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September 6, 2023

*By Electronic Filing (Public Testimony & Exhibits) and
Overnight Delivery (Confidential & Highly Confidential Testimony & Exhibits)*

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, Filing Room
Harrisburg, PA 17120

Re: Petition of Pike County Light & Power Company for Approval of Default Service Plan and Waiver of Commission Regulations; Docket No. P-2023-3039927 **PIKE COUNTY LIGHT AND POWER COMPANY'S PRE-SERVED TESTIMONY AND EXHIBITS**

Dear Secretary Chiavetta:

The following pre-served testimony and exhibits on behalf of Pike County Light and Power Company ("PCLP") are admitted evidence pursuant to the Interim Order Granting Joint Stipulation for Admission of Testimony and Exhibits into the Evidentiary Record entered on August 31, 2023:

Direct Testimony

- A. Direct Testimony of Russell Miller (PCLP Statement No. 1) (Public Version) and Exhibit RM-1, Exhibit RM-2 (Redacted) and Exhibit RM-3 (Redacted).
- B. Direct Testimony of Russell Miller (PCLP Statement No. 1) (Highly Confidential Version) and Exhibits RM-1, RM-2 (Highly Confidential) and RM-3 (Highly Confidential).
- C. Direct Testimony of Noel Chesser (PCLP Statement No. 2) (Public Version) and Exhibit NPC-1 and Exhibit NPC-2 (Redacted).
- D. Direct Testimony of Noel Chesser (PCLP Statement No. 2) (Highly Confidential Version) and Exhibit NPC-1 and Exhibit NPC-2 (Highly Confidential).

Rebuttal Testimony

- A. Rebuttal Testimony of Russell Miller (PCLP Statement No. 1-R) ([Public Version](#)) and Exhibit RM-1R ([Redacted](#)).
- B. Rebuttal Testimony of Russell Miller (PCLP Statement No. 1-R) (**Highly Confidential Version**) and Exhibit RM-1R (**Highly Confidential**).

Testimony Verifications

- A. Russell Miller
- B. Noel Chesser

The Confidential and Highly Confidential Admitted Evidence will be filed via Overnight Delivery to the Secretary's Bureau.

Copies of this filing are being provided via e-mail as indicated on the attached Certificate of Service.

Very truly yours,

/s/ Phillip D. Demanchick Jr.

Whitney E. Snyder
Thomas J. Sniscak
Phillip D. Demanchick Jr.

PDD/das
Enclosure

cc: Administrative Law Judge Mark A. Hoyer (mhoyer@pa.gov)
Nick Miskanik (nmiskanik@pa.gov)
Per Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Pike County Light & Power :
Company for Approval of Its Default Service :
Plan and Waiver of Commission Regulations : Docket No. P-2023-3039927
for the Period June 1, 2024 through May 31, :
2027 :

DIRECT TESTIMONY

OF

RUSSELL MILLER,

SR. VICE PRESIDENT OF ENERGY SUPPLY & BUSINESS DEVELOPMENT

ON BEHALF OF

PIKE COUNTY LIGHT & POWER COMPANY

PUBLIC VERSION

Dated: May 30, 2023

1 **I. WITNESS BACKGROUND**

2 **Q. What is your name, position, and business address.**

3 A. Russell Miller, Vice President of Energy Supply & Business Development, Pike County
4 Light & Power Company (“Pike” or the “Company”). My business address is Corning
5 Energy Company (f/k/a Corning Natural Gas Holding Company), 330 West William St.,
6 Corning, NY 14830.

7 **Q. What are your responsibilities as the Vice President of Energy Supply & Business
8 Development at Pike?**

9 A. As Vice President of Energy Supply and Business Development, I am responsible for gas
10 & electric supply procurement, Pennsylvania Alternative Energy Portfolio Standards
11 compliance, Electric Generation Supply (“EGS”) interface, New York Independent System
12 Operator (“NYISO”) and PJM Generation Attribute System (“PJM GATS”) reporting.
13 Additional responsibilities include development of future alternate gas and electric supply
14 alternatives, franchise expansions and continued development of Pike’s Default Service
15 Plan. I also manage the Information Technology Department for Pike.

16 **Q. Please describe your educational and employment history.**

17 A. I have over 36 years of experience in the natural gas industry and strong management
18 experience. I began my career with the United States Navy, where I served as a Missile
19 Technician onboard a nuclear submarine. I have a B.S. in Telecommunications from
20 Empire State College and training in electrical and mechanical engineering from the
21 Rochester Institute of Technology. From 1987 through 2004, I was employed by Corning
22 Natural Gas Corporation (“CNG”), where I began as a draftsman, transitioned to a gas

1 supply manager and then served as Vice President of operations. From 2004 through 2006,
2 I was employed as an industrial account manager for Sprague Energy Corp. located in
3 Portsmouth, New Hampshire. From 2006 until June 2008, I was employed by IBM, as an
4 energy distribution manager where I managed a team of energy buyers. I rejoined CNG as
5 its director of gas supply and marketing in June 2008, and was appointed its Vice President
6 of gas supply and marketing in December 2009. I was appointed Vice President of Energy
7 Supply and Business Development of Corning Natural Gas Holding Company (“CNGHC”)
8 in April 2014. I have served as Managing Director of Leatherstocking Gas Company LLC
9 (“Leatherstocking Gas”) since November 2010. I also serve as a director on the boards of
10 Leatherstocking Gas and Pike.

11 **II. Purpose of Testimony**

12 **Q. Could you please summarize your testimony?**

13 A. The testimony I have developed describes Pike’s plan to continue to integrate a financial
14 hedge option for a portion of its electric supply portfolio. The financial hedge will be
15 utilized as a tool to dampen the price volatility that could affect Pike’s electric customers.
16 Pike’s financial hedging strategy proposal, which includes the use of an overhanging
17 contract, is substantially similar to its prior DSP Plan, which was the result of a unanimous
18 settlement in Pike’s prior DSP case at Docket No. P-2020-3022988 and was approved by
19 the Commission without modification.

1 **III. Pike Background**

2 **Q. Could you please generally describe Pike’s electric division?**

3 A. Pike is a jurisdictional electric distribution company (“EDC”) serving approximately 5,243
4 residential and commercial customers in Pike County, Pennsylvania. For calendar year
5 2022, the electric requirements of customers in the Company’s service territory was
6 65,315,440 megawatt-hours (“MWh”) for default supply customers and 13,973,540 MWh
7 for customers served by an electricity supplier, with a peak demand of approximately 25
8 megawatts (“MW”). Pike provides transmission and distribution services to its electric
9 customers, with electric generation suppliers (“EGS”) providing generation services to
10 approximately 20.61 percent of Pike’s customers. Pike is a wholly-owned subsidiary of
11 Corning Energy Company (“Corning Energy”) and receives all of its electricity through
12 two 34.5 kV radial circuits that cross the Delaware River from Port Jervis, New York. Pike
13 is distinctive among Pennsylvania EDCs as it is part of the NYISO control area, not PJM
14 Interconnection, LLC’s (“PJM”) control area.

15 **Q. Is Pike unique compared to other Pennsylvania EDCs?**

16 A. Yes, Pike is unique compared to other Pennsylvania EDCs especially concerning
17 circumstances regarding its default supply because of (1) its modest customer and load size
18 as described above, (2) a history of a significant amount of its customer receiving
19 generation supply from electric generation suppliers (approximately 20.61%), and (3)
20 Pike’s connection to the NYISO instead of PJM. In addition, Pike is not at this time a Load
21 Serving Entity (“LSE”) in the NYISO. An LSE is an entity authorized by the NYISO to
22 supply Energy, Capacity and/or Ancillary Services to retail customers, including an entity

1 that takes service directly from the NYISO to supply its own load. Pike would need to
2 become a LSE before it could fully participate in the NYISO market.

3 **Q. When did Corning Energy Corporation acquire Pike?**

4 A. Corning Energy Corporation acquired Pike in 2016 from Orange and Rockland Utilities,
5 Inc. (“O&R”) pursuant to an August 11, 2016 Commission Order at Docket Nos. A-2015-
6 2517036 *et al.* (“Acquisition Order”). That Order approved a settlement between the
7 parties, including the Office of Consumer Advocate and the Office of Small Business
8 Advocate. The Acquisition Order, *inter alia*, approved an Electric Supply Agreement
9 (“ESA”) between Pike and O&R. The ESA’s initial term ended on August 31, 2019, with
10 an option for three (3) one (1) year extensions upon 30 days written notice to O&R. Pike
11 renewed the ESA through 2022. As discussed further below, under the terms of the ESA,
12 Pike paid O&R electric supply service charges based on a combination of supply costs,
13 carrying costs, and service fees.

14 **Q. What is the current status of the ESA between Pike and O&R?**

15 A. In 2021, Pike filed its second Electricity Supply Agreement (“ESA II”) with O&R with the
16 Commission for approval. The Commission approved ESA II on August 26, 2021, at
17 Docket No. P-2021-3025829. ESA II provides the details by which O&R will continue to
18 provide electricity supply for Pike to serve Pike’s electric customers. ESA II is attached
19 as Exhibit RM-1 to my testimony. ESA II went into effect beginning August 31, 2022, and
20 runs through August 31, 2023, with the option to extend ESA II annually through August
21 2026.

1 **Q. Were there any other commitments made as a result of Corning Energy**
2 **Corporation’s acquisition of Pike?**

3 A. Yes. The settlement required Pike to conduct an alternative supply study (“Study”), which
4 was completed and submitted to the Commission, the OCA, and the OSBA on February
5 28, 2018. The relevant portions of the Study¹ are included as Exhibit RM-2 (Highly
6 Confidential) to my testimony.

7 **Q. Could you please describe Pike’s past default supply procurement?**

8 A. In the past, under O&R’s ownership, Pike determined that the best default supply
9 procurement strategy for Pike’s default supply customers was to procure supply solely
10 from the spot market, without any longer-term contracts or financial hedging strategy.
11 Both the Commission and the Commonwealth Court approved this strategy over the
12 objections of the OCA, which had recommended either longer-term contracts for some
13 portion of Pike’s supply or using a financial product for some degree of hedging to protect
14 default customers from the volatility of pricing in the NYISO spot market.

15 **Q. What happened in Pike’s 2018 DSP proceeding?**

16 A. In its 2018 DSP proceeding at Docket No. P-2018-3002709, Pike decided to propose a
17 financial hedging strategy as part of its default service procurement. The parties eventually
18 reached a settlement that set out the terms of a financial hedging strategy. The Commission
19 approved the settlement without modification.

¹ The Study also considered alternatives for gas supply, which contained Confidential Security Information. Those portions of the Study are not relevant here and are not included in the exhibit.

1 **Q. What happened in Pike’s last DSP proceeding?**

2 A. In its last DSP proceeding at Docket No. P-2020-3022988, Pike decided to continue the
3 financial hedging strategy that was approved by the Commission as part of its 2018 default
4 service procurement. The parties eventually reached a settlement that agreed to continue
5 the financial hedging strategy with slightly modified terms, such as a hedging a greater
6 portion of the default service load and including an overhanging contract. The Commission
7 approved the settlement without modification. This is now Pike’s third default service plan
8 under Corning Energy ownership.

