

COMMONWEALTH OF PENNSYLVANIA



PATRICK M. CICERO  
Consumer Advocate

OFFICE OF CONSUMER ADVOCATE  
555 Walnut Street, 5th Floor, Forum Place  
Harrisburg, Pennsylvania 17101-1923  
(717) 783-5048  
(800) 684-6560

 @pa\_oca  
 /pennoca  
FAX (717) 783-7152  
consumer@paoca.org  
www.oca.pa.gov

September 11, 2023

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

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

Dear Secretary Chiavetta:

Consistent with 52 Pa. Code Section 5.412a of the Commission's regulations, which requires the electronic submission of pre-served testimony, and per Deputy Chief Administrative Law Judge Hoyer's Interim Order Granting Joint Stipulation for Admission of Testimony and Exhibits into the Evidentiary Record entered on August 31, 2023, enclosed for electronic filing please find the following "Admitted Evidence" on behalf of the Office of Consumer Advocate ("OCA") in the above-referenced proceeding.

**Office of Consumer Advocate's Direct Testimony (Public Version)**

OCA Statement 1 - Direct Testimony of Serhan Ogur, Appendix A, Exhibit SO-1 (Confidential, Redacted in Full), and Verification

**Office of Consumer Advocate's Rebuttal Testimony (Public Version)**

OCA Statement 1R - Rebuttal Testimony of Serhan Ogur, Exhibit SO-2 (Confidential, Redacted in Full), and Verification

**Office of Consumer Advocate's Surrebuttal Testimony (Public Version)**

OCA Statement 1SR - Surrebuttal Testimony of Serhan Ogur and Verification

**Office of Consumer Advocate's Direct Testimony (CONFIDENTIAL Version)**

<sup>1</sup>OCA Statement 1 - Direct Testimony of Serhan Ogur, Appendix A, Exhibit SO-1 (CONFIDENTIAL), and Verification

**Office of Consumer Advocate's Rebuttal Testimony (CONFIDENTIAL Version)**

<sup>2</sup>OCA Statement 1R - Rebuttal Testimony of Serhan Ogur, Exhibit SO-2 (CONFIDENTIAL), and Verification

**Office of Consumer Advocate's Surrebuttal Testimony (CONFIDENTIAL Version)**

<sup>3</sup>OCA Statement 1SR - Surrebuttal Testimony of Serhan Ogur and Verification

All testimony is accompanied by a witness verification. The OCA's submission also addresses the requirements of the Commission's January 10, 2013 Implementation Order at Docket M-2012-2331973, which requires electronic access to pre-served testimony.

All parties and the presiding officer have been served previously with the testimony and exhibits and copies have been served per the attached Certificate of Service.

Respectfully submitted,

/s/ Gina L. Miller  
Gina L. Miller  
Assistant Consumer Advocate  
PA Attorney I.D. # 313863  
GMiller@paoca.org

Enclosures:

cc: The Honorable Mark A. Hoyer (cover letter and Certificate of Service only - **via email only**)  
Certificate of Service

\*4882-6104-0511, v. 1

---

<sup>1</sup> The OCA is filing the Confidential Versions of its Direct testimony with the Secretary's Office share file site. The Public version will not include the confidential information.

<sup>2</sup> The OCA is filing the Confidential Versions of its Rebuttal testimony with the Secretary's Office share file site. The Public version will not include the confidential information.

<sup>3</sup> The OCA is filing the Confidential Versions of its Surrebuttal testimony with the Secretary's Office share file site. The Public version will not include the confidential information.

CERTIFICATE OF SERVICE

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

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Pre-Served Testimony, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 11<sup>th</sup> day of September 2023.

**SERVICE BY E-MAIL ONLY**

Whitney E. Snyder, Esquire  
Thomas J. Sniscak, Esquire  
Phillip D. Demanchick Jr., Esquire  
Hawke McKeon & Sniscak LLP  
100 North Tenth Street  
Harrisburg, PA 17101  
[wesnyder@hmslegal.com](mailto:wesnyder@hmslegal.com)  
[tjsniscak@hmslegal.com](mailto:tjsniscak@hmslegal.com)  
[pddemanchick@hmslegal.com](mailto:pddemanchick@hmslegal.com)  
*Counsel for Pike County Light  
and Power Company*

Steven Gray, Esquire  
Office of Small Business Advocate  
555 Walnut Street  
1<sup>st</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923  
[sgray@pa.gov](mailto:sgray@pa.gov)  
*Counsel for OSBA*

/s/ Gina L. Miller  
Gina L. Miller  
Assistant Consumer Advocate  
PA Attorney I.D. # 313863  
[GMiller@paoca.org](mailto:GMiller@paoca.org)

Aron J. Beatty  
Senior Assistant Consumer Advocate  
PA Attorney I.D. # 86625  
[ABeatty@paoca.org](mailto:ABeatty@paoca.org)  
4864-6548-4927, v. 1

Counsel for:  
Office of Consumer Advocate  
555 Walnut Street  
5<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923  
Phone: (717) 783-5048  
Dated: September 11, 2023  
\*4864-6548-4927, v. 1

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF PIKE COUNTY LIGHT & )  
POWER COMPANY FOR APPROVAL OF )  
ITS DEFAULT SERVICE PLAN AND ) DOCKET NO. P-2023-3039927  
WAIVER OF COMMISSION )  
REGULATIONS FOR THE PERIOD )  
JUNE 1, 2024 THROUGH MAY 31, 2027 )

DIRECT TESTIMONY

OF

SERHAN OGUR, Ph.D.

ON BEHALF OF THE

PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

July 21, 2023

Public Version

---

**EXETER**

ASSOCIATES, INC.

10480 Little Patuxent Parkway, Suite 300  
Columbia, Maryland 21044

## TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION.....	1
II. SUMMARY OF THE COMPANY’S PROPOSED DSP.....	4
III. ISSUES AND RECOMMENDATIONS.....	8
A. Review of Pike’s Current Financial Hedging Strategy.....	8
B. Pike’s Default Service Load.....	16
C. Proposed Financial Hedging Strategy.....	18
APPENDIX A          Summary of Qualifications	
Exhibit SO-1	

**DIRECT TESTIMONY OF SERHAN OGUR**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

**I. INTRODUCTION**

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Serhan Ogur. I am a Principal and Senior Economist at Exeter Associates, Inc. (“Exeter”). Our offices are located at 10480 Little Patuxent Parkway, Suite 300, Columbia, Maryland, 21044.

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND.

A. I received a B.A. degree in Economics from Bogazici University (Istanbul, Turkey) in 1996 and a Ph.D. in Economics from Northwestern University (Evanston, IL) in 2007.

Q. WHAT IS YOUR PROFESSIONAL BACKGROUND?

A. I have 21 years of experience in the energy industry specializing in organized wholesale and retail electricity markets. My diverse background comprises energy management and consulting; analysis, design, and reporting of Regional Transmission Organization (“RTO”) electricity markets and products; and state and federal regulation of electric utilities. I was employed as an Economic Analyst at the Illinois Commerce Commission (“ICC”) between 2001 and 2005; a Senior Economist at PJM Interconnection, LLC (“PJM”) between 2005 and 2014; and a Senior System Operator at Fellon-McCord & Associates, LLC (“Fellon-McCord”) between 2014 and 2015. I came to Exeter as a Senior Analyst in 2015 and became a Principal of the firm in 2020. A detailed statement of my qualifications is included in Appendix A.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION (“COMMISSION”)?

A. Yes, I testified in Docket No. P-2016-2534980 in PECO Energy Company’s Default Service Program IV proceeding; in Docket Nos. P-2020-3019383 and P-2020-3019384 in the joint Default Service Plan VI of Citizens’ Electric Company of Lewisburg,

1 Pennsylvania (“Citizens”) and Wellsboro Electric Company (“Wellsboro”); in Docket  
2 No. P-2020-3019522 in Duquesne Light Company’s (“Duquesne’s”) Default Service  
3 Plan IX proceeding; in Docket No. P-2020-3019907 in UGI Utilities, Inc. – Electric  
4 Division’s (“UGI’s”) Default Service Plan IV proceeding; in Docket No. P-2020-  
5 3022988 in Pike County Light & Power Company’s Default Service Plan proceeding;  
6 in Docket No. P-2021-3030012 *et al.* in the Default Service Plan proceeding of  
7 Metropolitan Edison Company (“MetEd”), Pennsylvania Electric Company  
8 (“PENELEC”), Pennsylvania Power Company (“Penn Power”), and West Penn Power  
9 Company (“West Penn”); and in Docket No. A-2023-3038771 *et al.* in the proceeding  
10 concerning the merger and consolidation of electric distribution companies in  
11 Pennsylvania ultimately controlled by FirstEnergy Corp. (MetEd, PENELEC, Penn  
12 Power, West Penn). I have also testified in Docket No. A-2021-3025659 *et al.*  
13 regarding the indirect change in ownership and control of Pike County Light & Power  
14 Company and Leatherstocking Gas Company, LLC. All of my prior testimony before  
15 the Commission was on behalf of the Pennsylvania Office of Consumer Advocate  
16 (“OCA”).

17 Q. ON WHOSE BEHALF ARE YOU OFFERING THIS TESTIMONY?

18 A. I am offering this testimony on behalf of the OCA. My testimony is intended to address  
19 the issues related to residential customers only. However, my recommendations  
20 incidentally may also impact commercial and lighting customers since Pike County  
21 Light and Power Company (“Pike” or “Company”) procures default service supplies  
22 jointly for residential, commercial, and lighting customers.  
23

1 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS  
2 PROCEEDING?

3 A. My testimony addresses certain elements of Pike’s proposed Default Service Plan  
4 (“2024-2027 DSP” or “Plan”) for providing default service to its residential,  
5 commercial, and lighting customers for the 36-month period from June 1, 2024 through  
6 May 31, 2027. The specific issues I address relate to various aspects of the Company’s  
7 financial hedging strategy, including the size of the financial hedge to be targeted.

8 Q. HOW IS THE REMAINDER OF YOUR TESTIMONY ORGANIZED?

9 A. Section I is an introduction. Section II presents a summary of the Company’s proposed  
10 Plan as it affects the residential class. Section III, the final section of my Direct  
11 Testimony, provides my recommendations concerning the Company’s proposed 2024-  
12 2027 DSP, and addresses the proposed financial hedging strategy. I also note that  
13 portions of my testimony reference the schedules that I have included at the end of my  
14 testimony in Exhibit SO-1.

15 Q. ARE YOU RECOMMENDING CHANGES TO THE COMPANY’S  
16 PROPOSED FINANCIAL HEDGING STRATEGY FOR PIKE’S DEFAULT  
17 SERVICE CUSTOMERS?

18 A. Yes, I am. I recommend that Pike acquire a (BEGIN CONFIDENTIAL [REDACTED]  
19 [REDACTED] (END CONFIDENTIAL) financial hedge for its  
20 default service loads. I also recommend that Pike build this financial hedge position by  
21 acquiring overlapping 24-month, (BEGIN CONFIDENTIAL) [REDACTED] (END  
22 CONFIDENTIAL) financial hedges semiannually.



1 **II. SUMMARY OF THE COMPANY’S PROPOSED DSP**

2 Q. HAVE YOU REVIEWED THE COMPANY’S PETITION FOR APPROVAL  
3 (“PETITION”) IN THIS PROCEEDING?

4 A. Yes, I have reviewed the Company’s Petition for the 2024-2027 DSP. I have also  
5 reviewed the direct testimony and exhibits submitted by Pike in support of its Petition.

6 Q. HOW DOES THE COMPANY PROPOSE TO PROVIDE DEFAULT  
7 SERVICE TO RESIDENTIAL CUSTOMERS DURING THE JUNE 1, 2024  
8 THROUGH MAY 31, 2027 PLAN PERIOD?

