

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	R-2008-2046520
	:	
Pike County Light & Power Company	:	
	:	
Gregory Krisanda	:	
	:	
v.	:	C-2008-2059428
	:	
Pike County Light & Power Company	:	
	:	
William R. Lloyd, Jr., Small Business Advocate	:	
	:	
v.	:	C-2008-2059680
	:	
Pike County Light & Power Company	:	
	:	
Irwin A. Popowsky, Consumer Advocate	:	
	:	
v.	:	C-2008-2059605
	:	
Pike County Light & Power Company	:	

RECOMMENDED DECISION

Before
Wayne L. Weisman
Administrative Law Judge

HISTORY OF THE PROCEEDINGS

On July 17, 2008, Pike County Light & Power Company (Pike or Company) filed with the Pennsylvania Public Utility Commission (Commission) Supplement No. 82 to Tariff Gas -

Pa. P.U.C. No. 6, to become effective September 16, 2008, containing proposed changes in rates, rules, and regulations calculated to produce \$0.42 million (21.4%) in additional annual revenues.

On July 28, 2008, Gregory Krisanda (Krisanda) filed a formal Complaint, Docket Number C-2008-2059428.

On August 14, 2008, William R. Lloyd, Jr., Small Business Advocate (OSBA) filed a formal Complaint, Docket Number C-2008-2059680.

On August 19, 2008, Allison C. Kaster, Esquire, and Johnnie E. Simms, Esquire, entered their appearance on behalf of the Commission's Office of Trial Staff (OTS).

Also on August 19, 2008, Irwin A. Popowsky, Consumer Advocate (OCA) filed a formal Complaint, Docket Number C-2008-2059605, along with an entry of appearance by Christy M. Appleby, Esquire.

On September 9, 2008, Pike filed an Answer to the OCA Complaint.

By Order adopted and entered September 11, 2008, the Commission, among other things, suspended the filing until April 16, 2009, unless permitted by Commission Order to become effective at an earlier date, and ordered an investigation to determine the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in the proposed Supplement No. 82 to Tariff Gas - Pa. P.U.C. No. 6.

On September 15, 2008, Pike filed an Answer to the Krisanda Complaint.

By Initial Prehearing Conference Order dated September 17, 2008, the parties were advised of an Initial Prehearing Conference to be held on October 7, 2008, and ordered to prepare

Prehearing Conference memoranda to be filed and served by September 30, 2008. The Initial Prehearing Conference Order also contained a tentative litigation schedule for the case.

By Notice dated September 18, 2008, an Initial Prehearing Conference was scheduled for October 7, 2008.

On September 30, 2008, Pike, OTS, OSBA and OCA each submitted the required Prehearing Conference memorandum. Mr. Krisanda did not submit a required Prehearing Conference memorandum.

On October 7, 2008, Daniel G. Asmus, Esquire, entered his appearance on behalf of OSBA as additional counsel to Sharon E. Webb, Esquire.

The Initial Prehearing Conference occurred as scheduled on October 7, 2008. Representatives on behalf of Pike, OTS, OSBA and OCA participated. Neither Mr. Krisanda nor anyone on his behalf participated. An agreement was reached as to a litigation schedule for the case. A transcript of the proceeding containing 14 pages was prepared.

By Scheduling And Briefing Order dated October 8, 2008, a litigation and briefing schedule was established for this case.

By Settlement Conference Notice dated October 9, 2008, a Settlement Conference was scheduled for November 25, 2008.

By Hearing Notice dated October 9, 2008, an Initial and further Hearing was scheduled for December 9, 10 and 11, 2008.

By Second Prehearing (Settlement) Conference Order dated October 30, 2008, the parties were advised of a Settlement Conference to be held on November 25, 2008, and ordered to

prepare Second Prehearing (Settlement) Conference memoranda to be filed and served by November 18, 2008.

On October 31, 2008, OTS, OSBA and OCA¹ each served its written direct testimony and accompanying exhibits.

On November 5, 2008, OCA served the written direct testimony of its third witness.

On November 14, 2008, Pike, OSBA and OCA each served its written rebuttal testimony and accompanying exhibits.

On November 18, 2008, Pike, OTS, OSBA and OCA each submitted the required Second Prehearing (Settlement) Conference memorandum. Mr. Krisanda did not submit a required Second Prehearing (Settlement) Conference memorandum.

The Second Prehearing (Settlement) Conference occurred as scheduled on November 25, 2008. Representatives of Pike, OTS, OSBA and OCA participated. No one appeared on Mr. Krisanda's behalf. In addition to providing an opportunity for the parties to negotiate toward a full settlement agreement, the Second Prehearing (Settlement) Conference established the order in which witnesses would appear if a hearing was required and determined that one scheduled hearing date was not needed. A transcript of the proceeding containing 20 pages (numbered 15 through 34) was produced.