9 **IV. Pike’s Proposed Default Supply Procurement Strategy**

10 **Q. In this proceeding, how does Pike propose to procure default supply?**

11 A. Pike proposes to continue to acquire electric supply through the NYISO spot market
12 pursuant to the terms of the Commission-approved ESA II (Exhibit RM-1). Pike also
13 proposes to continue its financial hedging strategy. The financial hedging strategy is
14 substantially similar to the strategy the parties agreed to in the prior DSP proceeding and
15 that the Commission approved. The financial hedging proposal will continue to provide a
16 degree of pricing stability for its default supply customers.

17 **Q. What are the terms of ESA II?**

18 A. ESA II, which the Commission approved at Docket No. P-2021-3025829, allows Pike to
19 continue to procure electric supply from O&R. ESA II’s initial term ends on August 31,
20 2023, with an option for three (3) one (1) year extensions upon 30 days written notice to
21 O&R. Pike intends to renew the ESA through August 2026. The electric supply service
22 charges under the agreement are determined based on the following:

1 (i) Supply cost - based on Pike’s load-based allocated portion of O&R’s
2 monthly NYISO charges for energy, capacity and all other NYISO charges for the
3 applicable month subject to subsequent NYISO true-ups.

4 (ii) Carrying cost - to reflect O&R’s cost of maintaining and operating the
5 physical infrastructure of O&R required to deliver electric supply to Pike. The
6 monthly charge is \$48,973 for the first year, and then escalates annually thereafter
7 at 5%.

8 (iii) Service Fee – monthly service fee of \$2,250 for the first year, and then
9 escalates annually thereafter at 5%.

10 As Pike is currently in its seventh year of the ESA, the carrying cost is presently \$58,323
11 per month and the service fee is \$3,017 per month.

12 **Q. What will Pike do when ESA II expires?**

13 A. Recognizing that ESA II will expire prior to the end of Pike’s 2024-2027 DSP Plan that is
14 proposed as part of this proceeding, Pike will file with the Commission any subsequent
15 electricity supply agreements with the Commission via petition that includes supporting
16 reasons for approval of any such agreement, serving a copy on the Office of Consumer
17 Advocate (“OCA”) and the Office of Small Business Advocate (“OSBA”), no later than
18 March 1, 2026.

19 **Q. Why did Pike propose to change its past practice and implement financial hedging?**

20 A. The Acquisition Proceeding brought to light OCA’s ongoing concern with price volatility
21 for residential customers. Pike’s current management, after considering the Study results
22 and ongoing discussions with OCA and its consultant Enel X Advisory Services, USA,
23 LLC (formerly EnerNOC, Inc.) (“Enel X”), was persuaded that adding a financial hedge

1 to promote pricing stability is best for its default customers and meets the Commission's
2 standards for default supply procurement. The Study stated:

3 The volatility of day ahead market prices, even averaged to produce
4 a quarterly standard offer price, are not well suited for residential
5 and small commercial customer budgets who generally seek stable
6 prices.

7 These customer classes do not have the budget flexibility that larger
8 commercial and institutional organizations have.

9 **Q. What did the Study conclude in terms of alternatives?**

10 A. The Study examined various alternate supply options, but the only viable option for Pike
11 was a financial hedge. The Study first considered whether it would be prudent for Pike to
12 interconnect with PJM given the historically lower prices in the PJM market. The Study
13 concluded this is not an economic option given the significant costs of interconnection and
14 the decreasing delta between PJM and NYISO prices. The Study then examined how other
15 Pennsylvania EDCs procure default supply, indicating that other EDCs use laddered full
16 requirements fixed rate contracts for a portion of their supply. However, given that Pike is
17 only interconnected to the NYISO through O&R, and is not currently a load-serving entity
18 on the NYISO, Pike cannot procure its own energy supply contracts. As the Study
19 suggested, Pike explored the potential of longer-term supply contracts with O&R, but was
20 unsuccessful in this effort. Pike also has explored becoming an LSE in the NYISO, but
21 has been unable to implement this process to date. Finally, the Study suggested that Pike
22 consider financial instruments to promote pricing stability.

23 **Q. Will there be any updates to the Study?**

24 A. Pursuant to the terms of a unanimous settlement approved by the Commission at Docket
25 No. A-2021-3025659, *et al.*, which allowed for the indirect transfer of control of Pike by

1 way of an acquisition of Pike's parent company, Corning Energy, by Argo Infrastructure
2 Partners, LP., *et al.*, Pike will commence a new study by July 2025 to reexamine alternative
3 supply options. Pike will notify the Commission, the OCA and OSBA of the results of the
4 study within sixty days of its completion.

5 **Q. What are the details of Pike's proposed financial hedging strategy?**

6 A. The hedging strategy continues to provide both flexibility and gradualism for Pike's
7 customers. Pike is buying a financial product that acts as a fixed rate for a portion of its
8 supply, *i.e.*, the hedge will convert portions of the energy purchased from spot market rates
9 to fixed rates. The specifics of the hedging strategy are described in more detail by Mr.
10 Noel Chesser, Pike's consultant at Enel X. The proposed plan, which would run for three
11 years, is substantially similar to the 2021-2024 plan. The specifics of the 2024-2027 Plan
12 will be discussed in further detail in Mr. Noel Chesser's testimony.

13 **Q. How will Pike implement this strategy?**

14 A. Pike will continue to work with its consultant, Enel X, to implement hedges. Enel X
15 assisted Pike with implementing its hedging strategy approved in the last DSP proceeding.

16 **Q. Does Pike believe this hedging strategy is good for default supply customers?**

17 A. Yes, at this time, Pike believes default supply customers benefit from increased pricing
18 stability by fixing the price of a portion of Pike's supply. Under ESA II, energy prices are
19 passed through based on hourly rates which are subject to volatility driven by market
20 conditions. Hourly rates have, for the most part, been subject to increased volatility for the
21 past three years and, at times, have been higher and lower than forward market rates (fixed
22 rates for future delivery periods). The bulk of Pike's default service customers are

1 residential, where stable electric prices are better suited for household budgets. Hourly
2 prices over time do not provide the level of price stability preferred by household budgets.
3 While it is impossible to predict spot market prices in the future (and thus impossible to
4 determine in any default supply scenario whether a fixed-rate will be the lowest cost for
5 customers over time or whether the volatile spot market will over time be the lowest cost)
6 the Commission also considers a degree of stability important in default supply pricing.
7 Pike believes its strategy brings the benefit of stability while still being market responsive
8 since it will not hedge the full portion of its default supply and will retain flexibility to
9 monitor the market and execute hedges when and in the amount in which it appears prudent
10 to do so. Pike will also rely on the expertise of its consultant Enel X.

11 **Q. What counterparties are available to Pike for its hedging strategy?**

12 A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]
13 [REDACTED] [END HIGHLY
14 CONFIDENTIAL] Pike executes an International Swaps and Derivatives Association,
15 Inc. (“ISDA”) Master Agreement with each counter-party. This Agreement does not bind
16 Pike to actually enter into any transactions with a counter-party nor does it bind Pike to
17 only engaging in hedging transactions with a counter-party. Pike will continue to consider
18 and seek additional counterparties.

19
20 **Q. Did Pike execute any hedges during the course of the 2021-2024 Plan?**

21 A. Yes. Pike has executed five hedges. The financial hedge is an energy swap, whereby Pike
22 pays its counterparties a set price based on forward market pricing (within the limits set
23 forth in the confidential portions of the Settlement) for a set quantity of energy. In return,

1 the counter-party pays Pike the spot price of the energy. Thus, if the spot market price of
2 energy is lower than forward market prices, Pike pays more for its energy than spot market
3 prices. If spot market prices are greater than the contract price, Pike still pays the contract
4 price instead of the higher spot market prices it would otherwise receive. Thus, as spot
5 market prices fluctuate, Pike's price for a subset of its default energy supply is constant,
6 resulting in price stability. The settlement amounts of those hedges are included as Exhibit
7 RM-3 (Highly Confidential) to my testimony.

8 **Q. What is the time-period of Pike's proposed default supply plan?**

9 A. Pike is proposing a three-year plan (June 2024 – May 2027). I note that prior to Pike's last
10 DSP proceeding, Pike had been implementing two-year default service plans, which would
11 create additional costs as a result of more frequent plan filings. However, after some
12 consideration, Pike decided to move to a three year plan in its last DSP proceeding because
13 the longer time-period would decrease costs to customers associated with the submission
14 and approval of default service plans. Accordingly, Pike continues to propose a three-year
15 plan, which will provide additional plan stability for customers and reduce filing costs that
16 are ultimately recovered from ratepayers.

17 **V. Alternative Energy Portfolio Standards (AEPS) Credits**

18 **Q. How does Pike currently obtain AEPS credits?**

19 A. Pike's current plan allows Pike to meet its AEPS requirements via a competitive
20 solicitation process, the timing of which is dictated by market conditions. Pike recovers
21 costs related to AEPS compliance from its default service customers through its default
22 service recovery mechanism.

1 **Q. What are Pike’s requirements under AEPS?**

2 A. Pike’s requirements under AEPS are that qualifying renewable energy credits (“RECs”)
3 must be purchased in quantities determined by AEPS designated percentages of Pike’s DSP
4 actual load for each AEPS fiscal year (June 1 through May 31). There are separate
5 percentage requirements for Tier 1 non solar, Tier 2 and solar. The RECs purchased must
6 be recorded and retired against the fiscal year obligation in PJM’s GATS. Failure to meet
7 the reporting requirement will trigger an alternative compliance payment, which
8 historically has been higher than the cost of complying via REC purchases.

9 **Q. How does Pike propose to obtain AEPS credits for its 2024-2027 DSP?**

10 A. Pike proposes to continue its current practice and solicit various brokers and counterparties
11 to procure credits. It will compare prices offered for credits and purchase sufficient credits
12 to meet the AEPS requirements from the supplier with the lower offer price. Pike may
13 increase the frequency of purchasing credits to a quarterly basis where it is more
14 economical for customers. I also note that Pike has obtained AEPS credits directly from
15 brokers in the past (2017), and for 2018, AEPS credits were procured with the help of Enel
16 X. Pike utilized Enel X for procurement assistance in 2019 and 2020. Additionally, for its
17 2021-2024 Plan, AEPS credits were procured with the help of Enel X. Pike may utilize
18 either strategy for its 2024-2027 Plan.

19 **VI. Rate Design**

20 **Q. What is Pike’s current default supply customer rate design?**

21 A. Pike’s current market priced default service mechanism is based on flat rates per kWh for
22 each of its default service classes. The default service rate is determined bi-annually and

1 is comprised of two components: (1) the Market Price of Electric Supply, and (2) the
2 Electric Supply Adjustment Charge. The Market Price of Electric Supply reflects the
3 Company's expected procurement costs from the NYISO. It also includes costs associated
4 with the Company's compliance with the Alternative Energy Portfolio Standards. The
5 Market Price of Electric Supply is also increased to permit the recovery of the Pennsylvania
6 Gross Receipts Tax.