9 A. The Plan proposed by Pike for 2024-2027 is similar in material aspects to the  
10 Company’s current (2021-2024) DSP.<sup>1</sup> Pike proposes to purchase energy for residential  
11 (as well as commercial and lighting) default service customers on the New York  
12 Independent System Operator (“NYISO”) spot energy market (day-ahead prices in  
13 NYISO Zone G). The Company must also purchase, in addition to spot market energy,  
14 capacity and ancillary services from NYISO as well as the required Pennsylvania  
15 Alternative Energy Credits (“AECs”) under bilateral arrangements to provide default  
16 service to its residential customers. The Company also proposes to purchase financial  
17 hedges, in the form of contracts for differences (or fixed-for-floating energy swaps),  
18 that would have the effect of fixing the spot market price for the period of time over  
19 which the hedge would be in effect for the portion of the supply that was hedged.<sup>2</sup>

---

<sup>1</sup> Petition, p. 1.

<sup>2</sup> Pike Statement No. 1, p. 10, lines 5-9.

1 Q. DOES PIKE HAVE ANY UNIQUE ATTRIBUTES WHICH WOULD  
2 AFFECT THE WAY THE COMPANY DESIGNS ITS DEFAULT SERVICE  
3 PLAN?

4 A. Yes. Pike has three attributes that make the Company unique among Pennsylvania  
5 electric distribution companies (“EDCs”). First, Pike is connected to the NYISO’s  
6 control area whereas other Pennsylvania EDCs are connected to PJM’s control area.<sup>3</sup>  
7 Second, while other Pennsylvania EDCs are connected directly to PJM, Pike’s  
8 connection to NYISO is through Pike’s physical interconnection with the transmission  
9 system of Orange and Rockland Utilities (“O&R”).<sup>4</sup> Consequently, Pike can access the  
10 NYISO’s markets and services only through O&R serving as the market participant  
11 and load-serving entity on behalf of Pike’s distribution loads.<sup>5</sup> Third, Pike’s  
12 distribution load is materially smaller than those of other Commission-jurisdictional  
13 Pennsylvania EDCs, with the exception of Citizens and Wellsboro.<sup>6</sup>

14 Q. PLEASE DEFINE A CONTRACT FOR DIFFERENCES AND EXPLAIN  
15 HOW IT FUNCTIONS.

16 A. Under a contract for differences (also referred to in the industry as a fixed-for-floating  
17 swap, a fixed-rate energy swap, or a financial energy block), the buyer (Pike in this  
18 case) would agree to pay or receive payment from the seller (Pike’s counterparty in this  
19 case) the difference between the agreed upon hedge (fixed) price for the quantity  
20 hedged (buyer pays the fixed rate) and the hourly spot market price (seller pays spot  
21 market rate).<sup>7</sup> Executing financial hedge transactions, in the form of contracts for  
22 differences, converts portions of energy that would otherwise be purchased on the spot

---

<sup>3</sup> Pike Statement No. 1, p. 4, lines 12-14.

<sup>4</sup> Pike Statement No. 2, p. 9, lines 12-14.

<sup>5</sup> Pike Statement No. 1, p. 4, lines 20-21.

<sup>6</sup> Pike Statement No. 1, p. 4, lines 17-18.

<sup>7</sup> Pike Statement No. 2, p. 8, lines 16-19.

1 market to fixed rates for energy supplied to the default service customers,<sup>8</sup> which in  
2 turn reduces the exposure of default service rates to the volatile spot market, and  
3 increases rate stability and predictability for Pike’s default service customers.

4 Q. ARE CONTRACTS FOR DIFFERENCES STANDARD PRODUCTS IN  
5 WHOLESALE POWER MARKETS?

6 A. Yes. Contracts for differences, the vehicles which Pike is proposing to use for financial  
7 hedging, are standard products in organized exchanges (e.g., Intercontinental  
8 Exchange, New York Mercantile Exchange) as well as in the over-the-counter bilateral  
9 power trading market. Contracts for differences are used widely by electric utilities,  
10 wholesale and retail electricity suppliers, generators, and power traders across the  
11 country for hedging price risk.

12 Q. HOW DOES THE COMPANY PROPOSE TO SET DEFAULT SERVICE  
13 RATES FOR RESIDENTIAL CUSTOMERS?

14 A. The Company will develop a semiannual default service rate (for the upcoming six-  
15 month period), referred to as the Market Price of Electricity Supply (“MPES”), using a  
16 combination of the cost of the financial hedges it has entered into (for the hedged  
17 energy) and a forecast of the NYISO spot price that it believes will prevail over the  
18 upcoming six-month period (for the unhedged energy). Discrepancies between the  
19 incurred default service supply costs and the default service revenues that Pike receives  
20 (by customer class) will be reconciled through the Electric Supply Adjustment Charge  
21 (“ESAC”), which is capped at two cents per kilowatt-hour (“kWh”).<sup>9</sup> In other words,  
22 if the Company’s projections under- or over-estimate the actual cost of purchasing  
23 energy on the NYISO spot market (as well as capacity and ancillary services costs), the

---

<sup>8</sup> Pike Statement No. 2, p. 8, lines 13-16.

<sup>9</sup> Pike Statement No. 1, p. 15, lines 5-10.

1 Company either collects or refunds the difference through the ESAC, subject to the two  
2 cents per kWh cap. The ESAC can be either positive or negative; that is, either a charge  
3 or a credit. The primary reason for a cost/revenue discrepancy is due to the differences  
4 between the Company's spot market price projections and realized spot market prices  
5 for the six-month period.

6 Q. PLEASE DESCRIBE THE FINANCIAL HEDGING ARRANGEMENT  
7 BEING PROPOSED BY THE COMPANY.

8 A. The Company is proposing to enter into financial hedges for a portion of its default  
9 service load, with a target of (BEGIN CONFIDENTIAL) [REDACTED] (END  
10 CONFIDENTIAL) hedge coverage, using a ladderred procurement approach.<sup>10</sup> This  
11 implies that (BEGIN CONFIDENTIAL) [REDACTED] (END CONFIDENTIAL) of the  
12 default service load would continue to be priced based on the NYISO spot market  
13 prices.

14 Q. PLEASE EXPLAIN THE LADDERED APPROACH THAT PIKE IS  
15 PROPOSING.

16 A. Pike is proposing to ladder its hedges such that the entire hedge for a given time frame  
17 is not being procured at one time. The Company is proposing to hedge (BEGIN  
18 CONFIDENTIAL) [REDACTED] (END CONFIDENTIAL) of the projected default  
19 service load 14 months prior to the beginning of the Plan Year (which starts on June 1  
20 and ends on May 31 of the subsequent year), and an additional (BEGIN  
21 CONFIDENTIAL) [REDACTED] (END CONFIDENTIAL) eight months prior to the  
22 beginning of the Plan Year.<sup>11</sup>

---

<sup>10</sup> Pike Highly Confidential Exhibit NPC-2, p. 2, Section III.

<sup>11</sup> Id.

1 Q. PLEASE EXPLAIN PIKE'S PROPOSED MECHANISM TO RECONCILE  
2 ACTUAL DEFAULT SERVICE COSTS AND DEFAULT SERVICE  
3 REVENUES FOR THE RESIDENTIAL CLASS.

4 A. Pike is proposing to recover or refund over- or under-collections occurring over a six-  
5 month period over the subsequent 12-month period. However, the ESAC is capped at  
6 2¢/kWh in either direction (charge or credit). If the 2¢/kWh cap is reached, the  
7 remaining over- or under-collection balance is carried over to the subsequent six-month  
8 period. The ESAC is calculated and applied separately for each service classification.<sup>12</sup>


9 **III. ISSUES AND RECOMMENDATIONS**

10 Q. WHAT ISSUES DO YOU ADDRESS IN THE REMAINDER OF YOUR  
11 DIRECT TESTIMONY?

12 A. In this final section of my testimony, I address: (1) functioning of Pike's current  
13 hedging strategy; (2) Pike's default service loads and retail competition in the  
14 Company's service territory; and (3) the Company's proposed hedging strategy.

15 A. **Review of Pike's Current Financial Hedging Strategy**

16 Q. PLEASE SUMMARIZE PIKE'S FINANCIAL HEDGING EFFORTS TO  
17 DATE.

18 A. **(BEGIN CONFIDENTIAL)** 

---

<sup>12</sup> Pike Statement No. 1, p. 14, line 22 through p. 15, line 9.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19

[REDACTED]

**(END CONFIDENTIAL).**<sup>14</sup>

Q. PLEASE SUMMARIZE THE EFFECT OF FINANCIAL HEDGES EXECUTED BY PIKE ON DEFAULT SERVICE CUSTOMER COSTS AND RATES.

A. The financial hedges for the June 2023 – May 2024 delivery period are still active, while other financial hedges have settled fully. **(BEGIN CONFIDENTIAL)**

[REDACTED]

**(END CONFIDENTIAL).**<sup>15</sup> Therefore, the net effect of financial hedges on default service customer costs and rates was negligible. **(BEGIN CONFIDENTIAL)**

[REDACTED]

---

<sup>13</sup> Exhibit SO-1, Schedule 1 (Highly Confidential) (Pike’s Highly Confidential response to OCA Interrogatory Set II, No. 2, Attachment).  
<sup>14</sup> Exhibit SO-1, Schedule 2 (Confidential) (Pike’s Confidential response to OCA Interrogatory Set II, No. 1).  
<sup>15</sup> Exhibit SO-1, Schedule 1 (Highly Confidential) (Pike’s Highly Confidential response to OCA Interrogatory Set II, No. 2, Attachment).  
<sup>16</sup> Id.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20

[REDACTED]  
[REDACTED] (END CONFIDENTIAL).<sup>17</sup>

Q. ARE YOU CONCERNED THAT THE FINANCIAL HEDGES DID NOT GENERATE A NET FINANCIAL PROFIT FOR THE DEFAULT SERVICE CUSTOMERS?

A. No. The objective of hedging is rate certainty and stability, not financial profit.

Q. WHAT IS YOUR CONCLUSION FROM THE DATA YOU SUMMARIZED ABOVE?

A. I conclude that the financial hedges have functioned as intended, thereby reducing Pike's default service reconciliation (over-collection or under-collection) balances, which in turn lowers inter-period rate volatility. (BEGIN CONFIDENTIAL)

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

(END CONFIDENTIAL)<sup>18</sup> That is, there is a strong positive correlation between the profit (loss) from the financial hedges and Pike's under-collection (over-collection) of default service costs. On average, when Pike's default service revenues are less (or more) than its default service costs, the financial hedges narrow the shortfall (or surplus).

---

<sup>17</sup> Exhibit SO-1, Schedule 3 (Confidential) (Pike's Confidential response to OSBA Interrogatory Set I, No. 3(d)).

<sup>18</sup> The Pearson correlation coefficient is a measure of the linear relationship between two variables. It has a value of between -1 and 1, where -1, 0, and 1 indicate a perfectly negative linear correlation, no linear correlation, and a perfectly positive linear correlation, respectively, between two variables. [Source: [https://en.wikipedia.org/wiki/Pearson\\_correlation\\_coefficient](https://en.wikipedia.org/wiki/Pearson_correlation_coefficient)] A correlation coefficient of greater than 0.75 is considered to indicate a strong positive linear correlation between two variables.

1 Q. PLEASE PROVIDE A COMPARATIVE OVERVIEW OF RESIDENTIAL  
2 DEFAULT SERVICE RATES IN THE PENNSYLVANIA EDC SERVICE  
3 TERRITORIES.

4 A. Figure 1 presents the quarterly default service rates (also known as price-to-compare,  
5 or “PTC”) for residential customers since December 2019 in the Duquesne, MetEd,  
6 PECO, PENELEC, Penn Power, PPL, UGI, West Penn, and Pike service territories.<sup>19</sup>  
7 Figure 2 shows the standard deviation, average, and relative standard deviation (ratio  
8 of standard deviation to average) for the quarterly default service rates of each EDC  
9 between December 2019 and June 2023. While all EDC default service rates follow the  
10 same general trend, some are noticeably more volatile (i.e., PPL, UGI, and Pike) than  
11 others.

---

<sup>19</sup> Source: OCA. The data are also available publicly on the Commission’s website in various dockets.