In accordance with the determination made at the Second Prehearing (Settlement) Conference, by Cancellation Notice dated December 2, 2008, the scheduled hearing date of December 9, 2008 was canceled.

¹ OCA served the written direct testimony of two of its witnesses, the third having been granted an extension until November 5, 2008.

On December 4, 2008, OTS, OSBA and OCA each served its written surrebuttal testimony and accompanying exhibits.

On December 9, 2008, Pike's counsel advised me that the parties were close to a settlement in principle and that they jointly requested that the scheduled hearing date of December 10, 2008, be canceled. This cancellation request was approved.

On December 10, 2008, Pike's counsel advised me that Pike, OTS, OSBA and OCA had reached a settlement in principle and would be conferring on the preparation of a written settlement agreement. Consequently, they requested that the scheduled hearing date of December 11, 2008, be canceled. This cancellation request was approved.

On January 15, 2009, Pike, OTS, OSBA and OCA (Joint Petitioners) filed a Joint Petition For Settlement Of Rate Investigation (Joint Petition). A copy of the Joint Petition was served on the sole non-settling party, Mr. Krisanda. Attached to the Joint Petition were statements in support of the terms of settlement by Pike, OTS, OSBA and OCA. A true and correct copy of the Joint Petition is attached hereto and made a part hereof.

On January 16, 2009, in accordance with the provisions of 52 Pa.Code § 69.406, I sent a letter to complainant Krisanda requesting comments or objections regarding the settlement. My letter also included a signature page for him to join in the Joint Petition if he desired to do so. Mr. Krisanda was advised that he had to submit written comments or objections not later than January 26, 2009. Additionally, my letter provided telephone numbers for representatives of OTS, OSBA and OCA if Mr. Krisanda had any questions about the Joint Petition.

Complainant Krisanda did not respond to my January 16, 2009 letter.

TERMS AND CONDITIONS OF THE SETTLEMENT PETITION

The Joint Petition resolves all issues regarding the instant base rate increase proceeding.

The originally proposed Supplement No. 82 to Tariff Gas - Pa. P.U.C. No. 6 contained proposed changes in rates calculated to produce an approximately 21.4% increase, or approximately \$425,000, in additional annual revenue, based on the twelve months ending March 31, 2009.

The Joint Petition submitted by the Joint Petitioners contains the following principal terms and conditions:

1. Under the terms of the settlement, Pike will be permitted to establish rates which will produce an overall increase in annual operating revenues of approximately \$260,000.
2. The rates, as determined in accordance with the attached proof of revenues (Appendix B) and tariff supplement, will be effective on one day's notice for service rendered no sooner than April 16, 2009.
3. In sum, the increase in overall revenues by class from present rates as proposed in the Joint Petition is as follows:

Customer Class	Present Revenues	Revenues per Settlement	Revenue Increase	Percent Increase
SC-1 (Residential)	1,627,900	1,853,400	225,500	13.9%
SC-2 (Commercial)	327,200	361,800	34,500	10.5%
TOTAL	1,955,100	2,215,100	260,000	13.3%

4. In addition to, and in consideration of, the agreed-upon overall increase in operating revenues, Joint Petitioners agree to various terms and conditions set forth as follows:

- a. **Effective Date and Stay-Out** - The rates reflecting the increase set forth in the Joint Petition will become effective no sooner than April 16, 2009. Pike agrees that it will not file for a new general base rate increase prior to April 16, 2010. However, if a legislative body or administrative agency, including the Commission, orders or enacts fundamental changes in policy, regulation or statutes which directly and substantially affect Pike's rates, Pike may file for a change in rates under Sections 1308(a) and (b) (governing general rate relief) before the expiration of the stay-out period and this settlement shall not prevent Pike from filing tariff supplements to the extent necessitated by such action. Nothing in this paragraph is intended to limit Pike's rights under Section 1308(e) (governing extraordinary rate relief).
- b. **Rate Structure/Rate Design** - Joint Petitioners agree to the distribution of revenue among customer classes as set forth in the attached proof of revenues at Appendix B. In addition, the Customer Charges will be set at \$6.00 for Service Classification No.1 (SC-1) and \$9.00 for Service Classification No. 2 (SC-2).
- c. **Future Rate Filings** - Pike agrees that in its next base rate filing it will base its Embedded Cost of Service study (ECOS) on the same time period as the historic accounting test year. Pike also agrees to provide a revised ECOS for illustrative purposes reflecting the proposed rate level. However, this revised study will not include projections of future year costs and usage. Finally, Pike agrees that it will address in its ECOS in its next base rate filing the other criticisms of its ECOS raised by the OSBA.

and the other parties in this proceeding, i.e., Pike will either incorporate in its ECOS in its next base rate filing the changes recommended by the OSBA and the other parties in this proceeding or explain in its filing why it has declined to incorporate those changes.

