BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2025-_____
	:	
Citizens' Electric Company of Lewisburg, PA	:	

STATEMENT OF REASONS

Citizens' Electric Company of Lewisburg, PA ("Citizens'" or "Company") hereby files with the Pennsylvania Public Utility Commission ("PUC" or "Commission") proposed Supplement No. 172 to Tariff Electric Pa. P.U.C. No. 14 ("Supplement No. 172"), with a proposed effective date of June 29, 2025. Supplement No. 172 reflects an overall increase in Citizens' distribution rates and other tariff changes. This Statement of Reasons provides a background of the filing, an explanation of the reasons necessitating the proposed overall distribution rate increase, and an explanation of the proposed changes to the tariff language, terms and conditions reflected in the proposed Supplement No. 172.

In addition, attached to this Statement of Reasons are the following documents in support of the proposed changes:

Volume I:

Tab A	Affidavit of Nathan (Nate) Johnson
Tab B	Customer Notice
Tab C	Press Release
Tab D	Supplement No. 172
Tab E	52 Pa. Code Section 53.52 and 53.53 Responses

Volume II:

Tab F	Citizens' Statement No. 1—Direct Testimony and Exhibits of Howard S Gorman
Tab G	Joint Statement No. 2—Direct Testimony and Exhibit of Dylan W. D'Ascendis and Ryan M. Kucan

Tab H Joint Statement No. 3—Direct Testimony and Exhibit of Melissa Sullivan
Tab I Citizens' Statement No. 4—Direct Testimony and Exhibits of Nathan Johnson
Tab J Citizens' Statement No. 5—Direct Testimony and Exhibits of Kathy Stauder

Volume III:
Tab K Joint Confidential Exhibits
Tab L Citizens' Confidential Exhibits

I. DESCRIPTION OF COMPANY

Citizens' is a Pennsylvania corporation with its principal office located in Lewisburg, Union County, Pennsylvania. Citizens' is an investor-owned, for-profit electric utility, wholly owned by C&T Enterprises, Inc. ("C&T"). C&T is a holding and management services company that currently also owns Wellsboro Electric Company ("Wellsboro") and Valley Energy, Inc. ("Valley Energy").

Citizens' service territory is a 55-square-mile territory in and around Lewisburg, Pennsylvania. At the end of December 2024, Citizens' served 7,176 customers, of which 5,964 customers were residential and the remaining were commercial, industrial, or lighting. *See* Tab F, Exhibit __ (HSG-1), Schedule B5. Citizens' received its authorization to operate as a public utility in the Commonwealth of Pennsylvania in Docket No. A-110050.

II. AMOUNT AND REASONS FOR PROPOSED DISTRIBUTION RATE INCREASE

Citizens' conducted an analysis of whether its present rates for its unbundled distribution service are sufficient to recover the costs that it incurs to provide electric distribution service and to earn a fair return on capital. As part of this analysis, Citizens' segregated its revenues received from distribution service by deducting from total revenues the portion received for generation supply purchases. As a result of that study, the Company determined that an overall distribution rate increase of $1.79 million per year is necessary to recover its costs and to earn a fair return on

capital. This analysis was conducted using 2026 as a Fully Projected Future Test Year ("FPFTY"), as authorized by the Public Utility Code.

The proposed increase is approximately 11% of Citizens' annual total revenues under current rates, including generation, transmission and distribution. *See* Tab F, Exhibit__(HSG-1), Schedule C1. The testimony, exhibits and other documents supporting the Company's analysis are referenced in Tabs A through L of this filing.

If the full request is granted, the Company will be able to earn a return on rate base of approximately 8.49%. *See id.* Schedule C1. Without rate relief, Citizens' projects that it will earn a return on rate base of only 1.46% in 2026. *Id.*

Citizens' last distribution rate adjustment took effect in February 2023. Since that time, Citizens' has continued to provide high quality reliable service to customers while at the same time the costs of providing that service have continued to grow. Citizens' has been systematically replacing its aging distribution infrastructure, including replacing aged poles, increasing conductor size to provide greater operating flexibility and reliability, replacing underground cable, reconductoring to increase capacity and reliability, and relocating lines for reliability improvement. Additionally, Citizens' has completed numerous small line extensions and upgrades. In comparison to the last rate case, the Company will have increased its utility rate base by $4 million by the end of the FPFTY. *See id.* Schedule C5-1.

Citizens' investments in reliability and infrastructure are occurring as Citizens' faces declining kWh. *See id.* Citizens' expects its customers to continue improving energy efficiency through continued proliferation and use of efficiency measures such as solar generation, LED lighting, higher-efficiency appliances, and variable speed heat pumps.