Figure 1

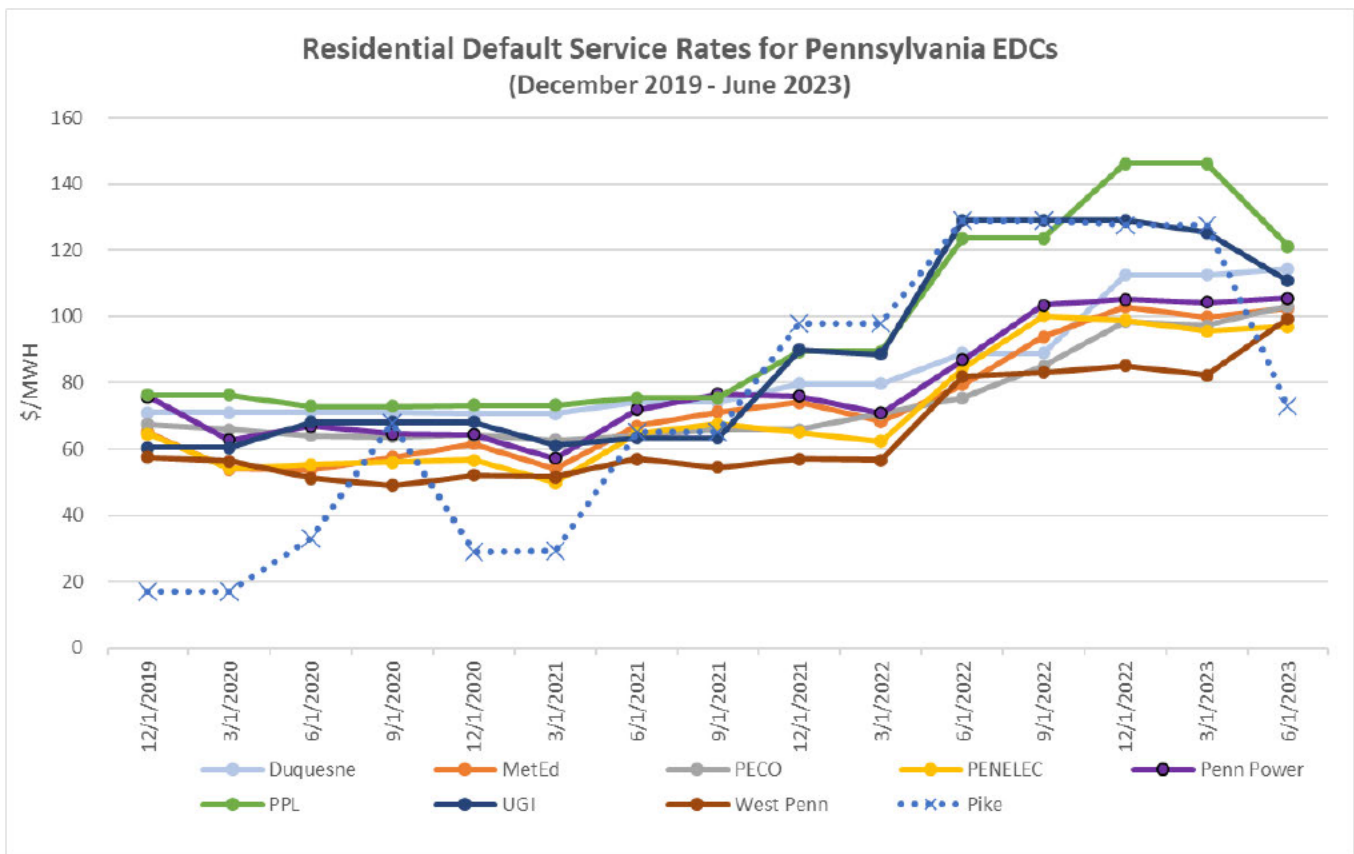


Figure 2

Volatility of Residential Default Service Rates of Pennsylvania EDCs			
EDC	Standard Deviation	Average	Relative Standard Deviation
Duquesne	\$16.59/MWh	\$83.38/MWh	20%
MetEd	18.03	73.68	24%
PECO	14.37	74.27	19%
PENELEC	18.34	71.47	26%
Penn Power	17.21	79.47	22%
PPL	28.05	95.68	29%
UGI	28.81	87.66	33%

West Penn	16.32	64.97	25%
Pike	42.57	73.68	58%

1 Q. PLEASE EXPLAIN WHY RESIDENTIAL DEFAULT SERVICE RATES  
2 ARE MORE VOLATILE IN CERTAIN EDC SERVICE TERRITORIES  
3 THAN IN OTHERS.

4 A. The EDCs with more volatile residential default service rates are the ones that procure  
5 shorter-term default service products, or that rely on the spot market for a greater share  
6 of their default service supply portfolios. PPL’s residential default service portfolio  
7 consists of 80 percent 12-month, load-following, full requirements contracts (“FRCs”),  
8 and 20 percent 6-month FRCs. UGI’s residential portfolio comprises 50 percent 12-  
9 month FRCs, 25 percent 24-month FRCs, and 25 percent 6-month, fixed-volume  
10 blocks (balanced via spot market purchases and sales). Pike’s default service portfolio  
11 is made up approximately of 75 percent 12-month fixed-volume blocks (balanced via  
12 spot market purchases and sales), and 25 percent spot market purchases. The other  
13 EDCs (Duquesne, MetEd, PECO, PENELEC, Penn Power, West Penn) procure a  
14 combination of 12-month and 24-month FRCs to supply their respective residential  
15 default service portfolios. When there is a large and sustained move (in either direction)  
16 in spot and forward power prices, the default service rates of EDCs with default service  
17 portfolios with shorter average durations respond to this change in the underlying  
18 wholesale power market more sharply and more quickly compared to the rates of EDCs  
19 with longer average duration default service portfolios.

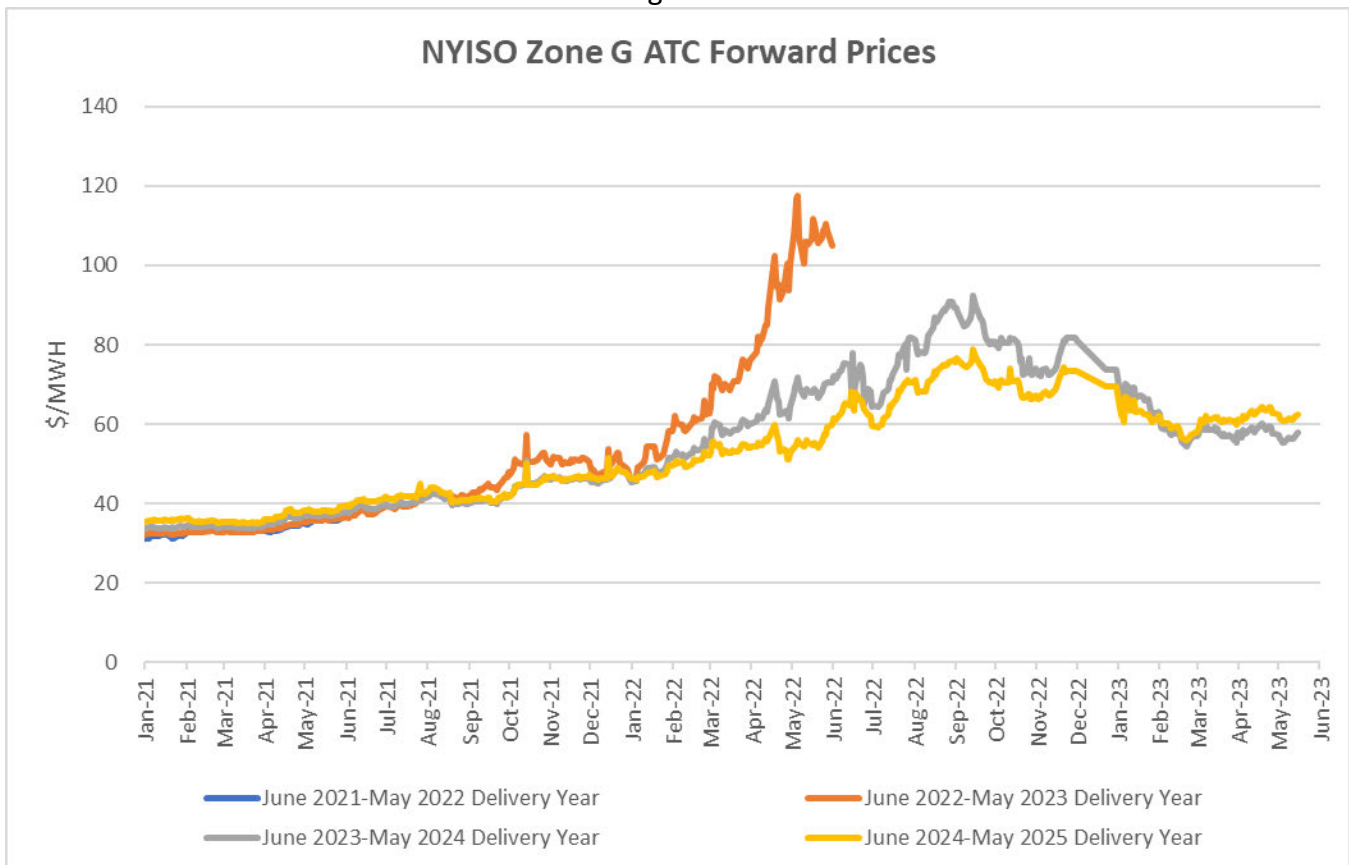
1 Q. PLEASE DESCRIBE THE MOVEMENT IN FORWARD POWER PRICES  
2 THAT LED TO RISING DEFAULT SERVICE RATES IN THE  
3 PENNSYLVANIA EDC SERVICE TERRITORIES.

4 A. Figure 3 depicts the movement in NYISO Zone G forward power prices for selected  
5 June – May delivery years since the beginning of 2021.<sup>20</sup> Prices began rising sharply  
6 in early 2022, peaked at the end of summer 2022, and declined significantly until the  
7 start of spring 2023, though not all the way back to their levels at the end of 2021. The  
8 increase in the forward price for the June 2022 – May 2023 12-month delivery period  
9 (or delivery year) was much steeper compared to the forward prices for the June 2023  
10 – May 2024 and June 2024 – May 2025 delivery years. It is a frequently observed  
11 phenomenon in forward power (and natural gas) markets that prices for near-term  
12 delivery (e.g., next month, season, or year) are more sensitive to short-term  
13 developments and more volatile compared to prices for delivery further out in the future  
14 (e.g., two years out), which are driven to a greater extent by longer-term fundamentals.

---

<sup>20</sup> While other Pennsylvania EDCs are in PJM Interconnection, LLC, and not in NYISO, forward power pricing trends in PJM closely resembled those of NYISO during this period.

Figure 3



2 Q. WHAT ARE THE IMPLICATIONS OF THE RECENT DEVELOPMENTS  
 3 YOU HAVE SUMMARIZED ABOVE FOR PIKE'S FINANCIAL  
 4 HEDGING STRATEGY?

5 The purchases made during the months with elevated forward prices for EDC default  
 6 service portfolios with shorter average durations accounted for a larger share of their  
 7 respective default service portfolios for the relevant quarterly or six-month pricing  
 8 periods, which resulted in higher default service rates for the customers of those EDCs,  
 9 as compared to the EDCs with longer average duration (and thus lower-turnover)  
 10 default service portfolios. For example, pursuant to its 2021-2024 DSP, (BEGIN

1 CONFIDENTIAL)

5 (END

6 CONFIDENTIAL) <sup>21</sup>

7 If Pike were procuring longer-duration (BEGIN CONFIDENTIAL

14 (END CONFIDENTIAL)

15 While the average default service rate over those two years would have been similar,  
16 the default service rate would be less volatile from one pricing period to the next, and  
17 the initial rate shock at the beginning of this high-price period (in June 2022) would  
18 have been less severe.

19 **B. Pike's Default Service Load**

20 Q. WHAT IS THE TREND OF PIKE'S DEFAULT SERVICE LOAD?

21 A. While Pike's total load, on a trailing 12-month average basis, has been relatively stable  
22 over the last five years, average default service load has been increasing steadily. Figure  
23 4 shows the level and breakdown of 12-month average load between default service  
24 and EGS service since 2018. Pike's 12-month average default service load increased

---

<sup>21</sup> Pike Highly Confidential Exhibit RM-3.