- d. Service Charges - The Joint Petitioners agree that a reconnection charge of \$27 shall be established in Rules and Regulations Section 15, Restoration of Service, of Pike's gas tariff. The Joint Petitioners also agree that Pike may impose a late payment charge on any bill not paid within five days of the due date at the rate of one and one-half percent (1.5%) per month on the overdue balance of the bill.
- e. OPEB Expense - Deferred expenses for Other Post Employee Benefits (OPEB) will be amortized over 10 years.
- f. Rate Case Expense - The revenue requirement reflects an allowance for rate case expense that is 50% of Pike's claim and a normalization of the rate case expense over five years.

5. The design and structure of rates for Pike customers under the Joint Petition are developed based upon the customer and usage charges contained within the tariff supplement set forth in Appendix A. Joint Petitioners agree that rates and charges set forth in Appendix A are just and reasonable and are in the public interest. Joint Petitioners agree to undertake best efforts to obtain approval of the Joint Petition in time for rates to become effective April 16, 2009.

6. The Joint Petitioners request that Pike's original filing, including all exhibits, testimony and supporting data, be admitted into the record as originally filed with the Secretary of the Commission. 52 Pa. Code §§ 53.52, 53.53. In addition, the Joint Petitioners

request the admission of: (a) Direct and Rebuttal testimony of Pike's Accounting Panel, the Direct and Rebuttal Testimony of Pike's Rate Panel, the Direct and Rebuttal Testimony of Richard DiLoreto and the Direct Testimony of Charles D. Hutcheson and Roger A. Morin, PhD; (b) OSBA Statements Nos. 1, 2 and 3, the Direct, Rebuttal and Surrebuttal Testimony of Robert D. Knecht; (c) OTS Statements 1, 2, 2-SR, 3, 3-SR, 4 and 4-SR, the Direct and Surrebuttal Testimony of OTS witnesses Robert Plonski, Debra Backer, Gary L. Yocca and Joseph Kubas, respectively; (d) OCA Statements 1, 1S, 2, 3, 3R and 3S, the Direct, Rebuttal and Surrebuttal Testimony of David J. Effron, David C. Parcell and Glen A. Watkins, respectively.

7. Joint Petitioners agree that adoption and approval of the Joint Petition by the ALJ and the Commission is in the public interest. Under the Joint Petition, the monthly bill of a typical residential customer using 100 Ccf per month will increase from \$143.23 to \$163.07, or by approximately 13.8%, rather than the 23.1% originally requested by Pike.

8. The Joint Petition provides for a sound and reasonable revenue requirement and appropriately balances the interests and concerns of Pike, OTS, OCA, and OSBA. In addition, adoption and approval of the Joint Petition will avoid the need for evidentiary hearings and the cross-examination of witnesses, for briefing, and for continued litigation of this proceeding, thereby eliminating substantial costs.

9. The Joint Petition arises from extensive discovery, testimony and discussions and reflects compromises by all sides. It is being proposed to settle the instant case. Accordingly, the Joint Petition is made without any admission against, or prejudice to, any positions which any Joint Petitioner might adopt during any subsequent litigation of this proceeding (should the Joint Petition be rejected or modified), or in any other proceeding.

10. If the Commission withholds approval of the Joint Petition as to any of the terms and conditions, or alters any of the terms and conditions, any Joint Petitioner may withdraw from the settlement upon written notice of its intent to the Commission and the

remaining parties within three business days of the date of the Commission's Order and may resume with the litigation of this proceeding within ten days of the entry of the Order making any such modifications.

11. Joint Petitioners agree that the Joint Petition shall be considered to have the same effect as full litigation of the instant proceeding resulting in the establishment of rates that are Commission-made rates.

12. In the event that the Commission does not approve the Joint Petition, the signatory parties reserve their respective rights to resume litigation. If the ALJ, in his Recommended Decision, recommends that the Commission adopt the Joint Petition as proposed, Joint Petitioners agree to waive the filing of Exceptions. However, Joint Petitioners do not waive their rights to file Exceptions with respect to any additional matters dealt with, or any modifications to the terms and conditions of the Joint Petition recommended by the ALJ in his Recommended Decision.

13. Joint Petitioners recognize that the Joint Petition does not bind formal complainants who have not joined herein. It should be noted that Mr. Krisanda, the only other party participating in this proceeding, has been or will be given the opportunity to sign on to the Joint Petition or offer comments on the Joint Petition. Mr. Krisanda's Complaint was docketed by the Commission under Docket No. C-2008-2059428. The Joint Petitioners are not aware of any other formal complainants in this matter.