7 **Q. How is the Electric Supply Adjustment Charge calculated?**

8 A. The Electric Supply Adjustment Charge is calculated bi-annually (every June 1st and
9 December 1st) to reconcile the monthly over- or under-collections of the prior six months
10 to be reconciled. After each month, Pike compares its actual default service costs for the
11 month against default service revenues. Default service costs include all actual costs
12 related to the procurement of energy, capacity, and ancillary services, including any prior
13 period reconciliation costs. Default service revenues include recoveries of the Market Price
14 of Electric Supply and the prior period Electric Supply Adjustment Charge.

15 For each month, actual default service costs are divided by the total actual default
16 service sales for the period being reconciled to determine the overall average rate that
17 would have made the Company whole for that period, on an aggregate basis. The resulting
18 average rate is then utilized to estimate the over- or under-collection applicable to each
19 service classification. The resulting service classification-specific over- or under-
20 collections will be added together for the six months being reconciled and are divided by
21 estimated service classification-specific default service sales for the subsequent twelve-
22 month period in which the Electric Supply Adjustment Charges will be billed. In other
23 words, the over or under-collections occurring over a six-month period would be collected

1 over the subsequent twelve-month period in which the Electric Supply Adjustment charge
2 will be billed. The resulting service classification-specific Electric Supply Adjustment
3 Charges are then increased to permit recovery of Pennsylvania Gross Receipts Tax.

4 **Q. Are there price limitations for the Electric Supply Adjustment Charge?**

5 A. Yes. For any given quarter, the Electric Supply Adjustment Charges, including Gross
6 Receipts Tax, shall not exceed a charge or a credit of 2.0 cents per kWh. In the event the
7 2.0 cents per kWh cap is reached, any remaining over- or under-collection balance is
8 included in the subsequent quarter's Electric Supply Adjustment Charges to the extent
9 possible within the 2.0 cents per kWh cap. Interest on under-collections is determined at
10 the legal rate of interest pursuant to Pennsylvania law. Interest on over-collections is
11 determined at the legal rate of interest plus two percent.

12 **Q. Did the terms of the last DSP proceeding settlement place any limitation on recovery
13 of Pike's costs?**

14 A. Yes. Pike was permitted to recover up to \$48,000 per plan year for outside consulting costs
15 related to the hedging program in its default service tariff charges.

16 **Q. What is Pike's proposed default customer rate design?**

17 A. Pike proposes to implement the same customer rate design. However, Pike is requesting
18 to recover up to \$84,000 per plan year for outside consulting costs related to the hedging
19 program in its default service tariff charges. The increase in consultation fees is reasonable
20 given that the Company works closely with its consultant to execute its financial hedges
21 and monitor the hedge performance. More specifically, the consultant is responsible for
22 maintaining records of Pike's default service customer load for hedge planning and

1 analysis purposes, presenting procurement recommendations on an ongoing basis,
2 coordinating hedge price solicitation and execution, and providing reports to Pike’s Default
3 Service Committee. The requested increase reasonably recovers the fees associated with
4 the consultant’s responsibilities. Moreover, this is the first increase that the Company has
5 sought since it began recovering consultation fees as part of the 2018 DSP proceeding.

6 **VII. Additional Waivers Requested**

7 **Q. What other waivers has Pike requested?**

8 A. 52 Pa. Code § 54.185(g), provides that: “For DSPs with less than 50,000 retail customers,
9 the Commission will grant waivers to the extent necessary to reduce the regulatory,
10 financial or technical burden on the DSP or to the extent otherwise in the public interest.”
11 In the past, the Commission has found waivers of the regulations Pike requests here to meet
12 this standard. Pike requests waivers related to two issues: (1) schedules and technical
13 requirements for bid solicitations, spot market purchases, agreements and forms; and (2)
14 procurement plan standards.

15 **Q. What are the requested waivers related to schedules and technical requirements for**
16 **bid solicitations, spot market purchases, agreements and forms?**

17 A. Sections 54.185(e)(2) (referring to § 54.186), 54.185(e)(6), and Section 69.1807(3). These
18 provisions require detailed schedules and technical requirements for competitive bid
19 solicitations and documents that would be unduly burdensome and expensive for Pike to
20 create and use. Pike has described the competitive process it will implement in my
21 testimony and in greater detail in Mr. Chesser’s testimony. Pike believes its plan meets
22 the spirit of these regulations without imposing the unduly burdensome and expensive

1 technical requirements of the letter of the regulations and as such waiver is in the public
2 interest.

3 **Q. What are the requested waivers related to procurement plan standards?**

4 A. Sections 69.1805, 69.1805(1), 69.1805(2) and 69.1805(3). These provisions relate to the
5 “prudent mix” standard for supply procurement and breaks down the procurement by
6 customer class. As discussed above, at this time Pike’s best option for its default customers
7 is to continue to procure spot market energy, while implementing a financial hedging
8 strategy. Due to Pike’s small load, this would be applied across all customer classes. As
9 the Commission has previously found, due to Pike’s unique characteristics discussed
10 above, waiver of these regulations is in the public interest and Pike’s spot market
11 purchasing fulfills the prudent mix standard.

12
13 **Q. Does that conclude your testimony at this time?**

14 A. At this time, yes. I reserve the right to provide additional testimony if that becomes necessary
15 at a later time.

Exhibits

Exhibit RM-1	Electric Supply Agreement II (ESA II)
Exhibit RM-2	Alternative Supply Study (Highly Confidential)
Exhibit RM-3	Executed Hedge Settlements (Highly Confidential)

Exhibit RM-1

Electric Supply Agreement

SECOND REVISED ELECTRIC SUPPLY AGREEMENT

ELECTRIC SUPPLY AGREEMENT, dated as of August 31, 2016 (this “Agreement”), between Orange and Rockland Utilities, Inc., a New York corporation (“O&R”), and Pike County Light & Power Company, a Pennsylvania corporation (“PCL&P”) (O&R and PCL&P are sometimes referred to herein individually as a “Party” and collectively as the “Parties”).

WHEREAS, O&R and Corning Natural Gas Holding Corporation (“Corning”) have entered into a Stock Purchase Agreement, dated as of October 13, 2015 (the “SPA”), pursuant to which O&R agreed to sell to Corning and Corning agreed to purchase from O&R all of the issued and outstanding shares of PCL&P, all as more particularly set forth in the SPA (capitalized terms used and not otherwise defined herein have the meanings ascribed to them in the SPA; provided, however, that when reference is made in this Agreement to any Section or Exhibit, such reference is to a Section or Exhibit of this Agreement unless otherwise indicated); and

WHEREAS, from and after the Closing, O&R is willing to provide, or cause to be provided, the transitional electric supply requirements of PCL&P on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual agreements and covenants hereinafter set forth, O&R and PCL&P hereby agree that the Electric Supply Agreement, and the First Amendment to Electric Supply Agreement, each dated as of August 31, 2016, and the Second Amendment to Electric Supply Agreement dated as of March 31, 2021, have been combined and restated in their entirety in this Agreement and this Agreement supersedes and replaces such Electric Supply Agreement and First and Second Amendments to Electric Supply Agreement in their entirety as of August 31, 2022, as follows:

1. Provision of Transition Services; Term; Payment

(a) O&R agrees to provide, or to cause its Affiliates and/or third-party contractors, subcontractors or other service providers or suppliers (collectively, the “Contractors”) to provide, to PCL&P the electric supply for PCL&P to serve its electric customers (the “Electric Supply Service”) for a period (the “Term”) commencing on the Closing and ending on the date that is thirty-six (36) months after the Closing, subject to extending the Term in accordance with Section 1(b) and to earlier termination in accordance with Section 5.

(b) Within thirty (30) days after the first annual anniversary date of this Agreement, PCL&P may elect, by written notice to O&R, to extend the Term for an additional twelve (12) months. If PCL&P elects this first optional extension, PCL&P may then elect, within thirty (30) days after the second annual anniversary date of this Agreement, to extend the extended Term for an additional twelve (12) months. If PCL&P elects this second optional extension, PCL&P may then elect, within thirty (30) days after the third annual anniversary date of this Agreement, to extend the extended Term for an additional twelve (12) months.

(c) O&R shall provide, or shall cause its Affiliates and/or the Contractors to provide, the Electric Supply Service pursuant to this Agreement in a manner consistent with, and with a level of care no less than, the manner and level of care with which such Electric Supply Service was previously provided by O&R, its Affiliates and the Contractors to PCL&P during the twelve (12) month period immediately prior to the Closing.

(d) The Parties acknowledge the transitional nature of O&R providing the Electric Supply Service and agree to cooperate in good faith to effectuate a smooth transition to PCL&P of the Electric Supply Service furnished hereunder; provided, however, that O&R, its Affiliates and the Contractors shall have no obligation to incur any expense, including, without limitation, in connection with constructing, installing, replacing, modifying, operating, or maintaining any facilities or infrastructure, in connection with such transition (it being understood that this proviso does not affect O&R's obligations, during the Term, to operate and maintain O&R facilities or O&R infrastructure in a manner sufficient to provide the Electric Supply Service pursuant to the terms and conditions hereof).

(e) PCL&P shall pay O&R an amount for the Electric Supply Services that is calculated in accordance with the methodology set forth in the Exhibit A attached hereto. Each written invoice (each, an "Invoice") that O&R prepares with respect to the Electric Supply Service provided during the Term shall specify the amount and price of the Electric Supply Service and the period during which it was provided (it being understood and agreed that the "Supply Cost" portion, as described in Exhibit A attached hereto, of each Invoice shall be subject to subsequent invoices for additional amounts (or credits) reflecting subsequent NYISO true-ups relating to the period at issue). PCL&P shall pay each Invoice, by the method specified in the Invoice, no later than ten (10) days after PCL&P's receipt of the Invoice. All Invoices sent by O&R hereunder shall be sent to the following address:

Pike County Light & Power Company
c/o Corning Natural Gas Holding Corporation
330 West William Street
Corning, New York 14830
Attention: Michael I. German
Fax: (607) 962-2844

2. Limitation of Liability; Release; Waiver; Indemnification; Insurance

(a) To the fullest extent permitted by law, PCL&P hereby releases and discharges O&R, its Affiliates, the Contractors, and O&R's, its Affiliates' and the Contractors' respective directors, trustees, officers, employees, agents, successors, and assigns, (collectively, the "O&R Protected Parties") from, waives against the O&R Protected Parties, and agrees to defend, indemnify and hold the O&R Protected Parties harmless from and against, any and all suits, actions, causes of action, claims, liabilities, losses, damages, costs, and expenses (including court costs and reasonable attorney's fees) arising from or relating to providing the Electric Supply Service or any failure to provide or delay in providing the Electric Supply Service, except

to the extent that such suits, actions, causes of action, claims, liabilities, losses, damages, costs and expenses arise from the willful misconduct of the O&R Protected Parties.