1 from (BEGIN CONFIDENTIAL) [REDACTED] (END CONFIDENTIAL) in 2018 to  
2 (BEGIN CONFIDENTIAL) [REDACTED] (END CONFIDENTIAL) in 2023, while  
3 average EGS load declined from (BEGIN CONFIDENTIAL) [REDACTED] (END  
4 CONFIDENTIAL) to (BEGIN CONFIDENTIAL) [REDACTED] (END  
5 CONFIDENTIAL) over the same period.<sup>22</sup>

6

Figure 4 (BEGIN CONFIDENTIAL)

(END CONFIDENTIAL)

---

<sup>22</sup> Derived using information contained in Exhibit SO-1, Schedule 4 (Confidential) (Pike's Confidential response to OSBA Interrogatory Set I, No. 1(b), Attachment.) It is also presented in Figure 4.

1 C. **Proposed Financial Hedging Strategy**

2 Q. PLEASE SUMMARIZE THE GENERAL ENERGY PRICE HEDGING  
3 APPROACH PROPOSED BY THE COMPANY.

4 A. Pike's overall energy price hedging approach is to build a level of price stability by  
5 reducing the amount of energy purchased on the spot market over time while avoiding  
6 single point market exposure, i.e., purchasing the entire hedge target at a single point  
7 in time. The Company proposes to operationalize this goal by layering financial hedges,  
8 with each hedge execution date staggered.<sup>23</sup>

9 Q. PLEASE PRESENT THE PERTINENT DETAILS OF PIKE'S PROPOSED  
10 FINANCIAL HEDGING STRATEGY.

11 A. The Company is proposing to hedge (BEGIN CONFIDENTIAL) [REDACTED] (END  
12 CONFIDENTIAL) of the default service load in the 2024-2027 DSP, which is  
13 (BEGIN CONFIDENTIAL) [REDACTED] (END  
14 CONFIDENTIAL) Pike is targeting in its 2021-2024 DSP.<sup>24</sup> Further, Pike is  
15 proposing to hedge (BEGIN CONFIDENTIAL) [REDACTED] (END  
16 CONFIDENTIAL) of the projected default service load 14 months prior to the  
17 beginning of the Plan Year (which starts on June 1 and ends on May 31 of the  
18 subsequent year), and an additional (BEGIN CONFIDENTIAL) [REDACTED] (END  
19 CONFIDENTIAL) eight months prior to the beginning of the Plan Year.<sup>25</sup> The  
20 Company is proposing to execute financial hedges subject to acceptable pricing  
21 parameters.

---

<sup>23</sup> Pike Statement No. 2, p. 4, lines 12-16.

<sup>24</sup> Pike Statement No. 2, p. 5, line 18 (highly confidential).

<sup>25</sup> Pike Highly Confidential Exhibit NPC-2, p. 2 of 4.

1 Q. ARE YOU PROPOSING ANY CHANGES TO THE COMPANY'S  
2 PROPOSED FINANCIAL HEDGING STRATEGY?

3 A. Yes, I am. While I support the Company's goal to avoid single point market exposure  
4 by layering financial hedges, I recommend that the financial hedge target for a given  
5 six-month default service pricing period be acquired on at least three, but preferably  
6 four, separate transaction dates. I am also recommending that the Company procure  
7 financial hedges with overlapping delivery periods. Finally, I am recommending that  
8 Pike target **(BEGIN CONFIDENTIAL)** [REDACTED] **(END CONFIDENTIAL)**  
9 hedge for each month during the 2024-2027 DSP.

10 Q. WHY ARE YOU RECOMMENDING STAGGERING PURCHASES OVER  
11 THREE OR FOUR TRANSACTION DATES FOR A GIVEN SIX-MONTH  
12 PRICING PERIOD?

13 A. As I presented in the previous section, a large increase in forward prices that is  
14 sustained for at least a few months, as exemplified by the natural gas and power pricing  
15 trends during 2022, would expose customers to excessive default service rate volatility  
16 even if half of the total hedge is procured during such market distress. Furthermore, if  
17 market distress turns into market dysfunction for a period of time to the point where  
18 the Company cannot execute a financial hedge within the Plan's acceptable pricing  
19 parameters, then Pike and its default service customers would be subjected to the single  
20 point market exposure which they prefer to avoid. Accumulating hedges over at least  
21 three, but preferably four, separate transaction dates would further bolster price stability  
22 for default service customers.



1 Q. WHAT ARE OVERLAPPING HEDGES AND WHY ARE YOU  
2 RECOMMENDING THAT APPROACH?

3 A. Hedges are said to be overlapping, or having overlapping delivery periods, when the  
4 delivery period of one hedge transaction partly coincides with the delivery period of  
5 the other hedge transaction. For example, a hedge with a June 2024 – May 2025  
6 delivery period and a hedge with a December 2024 – November 2025 delivery period  
7 are overlapping hedges because the period from December 2024 through May 2025 is  
8 part of the delivery period of both hedges. Procuring overlapping financial hedges  
9 would reduce inter-period price volatility and thus enhance rate stability, since the  
10 default service rates in two consecutive pricing periods would in part be based on the  
11 same financial hedge and thus the same fixed price for a portion of the energy  
12 requirements. I present examples of overlapping hedges in Figure 5 and Figure 6.

13 Q. WHAT IS YOUR BASIS FOR RECOMMENDING (BEGIN  
14 CONFIDENTIAL) [REDACTED] (END CONFIDENTIAL) HEDGE?

15 A. As I demonstrated in Figure 4, the Company's default service load for the most recent  
16 12-month period averaged (BEGIN CONFIDENTIAL) [REDACTED] (END  
17 CONFIDENTIAL) per hour. The Company's proposed (BEGIN CONFIDENTIAL)  
18 [REDACTED] (END CONFIDENTIAL) hedge coverage target would correspond to a  
19 (BEGIN CONFIDENTIAL) [REDACTED] (END CONFIDENTIAL) financial  
20 hedge. Since there is currently no opportunity for any default service customer to  
21 switch to EGS service but customers on EGS service can switch to default service,  
22 default service load is likely to continue growing. In addition, there is a possibility that  
23 the last remaining EGS leaves the Pike retail market and all load in Pike ends up on  
24 default service, in which case average hourly default service load would jump to  
25 (BEGIN CONFIDENTIAL) [REDACTED] (END CONFIDENTIAL) and the (BEGIN

1 CONFIDENTIAL [REDACTED] (END CONFIDENTIAL) hedge target would  
2 correspond to a (BEGIN CONFIDENTIAL) [REDACTED] (END  
3 CONFIDENTIAL) hedge. Therefore, a (BEGIN CONFIDENTIAL) [REDACTED]  
4 (END CONFIDENTIAL) hedge would be appropriate for the 2024-2027 DSP. If  
5 default service loads change materially in the future, the Company can (and should)  
6 adjust the size of the financial hedges accordingly. I note that even if the average hourly  
7 default service load stagnates at the current level for the duration of the 2024-2027  
8 DSP, a (BEGIN CONFIDENTIAL) [REDACTED] (END CONFIDENTIAL) financial  
9 hedge target would correspond to (BEGIN CONFIDENTIAL) [REDACTED] (END  
10 CONFIDENTIAL) of the average load, which is not a significant deviation from the  
11 (BEGIN CONFIDENTIAL) [REDACTED] (END CONFIDENTIAL) hedge coverage  
12 proposed by Pike.

13 Q. HAVE YOU DEVELOPED A FINANCIAL HEDGE PROCUREMENT  
14 SCHEDULE THAT WOULD IMPLEMENT YOUR RECOMMENDED  
15 FINANCIAL HEDGING STRATEGY?

16 A. Yes. I have developed two procurement schedules. I am presenting one as my primary  
17 recommendation, and the other as my alternative recommendation.

18 Q. PLEASE PRESENT YOUR PRIMARY PROCUREMENT SCHEDULE  
19 RECOMMENDATION.

20 A. Figure 5 depicts my primary procurement schedule recommendation. Under my  
21 primary recommendation, the Company would acquire overlapping 24-month,  
22 (BEGIN CONFIDENTIAL) [REDACTED] (END CONFIDENTIAL) financial  
23 hedges semiannually. Each financial hedge would be executed up to six months prior  
24 to the start of the delivery period of the hedge. For example, the June 2024 – May 2026  
25 financial hedge would be acquired between December 2023 and May 2024 and the

1 December 2024 – November 2026 financial hedge would be procured between June  
2 2024 and November 2024. Each financial hedge transaction would correspond to  
3 (BEGIN CONFIDENTIAL) [REDACTED] (END CONFIDENTIAL) of the total hedge  
4 target and approximately (BEGIN CONFIDENTIAL) [REDACTED] (END  
5 CONFIDENTIAL) of the default service load (based on its current level). I note that  
6 a number of “catch-up” financial hedge procurements (first three transactions in Figure  
7 5) would need to be made on a relatively compressed schedule. If Pike executes some  
8 financial hedges for the 2024-2027 DSP period before the Commission issues a final  
9 decision in this docket, the procurement schedule in Figure 5 would need to be adjusted  
10 to account for the financial hedges that would already be in place.

11

12

Figure 5 (BEGIN CONFIDENTIAL)

(END CONFIDENTIAL)

13 Q. PLEASE PRESENT YOUR ALTERNATIVE PROCUREMENT  
14 SCHEDULE RECOMMENDATION.

15 A. Figure 6 shows my alternative procurement schedule recommendation. Under my  
16 alternative recommendation, the Company would acquire overlapping 18-month,  
17 (BEGIN CONFIDENTIAL) [REDACTED] (END CONFIDENTIAL) financial hedges

1           semiannually. Each financial hedge would be executed up to six months prior to the  
2           start of the delivery period of the hedge. For example, the June 2024 – November 2025  
3           financial hedge would be acquired between December 2023 and May 2024 and the  
4           December 2024 – May 2026 financial hedge would be procured between June 2024  
5           and November 2024. Each financial hedge transaction would correspond to one-third  
6           of the total hedge target and approximately **(BEGIN CONFIDENTIAL)** [REDACTED]  
7           **(END CONFIDENTIAL)** of the default service load (based on its current level). I note  
8           that a number of “catch-up” financial hedge procurements (first two transactions in  
9           Figure 6) would need to be made on a relatively compressed schedule. If Pike executes  
10          some financial hedges for the 2024-2027 DSP period before the Commission issues a  
11          final decision in this docket, the procurement schedule in Figure 6 would need to be  
12          adjusted to account for the financial hedges that would already be in place.  
13

Figure 6 **(BEGIN CONFIDENTIAL)**

**(END CONFIDENTIAL)**

1 Q. DO YOU AGREE WITH THE ACCEPTABLE PRICING PARAMETERS  
2 PROPOSED BY THE COMPANY REGARDING FINANCIAL HEDGE  
3 PURCHASE SOLICITATIONS?

4 A. I disagree with the second bullet, but I agree with the other bullets, in the highly  
5 confidential Exhibit NPC-2, p. 3., Section V. A market price index-based screening  
6 mechanism is necessary to avoid making a costly procurement error and significantly  
7 overpaying for the hedges. However, I recommend that the Company use both (BEGIN  
8 CONFIDENTIAL) [REDACTED] (END CONFIDENTIAL) (as proposed in the  
9 Petition)<sup>26</sup> and Intercontinental Exchange index prices<sup>27</sup> to evaluate indicative pricing  
10 offers so that the Company avoids declining an offer that is in line with prevailing  
11 market prices, in the event that the (BEGIN CONFIDENTIAL) [REDACTED] (END  
12 CONFIDENTIAL) index price is not reflective of market prices.

13 As for the second bullet mentioned above, I recommend that (BEGIN  
14 CONFIDENTIAL) [REDACTED]  
15 [REDACTED] (END CONFIDENTIAL).<sup>28</sup> Temporal  
16 diversification and dollar-cost averaging of financial hedge purchases are essential  
17 tools for avoiding market timing risk and ensuring default service rate stability.  
18 However, it would be reasonable to wait a few weeks and monitor market conditions  
19 (BEGIN CONFIDENTIAL) [REDACTED]  
20 [REDACTED] (END CONFIDENTIAL)

---

<sup>26</sup> Pike Highly Confidential Exhibit NPC-2, p. 3, Section V.

<sup>27</sup> Available at (<https://www.theice.com/marketdata/reports/142>)

<sup>28</sup> Id.

1 Q. DO YOU AGREE WITH THE COMPANY’S PROPOSAL TO ACQUIRE  
2 OVERHANGING CONTRACTS DURING THE TERM OF THE 2024-2027  
3 DSP?