Finally, Citizens' Operations and Maintenance ("O&M") costs are increasing due to inflation. Citizens' O&M costs are over $1.4 million higher for the FPFTY when compared to the last rate case. *See id.* Citizens' has experienced cost increases for most major components that are required to operate and maintain our distribution system. The Company has taken steps to offset those increases, including adjusting the rates for revenue from telecommunications, cable and other entities that attach to our poles; however, this benefit is minor and a distribution rate increase is also needed.

Above all, the proposed distribution rates will promote the continued provision of safe and reliable service by ensuring that Citizens' will earn a fair and reasonable return on the resources invested in the distribution system. Citizens' will be able to continue its capital investment in system improvements, as well as the current maintenance and replacement policies that have resulted in very safe, adequate and reliable service for customers. The new rates will also enhance Citizens' ability to obtain capital, when necessary, to fund major system improvement projects that may be necessary in the future.

III. RATES FOR SPECIFIC CUSTOMER CLASSES

The new rates for each Schedule are summarized in Tab F, Exhibit__(HSG-1), Schedule B7. The Company conducted a Cost of Service Study ("COSS") to determine the fixed and variable costs of providing service to each customer class. *Id.*, Schedule E. Based on this study, Citizens' proposes to allocate the distribution increase on a cost-causation basis, which will result in different percentage increases for each customer class. Exhibit__(HSG-1), Schedule B6-4 shows the increase that is allocated to each customer class. The Company was not able to move each customer class to full cost-of-service rates because this would have resulted in very large rate increases for residential customers. However, the Company's proposed allocation of the rate

increase reflects meaningful progress in moving all customer classes toward their respective cost-to-serve.

For all rate schedules, Citizens' proposes to increase the monthly customer charge. *See* Exhibit__(HSG-1), Schedule B7. A very large portion of the revenues for most utilities are collected through variable charges (demand-based or energy-based), while the actual cost-to-serve for most customers is largely fixed. Citizens' revenues and costs have these same characteristics. To better align rates with the cost of providing service, Citizens' proposes to recover more costs through fixed charges.

In addition, as required by the Commission's regulations, Citizens' will reflect its anticipated obligations for various state taxes in the new distribution rates and reset its State Tax Adjustment Surcharge ("STAS") to 0.00%.

IV. TARIFF CHANGES

The Company is proposing several modifications to its tariff provisions. Mr. Johnson's testimony at Tab I summarizes the changes. *See* Tab I, Direct Testimony and Exhibits of Nathan Johnson.

V. NOTICE PROCEDURES AND EFFECTIVENESS OF PROPOSED RATE CHANGES

On April 30, 2025, Citizens' mailed the Customer Notice in Tab B to its customers. Citizens' also issued the Press Release contained in Tab C on April 30, 2025. Citizens' also will post the notice in its office, as required by Section 53.45(b) of the Commission regulations, and will post the filing on its website at www.citizenselectric.com.

VI. APPEARANCE OF COUNSEL

Citizens' will be represented regarding this filing by the following attorneys:

Adeolu A. Bakare (PA I.D. No. 208541)
Matthew L. Garber (Pa. I.D. No. 322855)
Rebecca Kimmel (Pa. I.D. No. 335097)
McNEES WALLACE & NURICK LLC
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166
Phone: (717) 232-8000
Fax: (717) 260-1744
abakare@mcneeslaw.com
mgarber@mcneeslaw.com
rkimmel@mcneeslaw.com

Pamela C. Polacek (PA I.D. No. 78276)
C&T Enterprises, Inc.
P.O. Box 129
Venetia, PA 15367
Phone: (570) 724-9469
ppolacek@ctenterprises.org

All inquiries or pleadings regarding this filing should be directed to Mr. Bakare. The Company encourages interested parties to informally contact its attorneys to discuss any questions or concerns related to the filing. All counsel consent to electronic service of filings and other documents.

VII. CONCLUSION

WHEREFORE, Citizens' Electric Company of Lewisburg, PA, requests that the Pennsylvania Public Utility Commission review and approve its proposed Supplement No. 172 to Tariff Electric Pa. P.U.C. No. 14 effective on June 29, 2025.

Respectfully submitted,

By

Adeolu A. Bakare (PA I.D. No. 208541)
Matthew L. Garber (Pa. I.D. No. 322855)
Rebecca Kimmel (Pa. I.D. No. 335097)
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166
Phone: (717) 232-8000
Fax: (717) 260-1744
abakare@mcneeslaw.com
mgarber@mcneeslaw.com
rkimmel@mcneeslaw.com

Pamela C. Polacek (PA I.D. No. 78276)
C&T Enterprises, Inc.
P.O. Box 129
Venetia, PA 15367
Phone: (570) 724-9469
ppolacek@ctenterprises.org

Counsel to Citizens' Electric Company of Lewisburg, PA

Dated: April 30, 2025