(b) Without limiting the provisions of Section 2(a), to the fullest extent permitted by law, PCL&P hereby releases and discharges the O&R Protected Parties from, waives against the O&R Protected Parties, and agrees to defend, indemnify and hold the O&R Protected Parties harmless from and against, any and all suits, actions, causes of action, claims, and liabilities for (and court costs and reasonable attorney's fees in connection with) any and all special, indirect, incidental, consequential and punitive damages, including but not limited to damage, loss, liability, costs, and expenses resulting from loss of use, loss of business or business opportunities, loss of profits or revenue, costs of capital, loss of goodwill, cost of purchased or replacement power, and like items of special, indirect, incidental, or consequential loss and damage, arising from or relating to providing the Electric Supply Service or any failure to provide or delay in providing the Electric Supply Service.

(c) Subject to the other limitation of liability provisions in this Agreement, in no event shall the cumulative liability of the O&R Protected Parties relating to or arising from providing any Electric Supply Service exceed the payment received by O&R hereunder with respect to such Electric Supply Service.

(d) PCL&P shall procure and maintain (or cause its parent corporation, Corning Natural Gas Holding Corporation, to procure and maintain for the benefit of PCL&P) the following insurance during the Term and until any and all Electric Supply Service has been fully and completely performed: Comprehensive (also called Commercial) General Liability Insurance, including Contractual Liability coverage, with limits of at least \$5,000,000 per occurrence for bodily injury or death and \$1,000,000 per occurrence for property damage or a combined single limit of at least \$5,000,000 (such insurance shall contain an "occurrence" and not a "claims made" determinant of coverage, shall name the O&R Protected Parties as additional insureds and contain a waiver of subrogation claims against the O&R Protected Parties, and shall not contain an exclusion for claims by PCL&P's or its contractor's or subcontractor's employees against the O&R Protected Parties or any of them based on injury to or the death of such employees). Such insurance requirements may be satisfied through the combination of a primary or underlying policy and an excess policy and it is understood and agreed that, so long as PCL&P complies at all times with the minimum per occurrence amounts and other insurance requirements specified above in this Agreement, in Section 2(d) of the Gas Supply and Gas Transportation Agreement of even date herewith between O&R and PCL&P (the "Gas Agreement"), and in Section 2(d) of the of the Transition Services Agreement of even date herewith between O&R and PCL&P (the "Transition Services Agreement"), PCL&P need not procure and maintain (or cause its parent Company, Corning Natural Gas Holding Corporation, to procure and maintain for the benefit of PCL&P) (i) separate insurance policies for each of this Agreement, the Gas Agreement, and the Transition Services Agreement or (ii) insurance policies with per occurrence limits that equal or exceed the sum of (A) the minimum per occurrence amounts specified above in this Agreement, *plus* (B) the minimum per occurrence amounts specified in Section 2(d) of the Gas Agreement and/or (C) the minimum per occurrence amounts specified in Section 2(d) of the Transition Services Agreement.

3. Confidentiality

Each Party hereby acknowledges that the terms of this Agreement (the “Information”) are confidential. Each Party agrees to, and shall cause its agents, representatives, Affiliates, employees, officers, directors and trustees to: (i) treat and hold as confidential (and not disclose or provide access to any Person to) the Information, (ii) in the event that a Party or any of its agents, representatives, Affiliates, employees, officers, directors or trustees becomes legally required to disclose any of the Information, provide such other Party (the “Non-Compelled Party”) with prompt written notice of such requirement so that the Non-Compelled Party may seek a protective order or other remedy or waive compliance with this Section 3, and (iii) in the event that such protective order or other remedy is not sought or obtained, or the Non-Compelled Party waives compliance with this Section 3, furnish only those portions of the Information which are legally required to be provided and exercise commercially reasonable efforts to obtain assurances that confidential treatment will be accorded such Information. This Section 3 shall not apply to Information that, at the time of disclosure, is available publicly and was not disclosed in breach of this Agreement.

4. Security for PCL&P’s Performance

(a) Generally. Simultaneously with the execution of this Agreement, PCL&P, as security for PCL&P’s performance of its obligations under this Agreement, and the Gas Agreement (collectively, the “Two Agreements”), shall cause a letter of credit (such letter of credit, as amended or replaced from time to time by a “Substitute PCL&P LC” (as defined below), the “PCL&P L/C”) to be furnished to O&R in the amount of \$1,000,000 (the “Initial Amount”). Notwithstanding anything herein to the contrary, except to the extent that the “Permitted Expiry,” as defined in this Agreement, occurs with respect to this Agreement or the “Permitted Expiry,” as defined in Gas Agreement, as applicable, occurs with respect to the Gas Agreement and the provisions of the Two Agreements permit the aggregate amount of security furnished by PCL&P to be less than the Initial Amount (each, a “Permitted Expiry Reduction”), the aggregate amount of security required of PCL&P pursuant to the Two Agreements and the amount available for drawing by O&R upon the PCL&P L/C shall be maintained by PCL&P at a level that is not less than the Initial Amount. However, following PCL&P’s receipt of the first invoices under any one or more of the Two Agreements and thereafter following PCL&P’s receipt of subsequent invoices thereunder, security in addition to the Initial Amount of security may be required to be furnished and maintained by PCL&P. If at any time the product of (x) two and (y) the sum of the most recent invoice amounts under each of the Two Agreements whose respective Permitted Expiry (as defined in the applicable agreement) has not yet occurred exceeds the Initial Amount, then PCL&P shall, at its option, either (i) cause the amount of the PCL&P L/C that remains available for drawing to be increased to and maintained at a level that is not less than the sum of the Initial Amount plus such excess or (ii) furnish cash security (“Cash Security”) to O&R in an amount equal to such excess (the Initial Amount, subject to such increase and subject to a Permitted Expiry Reduction, the “Required Amount”). To the extent that PCL&P fails to timely perform its obligations under this Agreement, O&R, in addition to and not in lieu of any other rights and remedies available to it, including termination of this Agreement pursuant to Section 5, may draw upon the PCL&P L/C and/or Cash Security, as applicable, to satisfy, in whole or in part, such obligations.

(b) Increases or Decreases in Cash Security. Increases in the amount of the Cash Security remaining for drawing upon by O&R that are necessary to satisfy the then applicable Required Amount (*i.e.*, because the Required Amount has increased from its prior level and PCL&P opts to satisfy such increase through furnishing Cash Security and/or because the Cash Security previously furnished by PCL&P has been drawn upon by O&R and PCL&P opts to replenish the security to the Required Amount level through furnishing Cash Security) shall be made by PCL&P furnishing the applicable amount of cash to O&R within five (5) Business Days (i) after PCL&P's receipt of the invoice(s) under such of the Two Agreements as results in an increase in the Required Amount (in cases where the Required Amount increases due to such invoice(s)) or (ii) after O&R draws upon the Cash Security that results in the sum of the amount of the PCL&P L/C and the Cash Security remaining for drawing upon by O&R being less than the then applicable Required Amount (in cases where O&R has drawn upon the Cash Security). Decreases in the amount of the Cash Security remaining for drawing upon by O&R to a level equal to the then applicable Required Amount (*i.e.*, because the Required Amount has decreased from its prior level) shall be made by O&R returning the applicable amount of Cash Security to PCL&P within five (5) Business Days after O&R's receipt of PCL&P's written request to return the amount of Cash Security that is in excess of the then applicable Required Amount. Cash furnished to O&R or PCL&P to increase or decrease the amount of Cash Security shall be by wire transfer to an account specified by the Party that is to receive the cash.

(c) Increases or Decreases in PCL&P L/C. Increases in the amount of the PCL&P L/C remaining for drawing upon by O&R that are necessary to satisfy the then applicable Required Amount (*i.e.*, because the Required Amount has increased from its prior level and PCL&P opts to satisfy such increase by causing the amount of the PCL&P L/C that remains available for drawing to be increased or because the PCL&P L/C previously has been drawn upon by O&R) shall be made by PCL&P furnishing to O&R a "Substitute PCL&P L/C" (as defined herein) within five (5) Business Days (i) after PCL&P's receipt of the invoice(s) under such of the Two Agreements as results in an increase in the Required Amount (in cases where the Required Amount increases due to such invoice(s)) or (ii) after O&R draws upon the PCL&P L/C such that the amount of the PCL&P L/C remaining for drawing upon by O&R is less than the Initial Amount (in cases where O&R has drawn upon the PCL&P L/C). Decreases in the amount of the PCL&P L/C remaining for drawing upon by O&R to a level equal to the then applicable Required Amount (because the Required Amount has decreased) shall be made by PCL&P furnishing to O&R a Substitute PCL&P L/C that accomplishes such decrease and O&R countersigning such Substitute PCL&P L/C.

(d) Permitted Expiry Reduction. Upon the occurrence of the "Permitted Expiry" (as defined in this Agreement) with respect to this Agreement, the Permitted Expiry Reduction to the Required Amount shall be an amount equal to \$650,000. Upon the occurrence of the "Permitted Expiry" (as defined in the Gas Agreement) with respect to the Gas Agreement, the Permitted Expiry Reduction to the Required Amount shall be an amount equal to \$350,000.

(e) Other Circumstances Where A Substitute PCL&P L/C Is Required. If at any time prior to the last occurring Permitted Expiry of the Two Agreements, (i) the PCL&P L/C has an expiration date that is earlier than such Permitted Expiry, PCL&P shall cause to be provided to O&R, at least twenty (20) Business Days prior to the expiration date of the PCL&P

L/C, a Substitute PCL&P L/C containing an expiration date that is at least ninety (90) days later than the expiration date of the PCL&P L/C that it is amending or replacing, or (ii) the credit rating of the bank issuing the PCL&P L/C falls below the level specified in the “L/C Requirements” (as defined below) or such bank repudiates its obligations under, or fails to honor or pay against, the PCL&P L/C, PCL&P, within five (5) Business thereafter, shall cause to be furnished to O&R a Substitute PCL&P L/C, issued by different bank, that replaces such PCL&P L/C. Promptly following O&R’s receipt of a Substitute PCL&P L/C that replaces (as distinguished from one that amends) a PCL&P L/C, O&R shall return to PCL&P the PCL&P L/C that has been replaced.

(f) Failure To Furnish Substitute PCL&P L/C. Should PCL&P fail to cause a Substitute PCL&P L/C to be furnished to O&R within the time specified in, and as otherwise required by, this Agreement, including under circumstances where (a) the credit rating of the bank issuing the PCL&P L/C that is to be replaced by the Substitute PCL&P L/C falls below the level specified in the L/C Requirements, (b) the bank issuing the PCL&P L/C that is to be replaced by the Substitute PCL&P L/C repudiates its obligations under, or fails to honor or pay against, the PCL&P L/C, (c) the expiration date of the PCL&P L/C to be extended by the Substitute PCL&P L/C is required to be extended, or (d) the amount of the PCL&P L/C remaining available to O&R for drawing upon is required to be increased by the Substitute PCL&P L/C, then O&R, in addition to and not in lieu of any other rights and remedies available to it, including termination of this Agreement, shall be entitled to draw upon the entire remaining amount of the PCL&P L/C. The parties agree that, for purposes of O&R making such a drawing, O&R may make any certification or statement required to be submitted in order to effectuate such drawing, including that the amount of the drawing is owed to O&R pursuant to this Agreement. Should O&R exercise its rights under this Section 4(f) to draw down the entire remaining amount of the PCL&P L/C, the cash obtained as a result of such drawing shall be deemed to be Cash Security (the amount of which is subject to increase or decrease in accordance with this Agreement), with O&R having the right to draw upon such Cash Security as otherwise permitted by this Agreement with respect to the Cash Security.