4 A. Yes. I concur with the Company that overhanging contracts are important elements of  
5 a DSP to avoid the problem of a hard-stop, and to extend the price stability benefits of  
6 the financial hedging approach into the beginning part of the subsequent DSP.<sup>29</sup> The  
7 primary and alternative procurement schedule recommendations I render in Figure 5  
8 and Figure 6, respectively, also incorporate overhanging contracts. The delivery  
9 periods highlighted in grey in Figure 5 and in Figure 6 are part of Pike’s subsequent  
10 DSP period, and financial hedges acquired for delivery in those periods represent  
11 overhanging contracts.

12 Q. IS THE (PRIMARY OR ALTERNATIVE) PROCUREMENT SCHEDULE  
13 WHICH YOU ARE RECOMMENDING ADMINISTRATIVELY MORE  
14 BURDENSOME THAN THE ONE PROPOSED BY PIKE?

15 A. No. Both procurement schedules I am recommending, and the one proposed by Pike,  
16 entail (BEGIN CONFIDENTIAL) [REDACTED] (END  
17 CONFIDENTIAL) (in “steady state” after catch-up procurements are completed) as  
18 well as the acquisition of similar wholesale energy market products (i.e., fixed-price  
19 ATC financial hedges).

20 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

21 A. Yes.

---

<sup>29</sup> Pike Statement No. 2, p. 8, lines 1-6.

**APPENDIX A**

**SUMMARY OF QUALIFICATIONS**

**for**

**SERHAN OGUR, Ph.D.**

## **SERHAN OGUR, Ph.D.**

Dr. Ogur is a Principal of Exeter Associates, Inc. with 21 years of experience in the energy industry specializing in organized wholesale (Regional Transmission Organization/Independent System Operator) and retail electricity markets. Dr. Ogur's diverse background comprises energy management and consulting; analysis, design, and reporting of RTO electricity markets and products; and state and federal regulation of electric utilities.

Dr. Ogur's coursework in graduate school focused on Microeconomic Theory, Game Theory, and Industrial Organization. His doctoral dissertation investigates imperfect competition in deregulated wholesale electricity markets and oligopolistic competition between private and public generators.

### Education

Ph.D. (Economics), 2007  
Northwestern University  
Evanston, Illinois

B.A. (Economics), 1996  
Bogazici University  
Istanbul, Turkey

### Previous Employment

2014-2015 Senior System Operator  
Fellon-McCord & Associates, LLC  
Louisville, KY

2005-2014 Senior Economist  
PJM Interconnection, LLC  
Audubon, PA

2001-2005 Economic Analyst  
Illinois Commerce Commission  
Springfield, IL

### Professional Experience

Dr. Ogur's work at Exeter includes analysis of electricity supply contracts; utility rates and tariffs; energy markets and prices; power procurement; default electric service design; project evaluation; demand response opportunities; congestion hedging strategies; and price forecasting.

Prior to joining Exeter, Dr. Ogur's responsibilities at Fellon-McCord encompassed overseeing and performing the daily tasks of the "24/7" wholesale electricity desk, including all aspects of scheduling, managing, and monitoring direct market participant load and generation assets (mostly in ISO/RTO markets) as well as their settlements and custom reporting. He



was also in charge of developing strategies and making recommendations, through analytical, financial, and market research, for longer-term management of clients' load obligations and generation assets such as Auction Revenue Rights (ARR) nominations; participation in energy, ancillary services, and capacity markets; load forecasting; energy, basis, and capacity price forecasting; hedging; and peak load management. Dr. Ogur also served as the company's lead analyst in various special consulting projects.

In PJM Interconnection's Market Strategy and Market Analysis departments, Dr. Ogur was responsible for analyzing and reporting on all PJM-administered electricity market products, including day-ahead and real-time energy, operating reserve, regulation, synchronized reserve, virtual transactions, financial transmission rights, capacity, demand response, energy efficiency, and renewables. He was part of the team that developed the protocols and business rules for participation of energy efficiency in PJM markets as well as a lead reviewer for energy efficiency plans and post-installation measurement and verification (M&V) reports for PJM's capacity market auctions. He also has training and experience in PJM's stakeholder management process.

Dr. Ogur's responsibilities at the Illinois Commerce Commission (ICC) included monitoring all Illinois-related developments under federal jurisdiction, mostly Federal Energy Regulatory Commission (FERC) filings and rulings concerning major Illinois electric public utilities. In addition, Dr. Ogur reviewed all actions concerning Illinois public utilities at the FERC level (applications to join RTOs, market-based rate authority filings, merger applications, transmission rate cases, etc.), and developed positions and official comments for the consideration of the ICC to file in the related FERC dockets. Dr. Ogur also filed written testimony and served as staff witness (including standing cross-examination) in the ICC dockets establishing auction-based competitive wholesale energy procurement mechanisms for major Illinois electric public utilities.

#### Sample Major Publications and Reports

*Retail Supply and Standard Offer Service Reform for Maine*, prepared for Maine Office of the Public Advocate, February 2023 (with Steven Estomin, Matthew Hoyt, Olivia Kuykendall, Afton Hauer, and Cali Clark of Exeter Associates)

#### Expert Testimony

Before the Pennsylvania Public Utility Commission, Docket Nos. A-2023-3038771 *et al*, Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company, 2023, on behalf of the Pennsylvania Office of Consumer Advocate. Testimony addressed public utility merger and acquisition issues.

Before the Pennsylvania Public Utility Commission, Docket Nos. P-2021-3030012, P-2021-3030013, P-2021-3030014 and P-2021-3030021, Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company, 2022, on behalf of the Pennsylvania Office of Consumer Advocate. Testimony addressed default service issues.

Before the Ontario Superior Court of Justice, In the Matter of Just Energy Group Inc. *et al*, Court File No. CV-21-00658423-00CL, 2021, on behalf of the *Donin and Jordet* Plaintiffs. Testified on overcharges by a retail electric supplier in a class action suit with plaintiffs in 11 states in the U.S.

Before the Pennsylvania Public Utility Commission, Docket Nos. A-2021-3025659 and A-2021-3025662, Pike County Light & Power Company and Leatherstocking Gas Company, LLC, 2020, on behalf of the Pennsylvania Office of Consumer Advocate. Testimony addressed public utility merger and acquisition issues.

Before the U.S. District Court for the District of New Jersey, Civil Action No. 3:17-cv-02680-MAS-LHG, 2021, on behalf of Janet Rolland, et al. Testified on systematic overcharges by a retail electric supplier in a class action suit with plaintiffs in eight states.

Before the Pennsylvania Public Utility Commission, Docket No. P-2020-3022988, Pike County Light & Power Company, 2020, on behalf of the Pennsylvania Office of Consumer Advocate. Testimony addressed default service issues.

Before the Pennsylvania Public Utility Commission, Docket No. P-2020-3019907, UGI Utilities, Inc. – Electric Division, 2020, on behalf of the Pennsylvania Office of Consumer Advocate. Testimony addressed default service issues.

Before the Pennsylvania Public Utility Commission, Docket No. P-2020-3019522, Duquesne Light Company, 2020, on behalf of the Pennsylvania Office of Consumer Advocate. Testimony addressed default service issues.

Before the Pennsylvania Public Utility Commission, Docket Nos. P-2020-3019383 and P-2020-3019384, Citizens' Electric Company of Lewisburg, PA and Wellsboro Electric Company, 2020, on behalf of the Pennsylvania Office of Consumer Advocate. Testimony addressed default service issues.

Before the Pennsylvania Public Utility Commission, Docket No. P-2016-2534980, PECO Energy Company, 2016, on behalf of the Pennsylvania Office of Consumer Advocate. Testimony addressed default service issues.

Before the Illinois Commerce Commission, Docket No. 05-0159, Commonwealth Edison Company, 2005, on behalf of the Staff of Illinois Commerce Commission. Testimony addressed default service design and competitive procurement issues.

Before the Illinois Commerce Commission, Docket Nos. 05-0160, 05-0161, and 05-0162 (Consolidated), Central Illinois Light Company d/b/a AmerenCILCO, 2005, on behalf of the Staff of Illinois Commerce Commission. Testimony addressed default service design and competitive procurement issues.

Before the Illinois Commerce Commission, Docket No. 02-0428, Central Illinois Light Company and Ameren Corporation, 2002, on behalf of the Staff of Illinois Commerce Commission. Testimony addressed competition issues in a utility merger case.

# **Exhibit SO-1**

Confidential, Redacted in Full

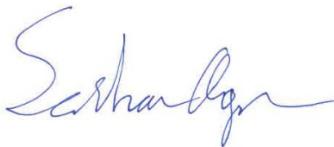
BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

VERIFICATION

I, Serhan Ogur, hereby state that the facts set forth in my Direct Testimony, OCA Statement 1, are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

DATED: July 21, 2023  
\*349414

Signature:   
Serhan Ogur

Consultant Address: Exeter Associates, Inc.  
10480 Little Patuxent Parkway  
Suite 300  
Columbia, MD 21044-2690

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF PIKE COUNTY LIGHT & )  
POWER COMPANY FOR APPROVAL OF )  
ITS DEFAULT SERVICE PLAN AND ) DOCKET NO. P-2023-3039927  
WAIVER OF COMMISSION )  
REGULATIONS FOR THE PERIOD )  
JUNE 1, 2024 THROUGH MAY 31, 2027 )

REBUTTAL TESTIMONY

OF

SERHAN OGUR, Ph.D.

ON BEHALF OF THE

PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

August 4, 2023

Public Version

---

**EXETER**

ASSOCIATES, INC.

10480 Little Patuxent Parkway, Suite 300  
Columbia, Maryland 21044

## TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION.....	1
II. HEDGING PROGRAM.....	2
Exhibit SO-2	

1 **I. INTRODUCTION**

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is Serhan Ogur. I am a Principal and Senior Economist at Exeter Associates, Inc.  
4 (“Exeter”). Our offices are located at 10480 Little Patuxent Parkway, Suite 300, Columbia,  
5 Maryland, 21044.

6 Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

7 A. I am testifying on behalf of the Pennsylvania Office of Consumer Advocate (“OCA”).

8 Q. HAVE YOU PREVIOUSLY TESTIFIED IN THIS PROCEEDING?

9 A. Yes. I submitted Direct Testimony in this proceeding on July 21, 2023, on behalf of the  
10 OCA.

11 Q. WHAT ISSUES ARE YOU ADDRESSING IN YOUR REBUTTAL  
12 TESTIMONY?

13 A. I am addressing issues raised in the Direct Testimony of Mr. Mark D. Ewen, witness for  
14 the Pennsylvania Office of Small Business Advocate (“OSBA”), as those issues relate to  
15 the Default Service Plan (“DSP” or “Plan”) submitted by Pike County Light and Power  
16 Company (“Pike” or “Company”). Those issues relate to the various aspects of the hedging  
17 program proposed by Pike as part of the DSP.

1 **II. HEDGING PROGRAM**

2 Q. WHAT HAS THE COMPANY PROPOSED REGARDING THE HEDGING  
3 PROGRAM?

4 A. The Company has proposed to hedge **(BEGIN CONFIDENTIAL)** [REDACTED] **(END**  
5 **CONFIDENTIAL)** of the default service load in the 2024-2027 DSP, which is **(BEGIN**  
6 **CONFIDENTIAL)** [REDACTED] **(END CONFIDENTIAL)** Pike is  
7 targeting in its 2021-2024 DSP.<sup>1</sup> Further, Pike has proposed to purchase the first half of  
8 the hedge, which corresponds to **(BEGIN CONFIDENTIAL)** [REDACTED] **(END**  
9 **CONFIDENTIAL)** of the projected default service load, 14 months prior to the beginning  
10 of the Plan Year (which starts on June 1 and ends on May 31 of the subsequent year), and  
11 an the second half of the hedge, which also corresponds to **(BEGIN CONFIDENTIAL)**  
12 [REDACTED] **(END CONFIDENTIAL)** of the projected default service load, eight months  
13 prior to the beginning of the Plan Year, for a total hedge corresponding to **(BEGIN**  
14 **CONFIDENTIAL)** [REDACTED] **(END CONFIDENTIAL)** of the default service load. The  
15 Company is proposing to execute financial hedges subject to acceptable pricing parameters  
16 **(BEGIN CONFIDENTIAL)** [REDACTED]  
17 [REDACTED] **(END CONFIDENTIAL)**.<sup>2</sup>

18 Q. WHAT IS THE FLEXIBILITY RELATED TO THE TIMING OF FINANCIAL  
19 HEDGE PURCHASES PROPOSED BY PIKE?

20 A. **(BEGIN CONFIDENTIAL)** [REDACTED]  
21 [REDACTED]  
22 [REDACTED] | [REDACTED]  
23 [REDACTED]

---

<sup>1</sup> Pike Statement No. 2, p. 5, line 18 (highly confidential).  
<sup>2</sup> Pike Statement No. 2, Exhibit NPC-2, p. 3, Section V (highly confidential).  
<sup>3</sup> Pike Statement No. 2, Exhibit NPC-2, p. 1, Section II (highly confidential).



