



April 28, 2023

VIA ELECTRONIC FILING

Hon. Michelle L. Phillips, Secretary
New York State Public Service Commission
Empire State Plaza
Agency Building 3
Albany, NY 12223-1350

RE: Valley Energy, Inc.'s Minor Rate Filing Submission

Dear Secretary Phillips:

Valley Energy, Inc. ("Company"), in accordance with the provisions of the New York State Public Service Law and the Public Service Commission's ("Commission") regulations, hereby submits the following revised tariff leaves: Nos. 5, 59, 88, 94, 95, 102, and 103. These tariff revisions are issued as of April 28, 2023 and are proposed to be effective on September 1, 2023. Exhibits in support of these revisions are attached hereto. Under separate cover, additional workpapers and supporting documents, including interrogatory responses, are being provided to Department of Public Service Staff.

The Company proposes to increase the monthly service charge contained in S.C. No. 1 – Residential, Commercial and Industrial up to \$12.00 per month from the current level of \$10.00 per month. The filing contains provisions and rates designed to increase the monthly bill of a S.C. No. 1 customer using approximately 82 ccf of gas per month by \$7.15, from \$35.71 to \$42.86 or approximately 22% for delivery costs; and 13.82% on a Total bill basis %. The proposed increase will produce an annual increase in revenues of \$300,000, representing an increase of approximately 33.6% for Distribution revenue and 13.82% for Total revenue.

Newspaper publications will be made in accordance with Commission's regulations on May 4, 11, 18 and 25, in the *Sayre Morning Times*.

The Company's last rate increase was in 2018. Without this rate relief, the Company's return on rate base will be -4.9% in 2023. The requested rate relief has been kept at a rate adjustment of \$300,000 so as to qualify for a minor rate proceeding, to minimize the costs of litigation, and to mitigate the impact on customers while ensuring that the Company can maintain financial integrity.

SUMMARY OF THE COMPANY'S RATE REQUEST

Valley Energy is a small natural gas distribution company serving three communities in Chemung and Tioga Counties, New York and nine communities in Bradford County, Pennsylvania, and provides natural gas to approximately 2,000 customers in New York and 7,000 customers in Pennsylvania. Valley's natural gas distribution system includes over 192 miles of main. The New York system is comprised of over 35 miles of main and 1,900 services, which are either cathodically protected steel or plastic. The New York and Pennsylvania systems are operated as an integrated system, with only one natural gas receipt point located in Pennsylvania.

Valley's proposed rate adjustment will increase the average monthly bill for a residential or small commercial customer using 82 ccf of gas by \$7.15, or 8.02% on a total bill basis (including gas commodity costs). For a residential or small commercial customer using 150 ccf of gas, the monthly bill increases by \$11.53, or 7.42%. The monthly delivery cost for larger non-residential customers are proposed to increase by 45.5%. Exhibit VENY-4C of the filing is a table that shows the proposed increases at various usage levels.

Valley is proposing to increase natural gas delivery rates for residential, commercial and industrial customers in its New York territory to maintain and enhance reliability and customer service. The rate adjustment will enable Valley to earn an appropriate return on its rate base investments and cover our expenses. The current rates were approved by the Commission by Order issued on August 14, 2019, in Case No. 18-G-0730.

Between the end of 2018 and the end of 2023, Valley will have installed approximately \$1,000,000 of new utility plant in our New York territory, increasing the Net Book Value of the New York utility facilities to over \$2,000,000. Exhibits VENY-2, VENY-2A, VENY-2B, VENY-2C, VENY-2D, VENY-2E and VENY-2F detail the year by year plant additions and retirements between 2018 and 2023.

The facilities include four additional over-pressure protection devices that are proposed to be installed in 2023. The added devices are an enhanced safety measure for the Company's low pressure distribution system as a result of the Merrimack, Massachusetts incident. With these additional devices an increased inspection of existing low pressure relief devices, expenses for account 889 will increase due to the number of inspections.

In addition, since the 2018 Case, Valley's operating expenses have increased. Between 2018 and 2023, the Company's annual expenses have increased by over \$300,000. Exhibit VENY-3 provides detailed annual information regarding Valley's expenses, including an overall summary by year on page 6 of the exhibit.