(g) Miscellaneous. Any PCL&P L/C (which includes any Substitute PCL&P L/C) that PCL&P utilizes to satisfy all or part of the then applicable Required Amount must satisfy the L/C Requirements. To the fullest extent permitted by law, (i) O&R shall not be required to keep any Cash Security in a separate account, but rather, shall be entitled to use, possess, invest, commingle, assign, sell, or pledge such Cash Security in any way it sees fit free from any claim or right of any nature whatsoever, including any right of redemption, and (ii) any interest, return on investment, or other result of O&R’s use, investment, commingling, assignment, sale or pledge of such Cash Security shall be the sole property of O&R and shall not be furnished to PCL&P at any time; provided, however, that, promptly following the occurrence of the Permitted Expiry as defined in this Agreement, O&R shall return to PCL&P any balance of the Cash Security then remaining that is not required to satisfy the Required Amount of such of the Two Agreements whose respective Permitted Expiry (as defined in the applicable agreement) has not yet occurred.

(h) Definitions. As used in this Agreement: “L/C Requirements” means an irrevocable, transferable, standby letter of credit issued by a major U.S. commercial bank or the

U.S. branch office of a foreign bank, which, in either case, has counters for presentment and payment located in the City of New York and a credit rating (i.e., the rating then assigned to such entity's unsecured, senior long-term debt obligations not supported by third party credit enhancements, or if such entity does not have a rating for its senior unsecured long-term debt, then the rating then assigned to such entity as an issuer rating) of at least (i) "A-" by Standard and Poor's Rating Group (a division of McGraw-Hill, Inc.) or its successor ("S&P") and "A3" by Moody's Investor Services, Inc. or its successor ("Moody's"), if such entity is rated by both S&P and Moody's or (ii) "A-" by S&P or "A3" by Moody's, if such entity is rated by either S&P or Moody's, but not both, and which letter of credit is in a form reasonably acceptable to O&R, including, but not limited to, drawings being permitted solely upon a statement from O&R that the amount of the drawing is owed to O&R pursuant to this Agreement; "Permitted Expiry" means the date that is six (6) months after the end of the Term referenced in Section 1(a) as such Term may be extended in accordance with Section 1(b) or earlier terminated in accordance with Section 5, provided, however, that if, as of such date, there are then outstanding, or in O&R's good faith judgment reasonable grounds then exist for any future, suits, actions, causes of action, claims, liabilities, losses, damages, costs, and expenses that are, or reasonably would be, the subject of PCL&P's defense, indemnification and hold harmless obligations pursuant to Section 2 then Permitted Expiry shall mean the later date on which such suits, actions, causes of action, claims, liabilities, losses, damages, costs, and expenses are fully and finally resolved and PCL&P's obligations pursuant to Section 2 with respect thereto are fully and finally performed; and "Substitute PCL&P L/C" means an amendment to, or a replacement of, the PCL&P L/C or a prior Substitute PCL&P L/C, as applicable.

5. Termination

Notwithstanding anything to the contrary in this Agreement, either Party may terminate this Agreement upon at least thirty (30) days written notice to the other Party of a material breach of this Agreement by such other Party that is not cured within thirty (30) days after receipt of such notice; provided, however, that O&R may terminate this Agreement upon at least five (5) days following written notice by O&R to PCL&P of its failure to make payment pursuant to Section 1(e) and PCL&P not curing such breach within five (5) days following receipt of such notice and O&R may terminate this Agreement immediately upon written notice to PCL&P of its failure to timely perform its obligations pursuant to Section 4.

6. Effective Time

This Agreement shall be effective upon the commencement of the Term.

7. Right to Audit

For a period of twelve (12) months after PCL&P receives an Invoice from O&R for providing the Electric Supply Service, PCL&P or a nationally recognized accounting firm retained by PCL&P that is reasonably acceptable to O&R shall be provided, following O&R's receipt of reasonable advance written notice from PCL&P, reasonable access to and the right to audit (at PCL&P's cost and expense) during normal business hours, O&R's books and records principally relating to the provision of Electric Supply Service for which such Invoice was submitted; provided, however, that any such access and audit shall be subject to Section 3.

8. Notices

All notices, requests, demands, claims and other communications (including Invoices) hereunder shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by courier service, by fax or by registered or certified mail (postage prepaid, return receipt requested) to the respective Parties at the following addresses (or at such other address for a Party as shall be specified in a notice given in accordance with this Section 8):

if to O&R:

Orange and Rockland Utilities, Inc.
390 West Route 59
Spring Valley, NY 10977
Attention: Francis Peverly
Fax: (845) 577-3074

if to PCL&P:

Pike County Light & Power Company
c/o Corning Natural Gas Holding Corporation
330 West William Street
Corning, New York 14830
Attention: Michael I. German
Fax: (607) 962-2844

9. Independent Contractor

In providing the Electric Supply Service, O&R shall be an independent contractor, and not an agent, of PCL&P or its Affiliates and the employees or O&R, its Affiliates or the Contractors who assist or have a role in O&R providing the Electric Supply Service shall not be considered employees or contractors of PCL&P or its Affiliates.

10. Assignment

Neither this Agreement nor the rights or obligations of either Party hereunder may be assigned or delegated in whole or in part by either Party without the prior

written consent of the other Party; provided, however, that O&R may assign its rights or delegate its obligations under this Agreement in whole or in part to any Affiliate of O&R that, in O&R's judgment, has the resources, capabilities and personnel necessary to fulfill O&R's obligations under this Agreement without the consent of PCL&P.

11. No Third Party Beneficiaries

This Agreement shall be binding upon and inure solely to the benefit of the Parties hereto and their successors and permitted assigns and, except for the protections and benefits extended to O&R Protected Parties pursuant to Section 2, nothing herein, express or implied, is intended to or shall confer upon any other Person, including, without limitation, any union or any employee or Contractor or former employee or Contractor of O&R or its Affiliates, any legal or equitable right, benefit or remedy of any nature whatsoever, including, without limitation, any rights of employment for any specified period, under or by reason of this Agreement.

12. Entire Agreement

This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, oral or written, between the Parties with respect to the subject matter hereof.

13. Amendment

This Agreement, including the Exhibits, may not be amended or modified except by a written instrument signed by or on behalf of each of O&R and PCL&P.

14. Administration

Each of O&R and PCL&P shall appoint one representative as its primary point of operational contact for the administration and operation of this Agreement (the "Contact Managers"). The Contact Managers will have overall responsibility for coordinating, on behalf of O&R or PCL&P, as applicable, actions taken with respect to providing the Electric Supply Service, including handling any disputes that may arise in connection therewith.

15. Waiver

Either Party may waive compliance with any of the obligations of the other Party hereunder; provided, however, that (i) any such waiver shall be valid only if set forth in an instrument in writing and signed by the Party granting the waiver, (ii) any waiver of any provision of this Agreement shall not be construed as a waiver of any subsequent breach or a subsequent waiver of the same provision, or a waiver of any other provision of this Agreement. The failure of any Party to assert any of its rights hereunder shall not constitute a waiver of any such rights.

16. Severability

If any provision of this Agreement is invalid, illegal or incapable of being enforced by any law or public policy, all other provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon such determination that any provision is invalid, illegal or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

17. Counterparts

This Agreement may be executed in one or more counterparts, and by the different Parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

18. Specific Performance

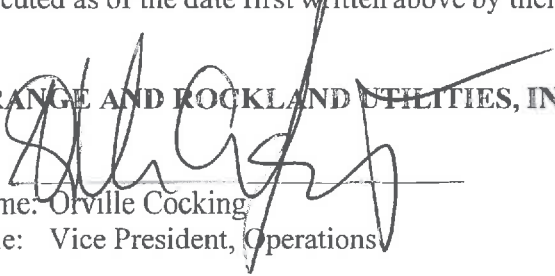
The Parties hereto acknowledge and agree that remedies at law would be an inadequate remedy for the breach of any provision contained herein and that in addition thereto, the Parties hereto shall be entitled to specific performance of the provisions hereof or other equitable remedies in the event of any such breach.

19. Governing Law

This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts executed in and to be performed in that State, without giving effect to any conflict or choice of law provision or principle that would result in the application of another state's laws.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

ORANGE AND ROCKLAND UTILITIES, INC

By: 
Name: Orville Cocking
Title: Vice President, Operations

PIKE COUNTY LIGHT & POWER COMPANY

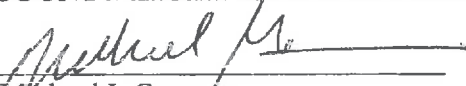
By: 
Name: Michael I. German
Title: President and Chief Executive Officer

EXHIBIT A
TO
ELECTRIC SUPPLY AGREEMENT

The price that O&R shall charge PCL&P for the Electric Supply Service provided pursuant to this Agreement shall be calculated on a monthly basis and be comprised of the sum of the following three components:

- (i) **Supply Cost** – PCL&P’s load-based allocated portion [*i.e.*, PCL&P’s load ÷ sum of O&R’s (including Rockland Electric Company’s) NYISO Zone G load and PCL&P’s NYISO Zone G load)] of O&R’s monthly NYISO charges for energy, capacity and any and all other NYISO charges for the applicable month, which shall be subject to subsequent NYISO true-ups. The supply provided to PCL&P’s electric customers is measured by meters at or in the vicinity of the New York/Pennsylvania border, including through metering at or in the vicinity of O&R’s Port Jervis substation. The supply to O&R’s and Rockland Electric Company’s customers is measured by interchange metering at all supply points that are recorded and reconciled monthly with the NYISO/PJM. (Transmission losses are allocated to each jurisdiction based on a ratio of the total system transmission losses to the energy metered for each jurisdiction); and

- (ii) **Carrying Cost** – To reflect O&R’s cost of maintaining and operating the physical infrastructure of O&R required to deliver electric supply to PCL&P, the monthly carrying cost component that shall be charged to PCL&P is as follows:
 - \$48,973 per month for each month of the first twelve months of the Term
 - \$51,422 per month for each month of the second twelve months of the Term
 - \$53,993 per month for each month of the third twelve months of the Term
 - \$56,692 per month for each month of the fourth twelve months of the Term if PCL&P so extends the Term in accordance with this Agreement
 - \$59,527 per month for each month of the fifth twelve months of the Term if PCL&P so extends the Term in accordance with this Agreement
 - \$55,545 per month for each month of the sixth twelve months of the Term if PCL&P so extends the Term in accordance with this Agreement
 - \$58,323 per month for each month of the seventh twelve months of the Term if PCL&P so extends the Term in accordance with this Agreement
 - \$61,239 per month for each month of the eighth twelve months of the Term if PCL&P so extends the Term in accordance with this Agreement

\$64,301 per month for each month of the ninth twelve months of the Term if PCL&P so extends the Term in accordance with this Agreement

\$67,516 per month for each month of the tenth twelve months of the Term if PCL&P so extends the Term in accordance with this Agreement; and

- (iii) **Service Fee** –The monthly service fee component that shall be charged to PCL&P is as follows:

\$2,250 per month for each month of the first twelve months of the Term

\$2,363 per month for each month of the second twelve months of the Term

\$2,481 per month for each month of the third twelve months of the Term

\$2,606 per month for each month of the fourth twelve months of the Term if PCL&P so extends the Term in accordance with this Agreement

\$2,737 per month for each month of the fifth twelve months of the Term if PCL&P so extends the Term in accordance with this Agreement

\$2,874 per month for each month of the sixth twelve months of the Term if PCL&P so extends the Term in accordance with this Agreement

\$3,017 per month for each month of the seventh twelve months of the Term if PCL&P so extends the Term in accordance with this Agreement

\$3,168 per month for each month of the eighth twelve months of the Term if PCL&P so extends the Term in accordance with this Agreement

\$3,327 per month for each month of the ninth twelve months of the Term if PCL&P so extends the Term in accordance with this Agreement

\$3,493 per month for each month of the tenth twelve months of the Term if PCL&P so extends the Term in accordance with this Agreement.