1 [REDACTED]  
2 [REDACTED]  
3 [REDACTED]  
4 [REDACTED] (END CONFIDENTIAL).

5 Q. WHAT IS MR. EWEN’S CONCERN REGARDING THE HEDGE PURCHASE  
6 TIMING FLEXIBILITY PROPOSED BY PIKE?

7 A. Mr. Ewen is concerned that (BEGIN CONFIDENTIAL) [REDACTED]  
8 [REDACTED]  
9 [REDACTED] (END CONFIDENTIAL).<sup>6</sup>

10 According to Mr. Ewen, (BEGIN CONFIDENTIAL) [REDACTED]  
11 [REDACTED]  
12 [REDACTED] (END CONFIDENTIAL).<sup>7</sup> Mr. Ewen posits  
13 that (BEGIN CONFIDENTIAL) [REDACTED]  
14 [REDACTED] (END  
15 CONFIDENTIAL).<sup>8</sup>

16 Q. HOW MANY FINANCIAL HEDGE COUNTERPARTIES DOES PIKE  
17 CURRENTLY HAVE?

18 A. Pike currently has (BEGIN CONFIDENTIAL) [REDACTED] (END  
19 CONFIDENTIAL).<sup>9</sup>

20

---

<sup>4</sup> Exhibit SO-2, Schedule 1 (Pike’s Highly Confidential response to OCA Interrogatory Set II, No. 5(a)).  
<sup>5</sup> Exhibit SO-2, Schedule 1 (Pike’s Highly Confidential response to OCA Interrogatory Set II, No. 5(b)).  
<sup>6</sup> OSBA Statement No. 1, p. 3, lines 10-12 (highly confidential).  
<sup>7</sup> OSBA Statement No. 1, p. 4, lines 3-4 (highly confidential).  
<sup>8</sup> OSBA Statement No. 1, p. 4, lines 7-9 (highly confidential).  
<sup>9</sup> Pike Statement No. 1, p. 11, lines 12-13 (confidential).

1 Q. WHAT IS MR. EWEN'S CONCERN REGARDING THE NUMBER OF PIKE'S  
2 HEDGE COUNTERPARTIES?

3 A. According to Mr. Ewen, **(BEGIN CONFIDENTIAL)** [REDACTED]  
4 [REDACTED]  
5 [REDACTED]  
6 **(END CONFIDENTIAL)**.<sup>10</sup> Mr. Ewen asserts that **(BEGIN CONFIDENTIAL)**  
7 [REDACTED]  
8 [REDACTED] **(END CONFIDENTIAL)**.<sup>11</sup>

9 Q. WHAT IS THE STATUS OF PIKE'S EFFORTS TO FIND ADDITIONAL  
10 COUNTERPARTIES?

11 A. According to the Company, **(BEGIN CONFIDENTIAL)** [REDACTED]  
12 [REDACTED]  
13 [REDACTED]  
14 [REDACTED]  
15 [REDACTED] [REDACTED]  
16 **(END CONFIDENTIAL)**.

17 Q. IN RESPONSE TO THESE TWO CONCERNS, WHAT DOES MR. EWEN  
18 RECOMMEND RELATED TO THE HEDGING PROGRAM PROPOSED BY  
19 PIKE?

20 A. Mr. Ewen makes two recommendations. First, Mr. Ewen recommends that Pike **(BEGIN**  
21 **CONFIDENTIAL)** [REDACTED]  
22 [REDACTED] **(END CONFIDENTIAL)**.<sup>13</sup>

---

<sup>10</sup> OSBA Statement No. 1, p. 4, lines 19-21 (highly confidential).

<sup>11</sup> OSBA Statement No. 1, p. 4, lines 26-27 (highly confidential).

<sup>12</sup> Exhibit SO-2, Schedule 1 (Pike's Highly Confidential response to OCA Interrogatory Set II, No. 11(a) and 11(e)).

<sup>13</sup> OSBA Statement No. 1, p. 5, lines 3-5 (highly confidential).

1 Second, Mr. Ewen recommends that Pike (BEGIN CONFIDENTIAL) [REDACTED]  
2 [REDACTED] (END CONFIDENTIAL).<sup>14</sup> Mr. Ewen  
3 further recommends that (BEGIN CONFIDENTIAL) [REDACTED]  
4 [REDACTED]  
5 [REDACTED] (END CONFIDENTIAL).<sup>15</sup>

6 Q. WHAT ARE THE POTENTIAL IMPACTS OF MR. EWEN'S  
7 RECOMMENDATION (BEGIN CONFIDENTIAL) [REDACTED]  
8 [REDACTED] (END  
9 CONFIDENTIAL) ON PIKE'S PRICE HEDGING EFFORTS AND ON  
10 RESIDENTIAL CUSTOMERS?

11 A. Mr. Ewen's recommendation (BEGIN CONFIDENTIAL) [REDACTED]  
12 [REDACTED] (END  
13 CONFIDENTIAL) simply opens the possibility that non-residential customers would be  
14 treated differently than residential customers, in terms of procurement of default service  
15 supplies, based on the differences in the approaches to price risk management of the OSBA  
16 and the OCA.

17 Q. HOW DO YOU RESPOND TO MR. EWEN'S RECOMMENDATIONS  
18 CONCERNING THE HEDGING PROGRAM PROPOSED BY PIKE?

19 A. In principle, I do not object to Mr. Ewen's recommendation that (BEGIN  
20 CONFIDENTIAL) [REDACTED]  
21 [REDACTED] (END CONFIDENTIAL).  
22 However, I reserve the right to agree or disagree with an alternative proposal upon my  
23 examination of the details of such a proposal. Mr. Ewen did not present an alternative

---

<sup>14</sup> OSBA Statement No. 1, p. 5, lines 6-7 (highly confidential).

<sup>15</sup> OSBA Statement No. 1, p. 5, lines 6-7 (highly confidential).

1 proposal in his Direct Testimony. I concur with Mr. Ewen's recommendation that **(BEGIN**  
2 **CONFIDENTIAL)** [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] **(END**  
3 **CONFIDENTIAL)**. However, I disagree with Mr. Ewen's recommendation for **(BEGIN**  
4 **CONFIDENTIAL)** [REDACTED]  
5 [REDACTED]  
6 [REDACTED] **(END**  
7 **CONFIDENTIAL)**.

8 Q. WHAT IS YOUR BASIS FOR DISAGREEING WITH MR. EWEN'S  
9 RECOMMENDATION **(BEGIN CONFIDENTIAL)** [REDACTED]  
10 [REDACTED]  
11 [REDACTED]  
12 [REDACTED] **(END CONFIDENTIAL)**

13 A. First, establishing acceptable pricing parameters **(BEGIN CONFIDENTIAL)** [REDACTED]  
14 [REDACTED] **(END**  
15 **CONFIDENTIAL)**, if adhered to strictly, ensures that Pike will not accept any bids  
16 materially above market price, **(BEGIN CONFIDENTIAL)** [REDACTED]  
17 [REDACTED] **(END**  
18 **CONFIDENTIAL)**.

19 Second, in general, forward power contracts (including NYISO Zone G) are not as  
20 liquid as some other financial instruments (e.g., stocks, bonds, stock index futures, natural  
21 gas futures, crude oil futures). As a result, price discovery is not perfect; the **(BEGIN**  
22 **CONFIDENTIAL)** [REDACTED] **(END CONFIDENTIAL)** (regardless of the  
23 source) is likely to be slightly inaccurate (the degree of inaccuracy depending on the market  
24 volatility at the time of the procurement); and the bid-ask spreads can cause the offers  
25 **(BEGIN CONFIDENTIAL)** [REDACTED] **(END**

1           **CONFIDENTIAL**). In my experience advising clients in block (financial or physical  
2           hedge) purchases across the country (e.g., PJM Interconnection, LLC; Electric Reliability  
3           Council of Texas; California Independent System Operator), it is not unusual to receive  
4           offers that are **(BEGIN CONFIDENTIAL)** [REDACTED]  
5           [REDACTED] **(END CONFIDENTIAL)** even when there are **(BEGIN**  
6           **CONFIDENTIAL)** [REDACTED] **(END CONFIDENTIAL)**, and the procurement  
7           sizes are larger and more standard [up to 25 megawatts (“MW”)].

8           Finally, Pike believes that it will **(BEGIN CONFIDENTIAL)** [REDACTED]  
9           [REDACTED] **(END CONFIDENTIAL)**, and the Company  
10          **(BEGIN CONFIDENTIAL)** [REDACTED]  
11          [REDACTED] **(END CONFIDENTIAL)**. Given the challenges associated with  
12          **(BEGIN CONFIDENTIAL)** [REDACTED]  
13          [REDACTED] **(END CONFIDENTIAL)**, as well as the importance of  
14          financial hedges in ensuring default service rate stability and predictability, I do not believe  
15          that **(BEGIN CONFIDENTIAL)** [REDACTED]  
16          [REDACTED]  
17          [REDACTED] **(END CONFIDENTIAL)**.

1 Q. IF THE PENNSYLVANIA PUBLIC UTILITY COMMISSION  
2 (“COMMISSION”) DETERMINES THAT (BEGIN CONFIDENTIAL) [REDACTED]  
3 [REDACTED]  
4 [REDACTED]  
5 [REDACTED]  
6 [REDACTED] (END  
7 CONFIDENTIAL)?

8 A. Yes. Given the small size of Pike’s default service load, buying financial hedges BEGIN  
9 CONFIDENTIAL) [REDACTED] (END CONFIDENTIAL) all other  
10 things equal, would be preferable due to the ability to conduct more frequent purchases to  
11 achieve more temporal diversification of dollar-cost-averaging of financial hedges as well  
12 as making each procurement more attractive for existing and potential counterparties.  
13 (BEGIN CONFIDENTIAL) [REDACTED]  
14 [REDACTED]  
15 [REDACTED]  
16 [REDACTED]  
17 [REDACTED] (END CONFIDENTIAL) As such, I recommend that Pike (BEGIN  
18 CONFIDENTIAL) [REDACTED]  
19 [REDACTED]  
20 [REDACTED] (END CONFIDENTIAL).  
21

1 Q. ARE YOU RECOMMENDING A SPECIFIC HEDGE PROCUREMENT  
2 SCHEDULE (BEGIN CONFIDENTIAL) [REDACTED]  
3 [REDACTED]  
4 [REDACTED] (END  
5 CONFIDENTIAL)?

6 A. Yes. My recommended procurement schedule (BEGIN CONFIDENTIAL) [REDACTED]  
7 [REDACTED]  
8 (END CONFIDENTIAL), is presented in Figure 1. Under this schedule, the Company  
9 would acquire overlapping 24-month, (BEGIN CONFIDENTIAL) [REDACTED]  
10 [REDACTED] (END CONFIDENTIAL) financial hedges (BEGIN CONFIDENTIAL)  
11 [REDACTED] (END CONFIDENTIAL). Each financial hedge would be executed up to six  
12 months prior to the start of the delivery period of the hedge. For example, the June 2024 –  
13 May 2026 financial hedge would be acquired between December 2023 and May 2024.  
14 Each financial hedge transaction would correspond to (BEGIN CONFIDENTIAL) [REDACTED]  
15 [REDACTED] (END CONFIDENTIAL) of the total hedge target. I note that “catch-up” financial  
16 hedge procurement(s) (BEGIN CONFIDENTIAL) [REDACTED] [REDACTED] END  
17 CONFIDENTIAL) in Figure 1) would need to be made soon after the Commission’s  
18 approval of the DSP. If Pike executes some financial hedges for the 2024-2027 DSP period  
19 before the Commission issues a final decision in this docket, the procurement schedule in  
20 Figure 1 would need to be adjusted to account for the financial hedges that would already  
21 be in place. The delivery period highlighted in grey in Figure 1 is part of Pike’s subsequent  
22 DSP period, and financial hedges acquired for delivery in that period represent overhanging  
23 contracts.

