equipment
- 787 Maintenance of pipelines
- 788 Maintenance of extracted products storage equipment
- 789 Maintenance of compressor equipment

- 790 Maintenance of gas measuring and regulating equipment
- 791 Maintenance of other equipment
- Total _____

Total Products Extraction _____

Exploration and Development Expenses Operation

- 795 Delay rentals
- 796 Nonproductive well drilling
- 797 Abandoned leases
- 798 Other exploration
- Total Exploration and Development _____

Other Gas Supply Expenses Operation

- 800 Natural gas well head purchases
- 801 Natural gas field line purchases
- 802 Natural gas gasoline plant outlet purchases
- 803 Natural gas transmission line purchases
- 804 Natural gas city gate purchases
- 805 Other gas purchases
- 806 Exchange gas
- 807 Purchased gas expenses
- 808 Gas withdrawn from storage—Debit
- 809 Gas delivered to storage—Credit
- 810 Gas used for compressor station fuel—Credit
- 811 Gas used for other products extraction—Credit
- 812 Gas used for other utility operations—Credit
- 813 Other gas supply expenses
- Total _____

Total Other Gas Supply Expenses _____

Total Production Expenses _____

Underground Storage Expenses Operation

- 814 Operation supervision and engineering
- 815 Maps and records
- 816 Wells expenses
- 817 Lines expenses
- 818 Compressor station expenses
- 819 Compressor station fuel and power
- 820 Measuring and regulating station expenses
- 821 Purification expenses
- 822 Exploration and development
- 823 Gas losses
- 824 Other expenses
- 825 Storage wells royalties
- 826 Rents
- Total _____

Maintenance

- 830 Maintenance supervision and engineering
- 831 Maintenance of structures and improvements
- 832 Maintenance of reservoirs and wells
- 833 Maintenance of lines
- 834 Maintenance of compressor station equipment
- 835 Maintenance of measuring and regulating station equipment
- 836 Maintenance of purification equipment
- 837 Maintenance of other equipment
- Total _____

Total Underground Storage Expenses _____

Other Storage Expenses Operation

- 840 Operation supervision and engineering
- 841 Operation labor and expenses
- 842 Rents
- 842.1 Fuel
- 842.2 Power
- 842.3 Gas Losses
- 842.4 Total _____

Maintenance

- 843 Maintenance supervision and engineering
- 844 Maintenance of structures and improvements
- 845 Maintenance of gas holders
- 846 Maintenance of purification equipment
- 847 Maintenance of liquefaction equipment
- 848 Maintenance of vaporizing equipment
- 848.1 Maintenance of compressor equipment
- 848.2 Maintenance of measuring and regulating equipment
- 848.3 Maintenance of other equipment
- Total _____

Total Other Storage Expenses _____

Transmission Expenses Operation

- 850 Operation supervision and engineering
- 851 System control and load dispatching
- 852 Communications system expenses
- 853 Compressor station labor and expenses
- 854 Gas for compressor station fuel
- 855 Other fuel and power for compressor stations
- 856 Mains expenses
- 857 Measuring and regulating station expenses
- 858 Transmission and compression of gas by others
- 859 Other expenses
- 860 Rents
- Total _____

Maintenance

- 861 Maintenance supervision and engineering
- 862 Maintenance of structures and improvements
- 863 Maintenance of mains
- 864 Maintenance of compressor station equipment
- 865 Maintenance of measuring and regulating station equipment
- 866 Maintenance of communication equipment
- 867 Maintenance of other equipment
- Total _____

Total Transmission Expenses _____

C. MANUFACTURED GAS PUBLIC UTILITIES

Provide the annual recorded expense by accounts. Identify all accounts used but not specifically listed as follows.

***PRODUCTION EXPENSES—
MANUFACTURED GAS PRODUCTION***

Operation

- 710 Operation supervision and engineering

Production Labor and Expenses

- 711 Steam expenses
- 712 Other power expenses
- 713 Coke oven expenses
- 714 Producer gas expenses
- 715 Water gas generating expenses
- 716 Oil gas generating expenses

- 717 Liquefied petroleum gas expenses
- 718 Other process production expenses
- Total _____

Gas Fuels

- 719 Fuel under coke ovens
- 720 Producer gas fuel
- 721 Water gas generator fuel
- 722 Fuel for oil gas
- 723 Fuel for liquefied petroleum gas process
- 724 Other gas fuels
- Total _____

Gas Raw Materials

- 725 Coal carbonized in coke ovens
- 726 Oil for water gas
- 727 Oil for oil gas
- 728 Liquefied petroleum gas
- 729 Raw materials for other gas processes
- 730 Residuals expenses
- 731 Residuals produced—Credit
- 732 Purification expenses
- 733 Gas mixing expenses
- 734 Duplicate charges—Credit
- 735 Miscellaneous production expenses
- 736 Rents
- Total _____

Maintenance

- 740 Maintenance supervision and engineering
- 741 Maintenance of structures and improvements
- 742 Maintenance of production equipment
- Total _____

Total Manufactured Gas Production _____

D. STEAM PUBLIC UTILITIES

Provide the annual recorded expense by accounts. Identify all accounts used but not specifically listed as follows.

PRODUCTION EXPENSES—STEAM PRODUCTION

Operation

- 700 Operation supervision and engineering
- 701 Operation labor
- 702 Boiler fuel
- 703 Miscellaneous steam expenses
- 704 Steam transferred—Credit
- Total _____

Maintenance

- 705 Operation supervision and engineering
- 706 Maintenance of structures and improvements
- 707 Maintenance of boiler plant equipment
- 708 Maintenance of other steam production Plant
- Total _____

Total Steam Production _____

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