Exhibit RM-2 – Supply Study
Has Been Redacted from the Public Version

Exhibit RM-3 – Hedge Settlement Amounts
Has Been Redacted from the Public Version

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Pike County Light & Power :
Company for Approval of Its Default Service :
Plan and Waiver of Commission Regulations : Docket No. P-2023-3039927
for the Period June 1, 2024 through May 31, :
2027 :

DIRECT TESTIMONY

OF

NOEL CHESSER

ON BEHALF OF

PIKE COUNTY LIGHT & POWER COMPANY

PUBLIC VERSION

Dated: May 30, 2023

1 **Q. Please state your name and business address.**

2 A. My name is Noel P. Chesser, and my business address is 1414 Key Highway, Suite 200
3 M, Baltimore, MD 21230.

4
5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by Enel X Advisory Services, USA, LLC, formerly EnerNOC, Inc., where
7 I hold the position of Principal Energy Advisor in the Global Customer Insights Group. In
8 that position, I provide supply advisory and procurement services for large commercial and
9 institutional customers. Enel X was retained by Pike to review options for their default
10 service plan (“DSP”) and to support ongoing implementation of the plan once approved by
11 the Commission. I also supported the development and implementation of Pike’s 2019-
12 2021 DSP and 2021-2024 DSP.

13
14 **Q. Please briefly outline your educational and business experience.**

15 A. In 1980, I graduated from Loyola College Maryland with a Bachelor of Arts degree in
16 Accounting, and, in 1986, earned an M.B.A. in Finance from Fordham University, New
17 York City. During this time, I earned a CPA in Maryland and New York. Since 2003, I
18 have been providing energy supply consulting services to commercial and institutional
19 organizations. My work includes educating customers on energy markets including how
20 they are structured, how they work and the options for participating in those markets. Upon
21 completion of the initial customer education process, I work with customers to develop
22 customized energy procurement and risk management strategies best suited to meet their
23 business objectives. This includes developing energy purchase structures/programs,

1 hedging strategies, tariff evaluation, leveraging client energy assets and distributed
2 generation technologies where appropriate. Customers served include large institutional
3 customers and consortiums who purchase up to 1.7 million MWhs and 2.5 bcf of natural
4 gas annually. I have advised and assisted a large university in becoming its own load
5 serving entity (“LSE”) behind PJM (600,000 MWhs annually) and continue to advise this
6 customer on an ongoing basis. This engagement included helping the customer establish
7 counterparty agreements to enable them to execute financial hedges for their energy
8 consumption. Prior to 2003, I was engaged in managing manufacturing and recycling
9 businesses and prior to that was in the commercial banking sector in various roles as
10 financial analyst and balance sheet asset & liability manager. My CV is attached as Exhibit
11 NPC-1.

12
13 **Q. Have you ever previously sponsored testimony before the Pennsylvania Public Utility**
14 **Commission (“Commission”) or any other state utility commission?**

15 A. Yes. I provided testimony in Pike’s prior DSP proceedings at Docket No. P-2018-3002709
16 and Docket No. P-2020-3022988.

17
18 **Q. What is the purpose of your testimony in this proceeding?**

19 A. I am testifying as to Pike County Light and Power Company’s (“Pike”) proposed Energy
20 Price Hedge Strategy as part of its DSP. I was the principal author of the strategy. My
21 testimony is supportive of the testimony of Russell Miller.

22
23 **Q. Why is Pike proposing the Energy Price Hedge Strategy?**

1 A. The primary goal of the Energy Price Hedge Strategy is to increase price stability for Pike’s
2 default service customers while proving the least cost to customers over time. This is
3 consistent with Act 129 of 2008, 66 Pa. C.S. §§ 2807(e)(3.1)-(3.7), which seeks to ensure
4 the availability to all Pennsylvanians of “adequate, reliable, affordable, efficient and
5 environmentally sustainable electric service at the least cost, taking into account any
6 benefits of price stability over time.” Act 129 further declares that it is in the public interest
7 to adopt “energy procurement requirements designed to ensure that electricity obtained
8 reduces the possibility of electric price instability.”

9

10 **Q. Describe the proposed Energy Price Hedge Strategy.**

11 A. The hedging strategy is substantially similar to the strategy in the Commission-approved
12 settlement of Pike’s last DSP proceeding. The overall strategy is to build price stability by
13 reducing the amount of energy purchased on the spot market over time and avoiding single
14 point market exposure, *i.e.*, making a fixed price commitment for 100% of the overall target
15 hedge percentage (%) at a single point in time. This will be accomplished by layering
16 financial hedges, with each hedge execution date staggered. The level of fixed-price
17 commitments will increase for each time period as it draws closer to the plan year. The
18 strategy contains the same pricing parameters as the prior proceeding. The details of the
19 hedging strategy are confidential, and I have included them as Exhibit NPC-2 (Highly
20 Confidential) to my testimony. This document was included with Pike’s Petition as
21 Appendix C.

22

23 **Q. What is the basis for the hedge percentages?**

1 A. Yes. The maximum hedge percentage target of [BEGIN HIGHLY CONFIDENTIAL]
2 [REDACTED] [END HIGHLY CONFIDENTIAL] provides the opportunity for Pike to lock in
3 energy prices during periods of low forward prices. The overall mix of two one-year hedge
4 contracts, the first executed fourteen months prior to the plan year and the second executed
5 eight months prior to the plan year combined with spot market purchases is consistent with
6 Act 129 and the Commission’s regulations that default service must meet. This includes a
7 prudent mix of spot market purchases, short-term contracts and long-term purchase
8 contracts designed to ensure adequate and reliable service at the least cost to customers
9 over time.

10

11 **Q. Regarding the hedges Pike was able to execute in its 2021-2024 DSP plan, did this**
12 **provide price stability?**

13 A. During the 2021-2024 DSP Plan, Pike was able to execute five hedges. [BEGIN HIGHLY
14 CONFIDENTIAL] [REDACTED]

15

16

17

18

19

20

21

22

23

[REDACTED] [END HIGHLY

1 **CONFIDENTIAL]** A fourth and fifth hedge have been executed for the delivery period
2 June 2023 through May 2024.

3

4 **Q. Did Pike agree to any additional procurements as part of its 2021-2024 DSP Plan?**

5 A. Yes. As part of the last DSP Proceeding, Pike agreed with the OCA’s recommendation to
6 include an overhanging contract for its 2021-2024 Plan. Specifically, pursuant to the
7 Settlement that was approved by the Commission, Pike agreed to procure financial hedges
8 for Plan Year 2025 (June 2024 – May 2025), attempting to procure half of this hedge in
9 April 2023 and the subsequent half of this hedge in October 2023.

10

11 **Q. Has Pike attempted to procure the first financial hedge for Plan Year 2025?**

12 A. Pike will be attempting to procure the first financial hedge for Plan Year 2025 in June 2023.

13

14 **Q. Is the proposed 2024-2027 Plan consistent with the terms of the overhanging contract**
15 **agreed to in Pike’s last DSP proceeding?**

16 A. Yes. As part of Pike’s 2024-2027 Plan, Pike is proposing a plan that is consistent with the
17 terms agreed to as part of the Settlement in Pike’s last DSP proceeding for Plan Year 2025.

18

19 **Q. Is Pike proposing to include an overhanging contract as part of the 2024-2027 Plan?**

20 A. Yes. **[BEGIN HIGHLY CONFIDENTIAL]** [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED] **END HIGHLY**

1 **CONFIDENTIAL]** This will avoid the problem of a “hard stop” ensuring that the
2 Company is not in a position where it must procure a single financial hedge for its entire
3 load target in a shortened timeframe, which can unnecessarily expose default service
4 customers to a price shock risk. Rather, the use of the overhanging contract extends the
5 price stability benefits of the financial hedging approach into the beginning part of Pike’s
6 2027-2030 DSP Plan. This is also consistent with other Pennsylvania Electric Distribution
7 Companies (“EDCs”) that procure overhanging contracts for their default service
8 portfolios.

9 **Q. How are financial hedge costs incurred and accounted for?**

10 A. As detailed in Mr. Russell Miller’s testimony, Pike will enter into counterparty agreements
11 (“ISDA’s”) with qualified counterparties who offer financial hedge products, namely fixed
12 rate energy swaps. Executing counterparty agreements in itself does not obligate Pike to
13 enter into financial commitments or transactions. Entering into counterparty agreements
14 allows Pike to execute financial hedge transactions to convert portions of energy currently
15 purchased on the spot market to fixed rates for energy supplied to the default service
16 customers. Under a fixed rate energy swap, Pike agrees to pay or receive payment from
17 the counterparty the difference between the agreed upon hedge (fixed) price (\$/MWh) for
18 the quantity (MWhs) hedged (Pike pays fixed rate) and the hourly spot market price
19 (\$/MWh) (Counterparty pays spot market rate). This contract for differences arrangement
20 is settled on a monthly basis. Within a few days after the calendar month end, each
21 Counterparty provides Pike with a monthly settlement statement for each financial hedge
22 transaction. The statement provides the hedge quantity by hour, the actual spot market
23 price per hour, the hedged (fixed) price, the difference between the spot market price and

1 the hedge price per hour (delta price), and the hourly settlement charge/credit (delta price
2 times hedge quantity per hour). The summation of the hourly settlements for the calendar
3 month represents the amount Pike owes the Counterparty, or the Counterparty owes Pike,
4 for that calendar month settlement. This data for the financial hedge that Pike was able to
5 execute for its 2021-2024 plan is included with Mr. Miller's testimony as Exhibit RM-3.
6 As Pike's energy consultant, my Enel X colleagues and I will receive a copy of all financial
7 hedge monthly settlements and validate all rates, quantities and calculations. Enel X will
8 communicate its monthly validation to Pike in a timely manner prior to Pike settling with
9 each Counterparty.