Figure 1(BEGIN CONFIDENTIAL).



(END CONFIDENTIAL).

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18

Q. WHAT ARE THE ADVANTAGES AND DISADVANTAGES OF 24-MONTH HEDGES (AS PROPOSED BY YOU) COMPARED TO 12-MONTH HEDGES (AS PROPOSED BY PIKE)?

A. The advantages of a longer-term (e.g., 24-month) hedge over a shorter-term (e.g., 12-month) hedge include the reduced risk on the part of default service customers as a result of fixing the price of a predetermined amount of energy for a longer period of time, and reduction in the sensitivity of the default service price to the volatility of shorter-term wholesale market prices. The primary disadvantage is the potentially higher risk premium associated with the incurrence of added risk on the part of the counterparty.

Q. WHY ARE YOU RECOMMENDING 24-MONTH HEDGES?

A. I am recommending 24-month hedges for two reasons. First, the risk avoidance and price stability benefits of 24-month hedges for residential default service customers outweigh the cost of potentially higher risk premium associated with 24-month hedges (compared to 12-month hedges). Second, for the same fixed hourly delivery quantity (i.e., MW value), longer-term hedge procurements are associated with larger total volumes (i.e., megawatt-hours, or “MWh”), which in turn is more attractive for counterparties to participate in. For example, the total volume associated with a 24-month, 1-MW ATC hedge (17,520 MWh)



1 is twice as large as the total volume associated with a 12-month, 1-MW ATC hedge (8,760  
2 MWh).

3 Q. ARE THERE OTHER FACTORS THAT MAKE 24-MONTH HEDGES MORE  
4 DESIRABLE IN THIS CIRCUMSTANCE?

5 A. Yes. **(BEGIN CONFIDENTIAL)** [REDACTED]  
6 **(END CONFIDENTIAL)** in hedge procurements, it is desirable (if not outright necessary)  
7 to acquire 24-month hedges as a way of making each financial hedge procurement more  
8 attractive to potential bidders by increasing the number of MWH associated with the hedge,  
9 even if 24-month hedges potentially are associated with higher risk premiums compared to  
10 12-month hedges.

11 Q. PLEASE EXPLAIN WHY THE PROCUREMENT SCHEDULE IN FIGURE 1  
12 OF THIS REBUTTAL TESTIMONY IS DIFFERENT THAN THE  
13 PROCUREMENT SCHEDULE YOU RECOMMENDED IN FIGURE 5 OF  
14 YOUR DIRECT TESTIMONY?

15 A. I created the procurement schedule in Figure 5 of my Direct Testimony based on **(BEGIN**  
16 **CONFIDENTIAL)** [REDACTED]  
17 [REDACTED] **(END CONFIDENTIAL)** in the most recent 12 months.<sup>16</sup> The  
18 procurement schedule in Figure 5 of my Direct Testimony targets **(BEGIN**  
19 **CONFIDENTIAL)** [REDACTED] **(END CONFIDENTIAL)**, which corresponds  
20 to approximately 81 percent of Pike's total default service load.<sup>17</sup>

21 The procurement schedule in Figure 1 of this Rebuttal Testimony is created based  
22 **(BEGIN CONFIDENTIAL)** [REDACTED]

---

<sup>16</sup> OCA Statement 1, p. 20, lines 15-17 (Confidential Version)

<sup>17</sup> OCA Statement 1, p. 21, lines 8-10 (Confidential Version).

1 [REDACTED] (END CONFIDENTIAL) in the most recent 12 months.<sup>18</sup> (BEGIN  
2 CONFIDENTIAL) [REDACTED]  
3 [REDACTED]  
4 [REDACTED]  
5 [REDACTED]  
6 [REDACTED]  
7 [REDACTED]  
8 [REDACTED]  
9 [REDACTED]  
10 [REDACTED]  
11 [REDACTED]  
12 [REDACTED]

13 [REDACTED] (END CONFIDENTIAL).

14 Q. CAN PIKE PROCURE A 24-MONTH, (BEGIN CONFIDENTIAL) [REDACTED]  
15 [REDACTED] (END CONFIDENTIAL) HEDGE WITHIN ACCEPTABLE PRICING  
16 PARAMETERS?

17 A. Yes. In (BEGIN CONFIDENTIAL) [REDACTED] (END CONFIDENTIAL), Pike  
18 procured (BEGIN CONFIDENTIAL) [REDACTED]  
19 [REDACTED] (END CONFIDENTIAL) within the same acceptable pricing  
20 parameters being proposed for this Plan.<sup>19</sup> I expect the Company to also be able to execute  
21 a 24-month, (BEGIN CONFIDENTIAL) [REDACTED]  
22 (END CONFIDENTIAL).  
23

---

<sup>18</sup> Derived using information contained in OCA Statement 1, Exhibit SO-1, Schedule 4 (Confidential) (Pike’s Confidential response to OSBA Interrogatory Set I, No. 1(b), Attachment.)

<sup>19</sup> Pike Statement No. 1, Exhibit RM-3 (highly confidential).

1 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

2 A. Yes.

# **Exhibit SO-2**

Confidential, Redacted in Full

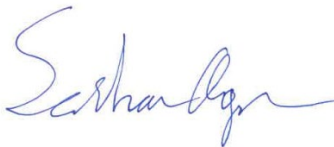
BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

VERIFICATION

I, Serhan Ogur, hereby state that the facts set forth in my Rebuttal Testimony, OCA Statement 1R, are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

DATED: August 4, 2023  
\*349979

Signature:   
Serhan Ogur

Consultant Address: Exeter Associates, Inc.  
10480 Little Patuxent Parkway  
Suite 300  
Columbia, MD 21044-2690

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PETITION OF PIKE COUNTY LIGHT & )  
POWER COMPANY FOR APPROVAL OF )  
ITS DEFAULT SERVICE PLAN AND ) DOCKET NO. P-2023-3039927  
WAIVER OF COMMISSION )  
REGULATIONS FOR THE PERIOD )  
JUNE 1, 2024 THROUGH MAY 31, 2027 )**

**SURREBUTTAL TESTIMONY  
OF  
SERHAN OGUR, Ph.D.  
ON BEHALF OF THE  
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE**

**August 17, 2023**

**Public Version**

1 Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.

2 A. My name is Serhan Ogur. I am a Principal and Senior Economist at Exeter Associates, Inc.  
3 (“Exeter”). My business address is 10480 Little Patuxent Parkway, Suite 300, Columbia,  
4 Maryland, 21044.

5 Q. ON WHOSE BEHALF ARE YOU OFFERING THIS SURREBUTTAL  
6 TESTIMONY?

7 A. I am offering this Surrebuttal Testimony on behalf of the Pennsylvania Office of Consumer  
8 Advocate (“OCA”).

9 Q. HAVE YOU PREVIOUSLY TESTIFIED IN THIS PROCEEDING?

10 A. Yes. I submitted Direct Testimony on July 21, 2023, and Rebuttal Testimony on August 4,  
11 2023, both on behalf of the OCA.

12 Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

13 A. The purpose of my Surrebuttal Testimony is to present my revised (primary and alternative)  
14 procurement schedule recommendations based on the information provided by Mr. Russell  
15 Miller in his Rebuttal Testimony submitted on behalf of Pike County Light and Power  
16 Company (“Pike” or “Company”).

17 Q. DID YOU RECOMMEND A FINANCIAL HEDGE PROCUREMENT  
18 SCHEDULE IN YOUR DIRECT TESTIMONY?

19 A. Yes. I presented my primary procurement schedule recommendation as Figure 5 on page  
20 21, line 16 of my Direct Testimony; and I presented my alternative procurement schedule  
21 recommendation as Figure 6 on page 22, line 15 of my Direct Testimony. Both of these  
22 procurement schedules were created based on the assumption that Pike would not execute  
23 any financial hedges for the 2024-2027 Default Service Plan (“DSP”) before the

1 Pennsylvania Public Utility Commission (“Commission”) issues a final decision in this  
2 docket.<sup>1</sup>

3 Q. WAS EITHER OF THE PROCUREMENT SCHEDULES THAT YOU  
4 RECOMMENDED IN YOUR DIRECT TESTIMONY OPPOSED BY ANY  
5 PARTY IN REBUTTAL TESTIMONY?

6 A. No. Mr. Miller is the only other witness who submitted Rebuttal Testimony in this  
7 proceeding, and he did not oppose my primary procurement schedule recommendation nor  
8 my alternative procurement schedule recommendation.

9 Q. WHAT PERTINENT INFORMATION DID MR. MILLER PROVIDE IN HIS  
10 REBUTTAL TESTIMONY?

11 A. Mr. Miller stated in his Rebuttal Testimony that in July 2023 Pike procured **(BEGIN**  
12 **CONFIDENTIAL)** [REDACTED]  
13 **(END CONFIDENTIAL)** financial hedge for Plan Year 2025 (June 1, 2024 through May  
14 31, 2025).<sup>2</sup>

15 Q. ARE REVISIONS WARRANTED IN THE PRIMARY AND ALTERNATIVE  
16 PROCUREMENT SCHEDULES THAT YOU RECOMMENDED IN YOUR  
17 DIRECT TESTIMONY AS A RESULT OF THE FINANCIAL HEDGE THAT  
18 WAS EXECUTED BY PIKE IN JULY 2023?

19 A. Yes. The financial hedges which I recommended for Plan Year 2025 in my Direct  
20 Testimony should be reduced by the size of the financial hedge which was purchased by  
21 Pike in July 2023 so that the hedge targets in the procurement schedules that I  
22 recommended in my Direct Testimony, in the aggregate, stay the same.

---

<sup>1</sup> OCA Statement 1, p. 22, lines 7-10; p. 23, lines 9-12.

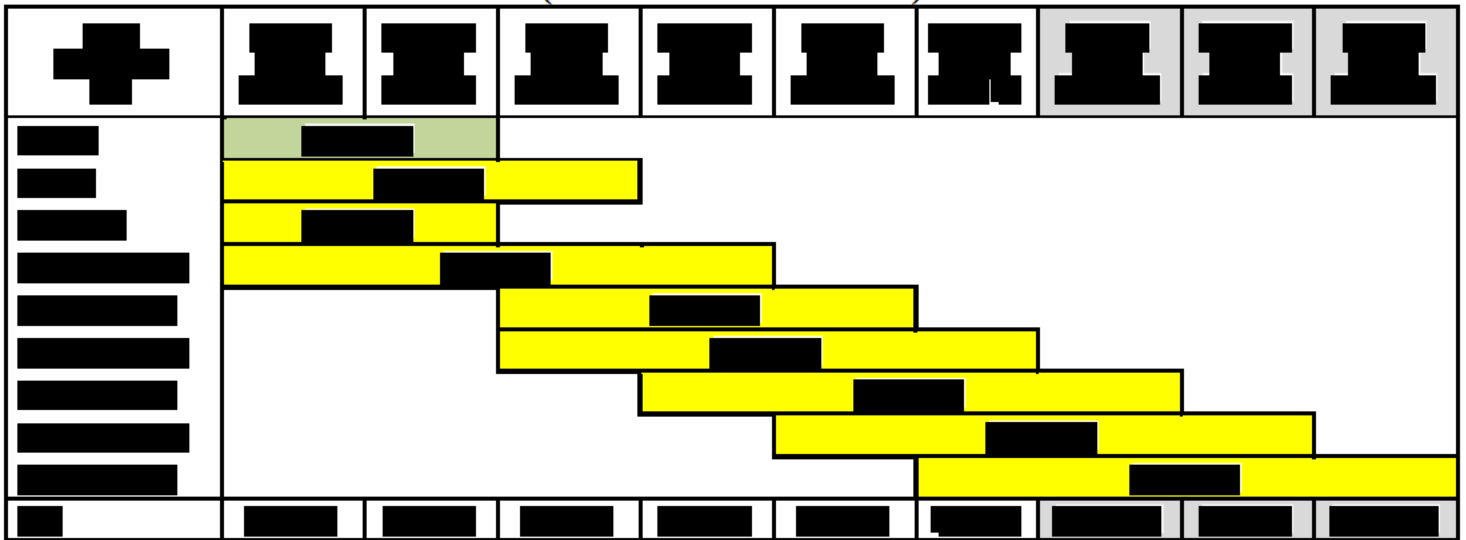
<sup>2</sup> Pike Highly Confidential Exhibit RM-1R, p.1.