Of particular significance, Valley's labor expenses increased since the 2018 Case. *See* Exhibit VENY-3, page 6, line 190. This increase is due to wage and benefit adjustments for Valley's workforce that are similar to those seen by many employers during this time period and due to a new position added in the Fall of 2022—Training and Compliance Coordinator. The Training and Compliance Coordinator is responsible for the development, implementation, oversight, and monitoring of pipeline safety, training and compliance programs. Valley added this

position to address the evolving training, operator qualification and safety-related requirements for New York and Pennsylvania. Among other duties, this position ensures that our employees have the required training and qualifications to perform work on both the New York and Pennsylvania portions of our system.

Valley increased rates for its Pennsylvania customers in 2022. The Company engaged a utility rate consultant, Mr. Howard Gorman, to analyze the rates for our New York customers. Mr. Gorman's analysis demonstrates that Valley can justify an annual revenue increase of \$347,236; however, Valley is requesting an increase of only \$300,000, which is 25.6% of Valley's projected 2023 delivery revenues.

Limiting the increase to \$300,000 enables Valley to proceed under the regulations for a minor rate case, thus decreasing the preparation and litigation costs that are requested in the rate case expense claim. In addition, limiting the request reflects gradualism and mitigates the impact on our customers during the current economic conditions.

Again, without rate relief, Valley projects that it will earn a return on rate base of **-4.9%** (negative 4.9%) in 2023. With the requested \$300,000 rate adjustment, Valley's projected return on rate base for 2023 is 5.87%, with a return on equity of 7.71%. If the full \$347,236 were granted, Valley's return on rate base would be 7.61%, resulting in a return on equity of 11.5%, which is equal to the return on equity calculated by Valley's witness in our recent 2022 Pennsylvania rate case.

SUMMARY OF TARIFF REVISIONS

In addition to the necessary revisions to the Tariff to effectuate the proposed rate increase, the Company is proposing several tariff revisions.

- On Tariff Leaf 5, the Company proposes to modify the definition of "Service Line" to better align with Part 255.3(a)(44).
- On Tariff Leaf 59, Valley proposes to increase the charges to re-establish service if a customer has been terminated due to nonpayment. The charge to reconnect service during business hours (Monday through Friday, 8 am to 4 pm, excluding holidays) is proposed to increase from \$25 to \$30, while the charge during non-business hours is proposed to increase from \$30 to \$40. The increased charges will better reflect the costs that Valley incurs to reconnect customers under this rule.
- On Tariff Leaf 94, Valley is updating the requirements for Interruptible Service to ensure that the customer has automated metering, telemetry and up to date customer contacts.

CLIMATE LEADERSHIP AND COMMUNITY PROTECTION ACT

In accordance with the Climate Leadership and Community Protection Act, Valley has considered how the filing will impact New York's climate change efforts. By assisting Valley in maintaining financial integrity through the requested rate adjustments, the Commission will also ensure that Valley can continue its efforts to maintain very low line losses (and thus low emissions)

related to its natural gas distribution system. In addition, Valley will commit to promote the Hope for Homes program promoting natural gas efficiency that is included in the Federal Bipartisan Infrastructure Law.

CONCLUSION

The Company asks that questions regarding this filing be directed to Jamie Beale, Vice President/Treasurer, Valley Energy, Inc. who may be reached at 523 S. Keystone Avenue, Sayre, PA 18840, Phone: (570) 888-9664 ext. 5232 or via e-mail at jamieb@ctenterprises.org, with copies to: i) Edward Rogers, President & CEO, Valley Energy, Inc. who may be reached at 523 S. Keystone Avenue, Sayre, PA 18840, Phone: (570) 888-9664 or via e-mail at erogers@ctenterprises.org; ii) Pamela Polacek, Chief Legal and Regulatory Officer, C&T Enterprises, Inc., who may be reached at P.O. Box 129, Venetia, PA 15367, Phone: (570) 724-9436 or via email at ppolacek@ctenterprises.org; iii) Jeffrey Genzer, Duncan, Weinberg, Genzer & Pembroke, P.C. who may be reached at Suite 700, 1667 K Street, N.W. Washington, D.C. 20006, Phone: (202) 467-6370 or via e-mail at jcg@dwgp.com; and iv) Howard Gorman, HSG Group, Inc., Great Neck, NY 11021, Phone: (516) 244-6080 or via e-mail at HGorman@HSG-Group.biz.

Respectfully submitted,

/s/ Edward Rogers

Edward E. Rogers
President & CEO

Enclosures

cc: J. Beale, Valley Energy
P. Polacek, C&T Enterprises, Inc.
J. Genzer, Duncan, Weinberg, Genzer & Pembroke, P.C.
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