10

11 **Q. Why financial versus physical hedges?**

12 A. Pike's electric distribution system is physically interconnected with the New York based
13 Orange and Rockland Utilities Transmission system and, therefore, is part of the New York
14 Independent System Operator ("NYISO") control area. While Enel X has assisted Pike
15 with exploring alternative methods of purchasing physical supply, such as becoming a
16 Load Serving Entity ("LSE") behind NYISO, those efforts have not come to fruition and
17 physical hedges are not an available option to Pike at this time.

18

19 **Q. Do any changes need to be made to the current DSP rate design to accommodate the**
20 **Energy Price Hedge Strategy?**

21 A. No. As described by Russell Miller, Pike proposes to maintain the current rate design
22 including keeping the current customer rate classes, resetting of the rates bi-annually, and
23 continuing with the Electric Supply Adjustment Charge to recover the delta between billed

1 vs. actual costs. This includes retaining the Electric Supply Adjustment Charge limitation
2 of 2.0 cents per kWh per quarter. Default service rates, which are set bi-annually (June 1st
3 and December 1st) consist of two components, the Market Price of Electric Supply and the
4 Electric Supply Adjustment Charge. The Market Price of Electric Supply reflects the
5 Company's expected procurement costs from the NYISO for the upcoming quarter, along
6 with the other default service related costs (NYISO capacity and ancillary costs, Orange &
7 Rockland Utilities ("O&R") contractual costs which include cost of maintaining and
8 operating the physical infrastructure of O&R required to deliver electric supply to Pike and
9 O&R's service fee, and PA AEPS costs) and is appropriately reflected in the bi-annual
10 default service rate. The monthly settlement on the hedge transactions described above is
11 incorporated into the Market Price of Electric Supply. The fixed rate hedge price and
12 quantities will be known at the time the default service rates are determined for the
13 upcoming six-month period. The hedge quantities will be allocated to the rate classes based
14 on each rate class's pro-rata load.

15
16 **Q. How does the Energy Price Hedge Plan compare to other PA utility default service**
17 **plans?**

18 A. Pennsylvania utilities, including Citizens Wellsboro, Duquesne Electric, First Energy
19 Utilities (Met-Ed, Penn Power, Penelec, West Penn), PECO Energy Company, PPL
20 Electric Utilities and UGI Electric, deploy some combination of laddered 6-, 12- and or 24-
21 month fixed rate energy tranches purchased at different market points (generally every six
22 months). The purchases cover anywhere up to 100% of the utility default service load.
23 UGI electric combines a large percentage of its load with fixed rate tranches with the

1 balance at spot market purchases. Pike's Energy Price Hedge Plan is consistent with what
2 the Pennsylvania Office of Consumer Advocate has wanted Pike to do, namely create a
3 rate design to provide stability for the default service customers.

4
5 **Waivers and Partial Waivers Requested**

6 **Q. Do you have any comments regarding the Waiver on plan identifying the schedules**
7 **and technical requirements of competitive bid solicitations and spot market**
8 **purchases?**

9 A. Pike requests waiver of 52 Pa. Code § 54.185(e)(2) (plan identifying the schedules and
10 technical requirements of competitive bid solicitations and spot market energy purchases)
11 and 52 Pa. Code §54.185(e)(6) (copies of agreements or forms to be used in the
12 procurement of electric generation supply for default service customers). I support this
13 request. Given the size of Pike's default service load, I believe that compliance with the
14 above regulation will cause Pike to incur additional administrative costs which is spread
15 over a relatively small load with no additional benefit. This is likely to increase the default
16 service cost/rates and Pike believes this is not in the best interest of its default service
17 customers. Pike will solicit fixed rate hedge prices from all available counterparties to
18 help ensure a competitive bid process. For spot market purchases, Pike is currently limited
19 to purchasing through O&R given it is part of O&R's integrated transmission and
20 distribution system, which lies in the control area of the NYISO and its corresponding
21 electric supply agreement with O&R.

22

1 **Q. Do you have any comments regarding the Partial Waiver on policy statement on**
2 **inclusion of short term and long-term contracts in procurement mix and tailoring**
3 **procurement to customer classes?**

4 A. Pike requests a partial waiver of 52 Pa. Code § 69.1805. This is the Commission's policy
5 statement concerning the inclusion of short-term and long-term contracts in a procurement
6 mix and tailoring procurement to customer classes. I support this request. Pike is currently
7 engaging in the most viable option to provide pricing stability to its customers considering
8 its small load size, interconnection with NYISO, and that it is not an LSE. This strategy
9 was developed to increase the level of price stability while providing for spot market
10 purchases to provide lower costs over time. Given the relatively small default service load,
11 Pike does not believe short term and long-term contracts tailored to customer rate classes
12 is warranted. Rates by customer class reflect the differences in capacity requirements and
13 related capacity costs and reflect the distribution system loss percentages (primary vs.
14 secondary service).

15
16 **Q. Do you have any comments regarding Partial Waiver on competitive bid solicitation**
17 **process guidelines?**

18 A. Pike requests a partial waiver of 52 Pa. Code §69.1807(3) (competitive bid solicitation
19 process guidelines). I support this request. Pike's Energy Price Hedge Strategy lays out a
20 general process for soliciting competitive prices from counterparties for financial hedge
21 transactions. Since these are small transactions transacted in a time sensitive over the
22 counter market, Pike does not believe formal bid solicitation process guidelines are

1 necessary or warranted as they would add to the default service costs without providing
2 any measurable benefit.

3
4 **Rate Design**

5 **Q. Does Pike's DSP include different rates per rate class and how are they determined?**

6 A. Yes, Pike's DSP includes separate rates by rate class. This is done to reflect the different
7 costs associated with the unique load characteristics of each rate class. This is also
8 consistent with other PA utilities' DSPs. Citizens Wellsboro, Duquesne Electric, First
9 Energy Utilities (Met-Ed, Penn Power, Penelec, West Penn), PECO Energy Company, PPL
10 Electric Utilities and UGI Electric DSPs were reviewed and compared. Pike's rate classes
11 are residential, general service secondary (small/mid-size commercial accounts), general
12 service primary (large commercial), municipal street lighting and private outdoor lighting.
13 Primary accounts receive service at a higher voltage level relative to secondary accounts
14 and, therefore, incur lower distribution system line losses. Municipal street lighting and
15 private outdoor lighting have low to no capacity obligations and, therefore, incur little to
16 no capacity costs. These accounts generally consume energy at night time (off peak hours)
17 when energy prices are lower than day time (on peak hours). Thus, default service costs
18 for these customers will differ and, thus, should feature separate rates.

19
20 **Q. What costs are appropriately included in the default service rates?**

21 A. DSP costs include all energy costs (fixed and spot market), capacity and ancillary costs
22 charged by the Independent System Operator to the DSP accounts, prorated share of all
23 transmission costs incurred to deliver the energy to the utility distribution system, cost of
24 renewable energy certificates to meet State Alternative Energy Portfolio Standard

1 (“AEPS”) costs, professional and administrative fees incurred to support the DSP and any
2 true-ups of billed vs. actual DSP costs. Pike’s DSP appropriately includes these costs.

3

4 **Q. Is the DSP rate mechanism deployed by Pike justified?**

5 A. Yes, the DSP rates are fixed bi-annually in advance to provide DSP customers with known
6 rates for the upcoming six-month period. The rates are based on the Company's expected
7 procurement costs from the NYISO for the two applicable quarters plus a true-up of the
8 prior six months billed vs. actual DSP costs that are recovered over a six-month period.
9 Separate rates by rate class are appropriately deployed to reflect the costs of the load
10 characteristics of each rate class.

11 **Q. Does this conclude your testimony?**

12 A. Yes, it does.

Exhibits

Exhibit NPC-1	CV
Exhibit NPC-2	Hedging Strategy (Highly Confidential)

Exhibit NPC-1

Noel P. Chesser

Curriculum Vitae

NOEL P. CHESSER

Principal Energy Advisor



EDUCATION

- ◆ B.A. Accounting
Loyola University Maryland
- ◆ MBA Finance Fordham
University, New York City

CERTIFICATIONS

- ◆ Certified Public Accountant
Maryland and New York
- ◆ National Association of
Securities Dealers (NASD) -
Registered General Securities
Agent (Series 7)

PUBLICATION

- ◆ Waste to Energy Power Sale
Options and Strategies in
Deregulated Markets

Noel Chesser is Principal Energy Advisor for Enel X Advisory Services USA, LLC (formerly EnerNOC, Inc.), an Enel Group Company where he is responsible for developing strategic energy risk management and procurement plans and services for our customers. Prior to this, Mr. Chesser was Director and key contributor to the growth and prominence of South River Consulting (SRC), a leading Energy Advisory firm acquired by EnerNOC in 2008.

Mr. Chesser is a seasoned energy professional who has developed wholesale electric and natural gas portfolio procurement programs, advised on the energy markets for renewable energy projects including waste to energy, landfill gas, wind and solar projects and provided energy sales consulting for generators. Mr Chesser also has expertise and provides advice on demand response, real time energy usage monitoring, reporting and analytics and utility bill management solutions. He has been providing energy advisory consulting services since 2003.

Mr. Chesser is skilled in developing strategic procurement plans and executing those plans for government, university, manufacturer, utility and commercial real estate customer verticals.

Prior to helping build South River Consulting's prominence, Mr. Chesser worked in the manufacturing and banking industries including Chase Manhattan Bank, and has over 25 years experience in P/L management, mergers and acquisitions, finance, treasury, strategic planning, sales and energy management. Significant career achievements include development of innovative wholesale energy portfolio risk management and procurement structures, and development of key market segments for South River.

The following is a list of representative projects directed or performed by Mr. Chesser.

REPRESENTATIVE EXPERIENCE:

Baltimore Regional Cooperative Purchasing Consortium (BRCPC) – BRCPC consists of 23 Central Maryland municipal entities including Baltimore City and surrounding County Governments and Public School Systems, Community Colleges and Towns. Collectively this group purchases 1.7 million MWh per annum in electricity for over 4,000 accounts and 2.5 bcf in natural gas for over 1,000 accounts. Mr. Chesser has served as the assistant energy advisor at client inception (2005) and lead advisor since 2010. He assisted in the development of the electric supply portfolio procurement program which includes a dedicated PJM subaccount procured for BRCPC. Under this program, BRCPC has purchased solar renewable energy certificates (SRECs) directly from BRCPC member solar projects. Mr. Chesser developed of an open solicitation for term purchases of Maryland tier 1 and solar compliance renewable energy certificates (RECs). Mr. Chesser was lead developer of the natural gas portfolio procurement program which includes separate dedicated balancing pools behind the local gas utility and the unbundling of all natural gas supply components. Mr. Chesser manages the ongoing procurement, budgeting and reporting on portfolio results and hedge strategy/positions. Mr. Chesser also provides advice on member solar projects and account management support for demand response, energy efficiency and utility bill management services. In his role as BRCPC's trusted energy advisor, Mr. Chesser makes presentations on a variety of energy related topics to various government related associations.