1 Q. PLEASE PRESENT YOUR REVISED PRIMARY PROCUREMENT  
2 SCHEDULE RECOMMENDATION.

3 A. Figure 1 depicts my revised primary procurement schedule recommendation. Under my  
4 revised primary recommendation, the Company would acquire overlapping 24-month,  
5 (BEGIN CONFIDENTIAL) ██████████ (END CONFIDENTIAL) financial hedges  
6 semiannually. Each financial hedge would be executed up to six months prior to the start  
7 of the delivery period of the hedge. For example, the June 2025 – May 2027 financial hedge  
8 would be acquired between December 2024 and May 2025, and the December 2025 –  
9 November 2027 financial hedge would be procured between June 2025 and November  
10 2025. Each financial hedge transaction would correspond to (BEGIN CONFIDENTIAL)  
11 ██████████ (END CONFIDENTIAL) of the total hedge target and approximately (BEGIN  
12 CONFIDENTIAL) ██████████ (END CONFIDENTIAL) of the default service load  
13 (based on its current level). The first transaction in Figure 1 (shaded green) represents the  
14 financial hedge executed by Pike in July 2023. I note that a number of “catch-up” financial  
15 hedge procurements (second and third transactions in Figure 1) would need to be made on  
16 a relatively compressed schedule. The delivery periods highlighted in gray in Figure 1 are  
17 part of Pike’s subsequent DSP period, and financial hedges acquired for delivery in those  
18 periods represent overhanging contracts.  
19

Figure 1  
(BEGIN CONFIDENTIAL)



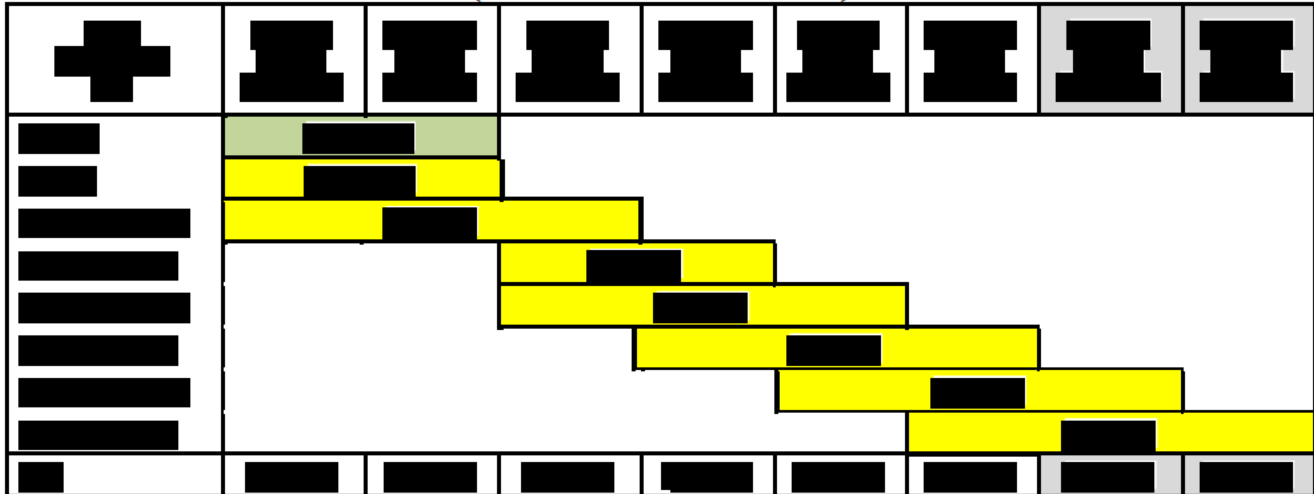
(END CONFIDENTIAL)

2 Q. PLEASE PRESENT YOUR REVISED ALTERNATIVE PROCUREMENT  
3 SCHEDULE RECOMMENDATION.

4 A. Figure 2 depicts my alternative procurement schedule recommendation. Under my  
5 alternative recommendation, the Company would acquire overlapping 18-month, (BEGIN  
6 CONFIDENTIAL) ██████████ (END CONFIDENTIAL) financial hedges  
7 semiannually. Each financial hedge would be executed up to six months prior to the start  
8 of the delivery period of the hedge. For example, the June 2025 –November 2026 financial  
9 hedge would be acquired between December 2024 and May 2025, and the December 2025  
10 – May 2027 financial hedge would be procured between June 2025 and November 2025.  
11 Each financial hedge transaction would correspond to (BEGIN CONFIDENTIAL) ██████████  
12 ██████████ (END CONFIDENTIAL) of the total hedge target and approximately (BEGIN  
13 CONFIDENTIAL) ██████████ (END CONFIDENTIAL) of the default service load  
14 (based on its current level). The first transaction in Figure 1 (shaded green) represents the  
15 financial hedge executed by Pike in July 2023. I note that my alternative procurement

1 schedule recommendation entails a “catch-up” financial hedge procurement (second  
 2 transaction in Figure 2). The delivery periods highlighted in gray in Figure 2 are part of  
 3 Pike’s subsequent DSP period, and financial hedges acquired for delivery in those periods  
 4 represent overhanging contracts.

Figure 2  
 (BEGIN CONFIDENTIAL)



(END CONFIDENTIAL)

5 Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

6 A. Yes.

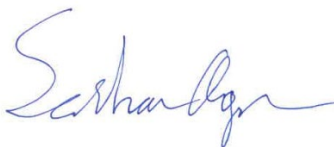
BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

VERIFICATION

I, Serhan Ogur, hereby state that the facts set forth in my Surrebuttal Testimony, OCA Statement 1SR, are true and correct (or are true and correct to the best of my knowledge, information, and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

DATED: August 17, 2023

  
Signature: \_\_\_\_\_  
Serhan Ogur

Consultant Address: Exeter Associates, Inc.  
10480 Little Patuxent Parkway  
Suite 300  
Columbia, MD 21044-2690

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Pike County Light & Power	:	
Company for Approval of Default Service	:	P-2023-3039927
Plan and Waiver of Commission Regulations	:	

**INTERIM ORDER  
GRANTING JOINT STIPULATION FOR ADMISSION  
OF TESTIMONY AND EXHIBITS INTO THE EVIDENTIARY RECORD**

On August 29, 2023, Pike County Light & Power Company (PCL&P or Petitioner), the Office of Consumer Advocate (OCA) and the Office of Small Business Advocate (OSBA) (hereinafter collectively referred to as the “Stipulating Parties”), filed a Joint Stipulation for Admission of Testimony and Exhibits into the Evidentiary Record in the above-captioned proceeding. Each of the Stipulating Parties stipulated to the authenticity of the testimony and exhibits listed in the Joint Stipulation and requested that they be admitted into the record of this proceeding on the terms and conditions set forth in the Stipulation. The Stipulating Parties indicated that certain filings contain information marked as “**Confidential**” and/or “**Highly Confidential**” and will be filed under separate cover by each party sponsoring such materials.

As this request is reasonable, the Joint Stipulation for the Admission of Testimony and Exhibits into the Evidentiary Record will be granted.

On August 29, 2023, the Stipulating Parties were notified that the hearing scheduled for August 30, 2023, was canceled. A Cancellation Notice was issued on August 30, 2023.

THEREFORE,

IT IS ORDERED

1. That the August 29, 2023, Joint Stipulation for the Admission of Testimony and Exhibits into the Evidentiary Record executed by Pike County Power & Light Company, the Office of Consumer Advocate and the Office of Small Business Advocate, is granted.

2. That the following written testimony statements, accompanying exhibits and appendices, and respective executed verifications are hereby admitted into the record of this proceeding on the terms and conditions set forth in the Joint Stipulation:

### **Pike County Light & Power Company**

#### 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**).

### **Office of Consumer Advocate**

#### Direct Testimony

- A. Direct Testimony of Serhan Ogur, Ph.D. (OCA Statement No. 1) (Public Version) and Appendix A, Exhibit SO-1 (Redacted), and a signed verification.

- B. Direct Testimony of Serhan Ogur, Ph.D. (OCA Statement No. 1) **(Confidential Version)** and Appendix A, Exhibit SO-1 **(Confidential)**, and a signed verification.

Rebuttal Testimony

- A. Rebuttal Testimony of Serhan Ogur, Ph.D. (OCA Statement 1R) (Public Version), Exhibit SO-2 (Redacted), and a signed verification.
- B. Rebuttal Testimony of Serhan Ogur, Ph.D. (OCA Statement 1R) **(Confidential Version)**, Exhibit SO-2 **(Confidential)**, and a signed verification.

Surrebuttal Testimony

- A. Surrebuttal Testimony of Serhan Ogur, Ph.D. (OCA Statement No. 1SR) (Public Version) and a signed verification.
- B. Surrebuttal Testimony of Serhan Ogur, Ph.D. (OCA Statement No. 1SR) **(Confidential Version)** and a signed verification.

**Office of Small Business Advocate**

Direct Testimony

- A. Direct Testimony of Mark D. Ewen (OSBA Statement No. 1) (Public Version), Exhibit IEC-1 and IEC-2 (Redacted), and a signed verification.
- B. Direct Testimony of Mark D. Ewen (OSBA Statement No. 1) **(Highly Confidential Version)**, Exhibit IEC-1 and IEC-2 **(Highly Confidential Version)**, and a signed verification.

Surrebuttal Testimony

- A. Surrebuttal Testimony of Mark D. Ewen (OSBA Statement No. 1-S) **(Highly Confidential Version)** and Exhibit IEC-1 **(Confidential Version)** and a signed verification.

3. That copies of the testimony and exhibits identified in Ordering Paragraph 2 above be filed with the Secretary’s Bureau of the Commission within 10-days of the entry of this order.

4. That all filings designated as “**Confidential**” and/or “**Highly Confidential**” be filed separately from public, redacted versions of admitted evidence by the parties and placed in non-





**P-2023-3039927 - PETITION OF PIKE COUNTY LIGHT & POWER COMPANY FOR APPROVAL OF ITS DEFAULT SERVICE PLAN AND WAIVER OF COMMISSION REGULATIONS AND *NUNC PRO TUNC* TREATMENT FOR THE PERIOD JUNE 1, 2024 THROUGH MAY 31, 2027**

*Revised: June 27, 2023*

WHITNEY E SNYDER ESQUIRE  
THOMAS J SNISCAK ESQUIRE  
PHILLIP D DEMANCHICK ESQUIRE  
HAWKE MCKEON AND SNISCAK LLP  
100 N 10TH STREET  
HARRISBURG PA 17101  
**717.236.1300**

[wesnyder@hmslegal.com](mailto:wesnyder@hmslegal.com)

[tjsniscak@hmslegal.com](mailto:tjsniscak@hmslegal.com)

[pddemanchick@hmslegal.com](mailto:pddemanchick@hmslegal.com)

Accepts eService

*(Representing Pike County Light & Power Company)*

GINA L. MILLER ESQUIRE  
ARON J BEATTY ESQUIRE  
OFFICE OF CONSUMER ADVOCATE  
555 Walnut Street 5th Floor  
FORUM PLACE  
HARRISBURG PA 17101  
717.783.5048

[abeatty@paoca.org](mailto:abeatty@paoca.org)

[gmiller@paoca.org](mailto:gmilller@paoca.org)

Accepts eService

STEVEN C GRAY ESQUIRE  
OFFICE OF SMALL BUSINESS ADVOCATE  
555 WALNUT STREET  
1ST FLOOR, FORUM PLACE  
HARRISBURG, PA 17101

[sgray@pa.gov](mailto:sgray@pa.gov)

4859-6526-3742, v. 1