City of Philadelphia (COP) – Lead advisor for energy risk management and procurement services for electricity (732,000 MWhs per annum), natural gas (1 bcf per annum) and road fuels (7.5 million gallons per annum). Developed energy cost management and procurement plans for electric, natural gas and road fuels. Established a dedicated PJM subaccount electric procurement program and portfolio based procurement program for natural gas. Assisted in development of fuels market monitor report which compares established price targets with current forward market fuels pricing. Ongoing management of procurement, budgeting and reporting on portfolio results and hedge strategy/positions. Analyzed and reported on renewable PPA offers including their financial and risk management impact on the overall portfolio.

University of Pennsylvania (Penn) – As Lead Advisor assisted Penn (600,000 MWhs per annum) in establishing their own load serving entity (LSE) behind PJM. The initial engagement included identifying all available electric procurement structures and the requirements, costs, benefits and risks associated with each structure. Developed LSE implementation plan and assisted in its implementation including PJM membership, FERC power marketers' license, state license, and EDI qualification with the local utility. Identified and assisted in the establishment of ISDA/EEI counterparty agreements between Penn and major energy companies and financial institutions. Developed LSE risk management policies and LSE operating procedures. Developed LSE management and operating plan and manage ongoing LSE procurement, budgeting and reporting. Developed customized LSE portfolio reporting and weekly market monitoring reporting that incorporates adjusted price targets and comparisons to market prices for forward purchasing. Provides account management support for demand response services provided to Penn. Prepared detailed report and analysis on a 10 MW remote solar project opportunity including settlements with the LSE entity. Report included estimated financial impact to Penn under various energy price environments.

Eastern Shore of Maryland Education Consortium Energy Trust (ESMEC-ET) - ESMEC-ET consists of 30 members including public school systems, county governments, community colleges and towns located in the Eastern Shore region of Maryland. Collectively this group purchases over 165,000 MWhs per annum for over 900 accounts. Mr. Chesser served as assistant Advisor for electricity risk management and procurement services at engagement inception (2005) and Lead Advisor since 2007. Mr. Chesser assisted in the development of the electric supply portfolio procurement program which includes a dedicated PJM subaccount procured for ESMEC-ET. Manages ongoing procurement, budgeting and reporting on portfolio results and hedge strategy/positions. Mr. Chesser also provides advice on member solar projects, natural gas procurement and account management support for demand response and energy efficiency services..

Montgomery County Public Schools - MD (MCPS) – Lead advisor for energy risk management and procurement services for electricity (220,000 MWh per annum) and, natural gas (.7 bcf per annum). Developed energy cost management and procurement plan for electric and natural gas. Assisted in establishing dedicated PJM subaccount electric procurement program (732,000 MWhs annually) and oversees management of that program. Established a portfolio based procurement program for natural gas portfolio including separate dedicated balancing pool behind the local gas utility. Manage ongoing procurement, budgeting and reporting on portfolio results and hedge strategy/positions.

Northeast Maryland Waste Disposal Authority (NMWDA) – Lead advisor providing a variety of energy advisory services including energy sales advisory services for a 52

MW Waste to Energy plant, and several landfill gas to energy plants. Provide energy risk management and procurement services to waste facilities and waste transfer stations. Develop energy sales and purchase strategies and structures to facilitate government entities to buy and sell power to itself. Developed energy sales projections for prospective waste to energy and landfill gas to energy projects incorporating energy, capacity and renewable energy attributes.

Western Pennsylvania Energy Consortium(WPEC) – Lead Advisor for WPEC which consists of 26 members including the City of Pittsburgh and related agencies, Allegheny County and others. Collectively this group purchases over 175,000 MWhs per annum for approximately 369 accounts. Developed and implemented a customized managed portfolio energy procurement program which includes a dedicated PJM subaccount. Assisted in the development of WPEC’s renewable energy strategy and are actively working on renewable energy PPA opportunities to integrate into the program to help WPEC achieve their purchased renewable energy goals.

Pike County Light & Power Company (Pike) – An electric and gas utility located in the Northeast section of Pennsylvania, developed a hedge strategy/plan for Pike’s default service plan customers. Provided expert witness testimony before the Pennsylvania Utilities Commission in support of Pike’s hedge strategy/plan.

Exhibit NPC-2 – Hedging Strategy
Has Been Redacted from the Public Version

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Pike County Light & Power :
Company for Approval of Its Default Service :
Plan and Waiver of Commission Regulations : Docket No. P-2023-3039927
for the Period June 1, 2024 through May 31, :
2027 :

REBUTTAL TESTIMONY

OF

RUSSELL MILLER,

**CHIEF INFORMATION OFFICER,
SR. VICE PRESIDENT OF ENERGY SUPPLY & BUSINESS DEVELOPMENT**

ON BEHALF OF

PIKE COUNTY LIGHT & POWER COMPANY

(PUBLIC VERSION)

Dated: August 4, 2023

1 **Q. What is your name, position, and business address.**

2 A. Russell Miller, Chief Information Officer and Senior Vice President of Energy Supply &
3 Business Development, Pike County Light & Power Company (“Pike” or the “Company”).
4 My business address is Corning Energy Corporation (f/k/a Corning Natural Gas Holding
5 Company), 330 West William St., Corning, NY 14830.

6 **Q. Have you previously submitted direct testimony in this proceeding?**

7 A. Yes.

8 **Q. What is the purpose of your rebuttal testimony?**

9 A. First, I will provide an update regarding the Company’s procurement of a financial hedge
10 for Plan Year 2025. Second, I will briefly respond to the statements and recommendations
11 of the Office of Small Business Advocate (“OSBA”) presented in its Direct Testimony.

12 **Q. Can you please explain the Company’s most recent financial hedge procurement?**

13 A. Yes. Since our initial filing, Pike County Light & Power Company (“Pike” or the
14 “Company”) has executed its first financial hedge for the 2025 Plan Year. That hedge was
15 executed in July 2023. Exhibit RM-1R (HIGHLY CONFIDENTIAL) provides the
16 relevant information associated with the Company’s most recent procurement.

17 **Q. What statements and recommendations did OSBA make in its direct testimony?**

18 A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]
19 [REDACTED]
20 [REDACTED]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED] [END HIGHLY CONFIDENTIAL]

6 **Q. Do you agree with Mr. Ewen's recommendation?**

7 A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [END HIGHLY CONFIDENTIAL]

19 **Q. Does that conclude your rebuttal testimony at this time?**

[REDACTED]

- 1 A. At this time, yes. I reserve the right to provide additional testimony if that becomes necessary
- 2 at a later time.

Exhibits

Exhibit RM-1R	July 11, 2023 Financial Hedge Procurement Report
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Exhibit RM-1R is Redacted from the
Public Version

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Pike County Light & Power :
Company for Approval of Default Service : Docket No. P-2023-3039927
Plan and Waiver of Commission Regulations :

**TESTIMONY VERIFICATION OF RUSSELL MILLER
ON BEHALF OF PIKE COUNTY LIGHT & POWER COMPANY**

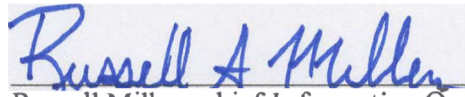
I, Russell Miller, hereby certify that I am the Chief Information Officer and Senior Vice President of Energy Supply and Business Development on behalf of Pike County Light & Power Company and that, in such capacity, I have been retained by Pike County Light & Power Company as an expert witness in the above-captioned matter for the purposes of providing testimony on behalf of Pike County Light & Power Company.

I hereby verify that I have provided the following written Testimony and Exhibits for admission into the record and that these documents were prepared by me and under my supervision:

- PCLP Statement No. 1 - Direct Testimony of Russell Miller consisting of 17 pages and including the accompanying exhibit, RM-1, RM-2 (Redacted), and RM-3 (Redacted) **(Public Version)**
- PCLP Statement No. 1 - Direct Testimony of Russell Miller consisting of 17 pages and including the accompanying exhibits, RM-1, RM-2 and RM-3 **(Highly Confidential)**
- PCLP Statement No. 1-R - Rebuttal Testimony of Russell Miller consisting of 3 pages and including the accompanying exhibit, RM-1R (Redacted) **(Public Version)**
- PCLP Statement No. 1-R - Rebuttal Testimony of Russell Miller consisting of 3 pages and including the accompanying exhibit, RM-1R **(Highly Confidential)**

I certify that the facts set forth in the testimony and exhibits are true and correct to the best of my knowledge, information and belief; that if I were asked the questions contained therein today that my answers would remain the same. I understand that the statements made in my testimony are subject to the penalties at 18 Pa C.S. § 4909 related to the unsworn falsification to authorities.

Dated: August 25, 2023

A handwritten signature in blue ink that reads "Russell A. Miller". The signature is written in a cursive style and is positioned above a light gray rectangular background.

Russell Miller, Chief Information Officer
and Senior Vice President of Energy Supply
and Business Development
Pike County Light & Power Company

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Pike County Light & Power :
Company for Approval of Default Service : Docket No. P-2023-3039927
Plan and Waiver of Commission Regulations :

**TESTIMONY VERIFICATION OF NOEL P. CHESSER
ON BEHALF OF PIKE COUNTY LIGHT & POWER COMPANY**

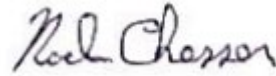
I, Noel P. Chesser, hereby certify that I am the Principal Energy Advisor in the Global Customer Insights Group at Enel X Advisory Services, USA, LLC, formerly EnerNOC, Inc. and that, in such capacity, I have been retained by Pike County Light & Power Company as an expert witness in the above-captioned matter for the purposes of providing testimony on behalf of Pike County Light & Power Company.

I hereby verify that I have provided the following written Testimony and Exhibits for admission into the record and that these documents were prepared by me and under my supervision:

- PCLP Statement No. 2 - Direct Testimony of Noel P. Chesser consisting of 14 pages and including the accompanying exhibit, NPC-1 and NPC-2 (Redacted) ([Public Version](#))
- PCLP Statement No. 2 - Direct Testimony of Noel P. Chesser consisting of 14 pages and including the accompanying exhibit, NPC-1 and NPC-2 (**Highly Confidential**)

I certify that the facts set forth in the testimony and exhibits are true and correct to the best of my knowledge, information and belief; that if I were asked the questions contained therein today that my answers would remain the same. I understand that the statements made in my testimony are subject to the penalties at 18 Pa C.S. § 4909 related to the unsworn falsification to authorities.

Dated: August 24, 2023



Noel P. Chesser, Principal Energy Advisor
in the Global Customer Insights Group at Enel X
Advisory Services, USA, LLC, formerly EnerNOC,
Inc.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the forgoing document upon the parties, listed below, in accordance with the requirements of § 1.54 (relating to service by a party).

VIA ELECTRONIC MAIL ONLY

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/s/ Phillip D. Demanchick Jr. _____
Whitney E. Snyder
Thomas J. Sniscak
Phillip D. Demanchick Jr.

Dated this 6th day of September, 2023