14. Pike, OTS, OCA, and OSBA have attached to the Joint Petition, as Appendices C, D, E, and F, respectively, Statements in Support setting forth the bases upon which they believe the settlement is fair, just and reasonable and is, therefore, in the public interest.

15. The Joint Petitioners agree that the settlement shall not constitute or be cited as controlling precedent in this or any other jurisdiction.

DISCUSSION

The question which must be answered in assessing the settlement embodied in the filed Joint Petition is this: Is its adoption in the public interest? For the reasons set forth below, I conclude that it is and recommend that the Joint Petition be given the Commission's approval, without modification.

Negotiated agreements, such as the Joint Petition, give something to everyone but less than everything to any one party. As a consequence of this truism, negotiated agreements must be evaluated as a whole.

The factors leading me to conclude that the Joint Petition should be approved without modification are numerous.

Pike provides natural gas distribution service directly to approximately 1,200 customers in Pike County, Pennsylvania. Under the terms of the Joint Petition, Pike will be permitted to establish rates which are designed to produce an increase in annual base rate operating revenue of approximately \$260,000 to a revenue level of approximately \$2,215,100, representing an increase of 13.3%. In its original rate filing, Pike sought additional revenues of \$424,900 or an increase of 21.4%. The Joint Petition settlement presents a 37% reduction from the additional revenues originally sought by Pike.

Pike initially proposed to increase residential rates by \$380,834. Under the terms of the Joint Petition, residential customers will pay an increase of \$225,000 in base rates, thus sharing in the lowered revenue requirement agreed to by the parties. Under the terms of the Joint Petition, the monthly bill of a typical residential customer using 100 Ccf per month will increase

from \$143.23 to \$163.07, or by approximately 13.8%, rather than the 23.1% originally requested by Pike. This is a reasonable increase in light of the fact that it is the first increase in rates that Pike has requested since 1993.

The rates proposed under the Joint Petition will go into effect no sooner than April 16, 2009. Pike customers will not experience a rate increase sooner than anticipated under a fully litigated process for setting Pike's electric distribution rates. Additionally, unless certain specified contingencies occur, Pike will not seek another base rate increase prior to April 16, 2010. The agreed-upon "stay-out" contributes significantly to rate stability for Pike's customers.

The Joint Petitioners have agreed to Customer Charges that are lower than those proposed by Pike in its original filing. For Service Classification No. 1 (SC-1, residential), the Customer Charge will be set at \$6.00 and for Service Classification No. 2 (SC-2, commercial) the charge will be \$9.00. Pike had proposed a Customer Charge of \$6.29 for SC-1 and \$9.43 for SC-2.

Under the terms of the Joint Petition, commercial customers in the SC-2 rate classification will experience no increase in distribution rates. This provision of the settlement was agreed-upon by the Joint Petitioners in order to bring the commercial class closer in line with their cost of service in accordance with recent Commission and Court decisions.

The Joint Petitioners agreed to establish a \$27 reconnection charge in Pike's tariff. Also, a late payment charge equal to 1.5% of the overdue balance will be imposed for customers who do not pay their bills on time. These charges are necessary to cover administrative costs associated with terminations, reconnections and overdue bills and are intended to insulate responsible ratepayers from additional costs.

Pike has also agreed to make changes with regard to its Cost of Service study in future rate filings. In the future, Pike will submit a COS study that features matching the dates

used in the study and the historic accounting test year. This addresses a concern raised by some of the parties in this proceeding that the time periods were different in this case and caused some difficulty in terms of reconciliation of numbers. Also, Pike will provide a COS study that reflects the proposed rate level for illustrative purposes. These changes to future filings will make it easier for the other parties and the Commission to review the proposed rate changes and the underlying justifications for the changes.

Other positive settlement terms include a provision to amortize over 10 years deferred expenses for Other Post Employee Benefits (OPEBs) and to reduce Pike's rate case expense claim by 50% and amortize the expense over 5 years. These provisions are intended to result in lower rates for customers in the long run.

In addition to a one-time rate increase proposal, Pike's original filing offered two alternative proposals which involved rate increases in each of three successive years. The OSBA opposed the multiple-year rate increase proposals on the grounds that they would be inconsistent with Section 1308(d.1) of the Code. The OSBA also opposed the multiple-year proposals because they would be inconsistent with the Commission's practice of setting rates on the basis of a single future test year and would also constitute single-issue and retroactive ratemaking. The terms of the settlement contained in the Joint Petition provides Pike with only a one-time rate increase rather than either of the multiple-year increases requested by Pike.

Another favorable aspect of the settlement contained in the Joint Petition is that resolution of this case by settlement rather than litigation will avoid the substantial time and expense involved in continuing to formally pursue all issues in this proceeding. The costs of a formal Hearing, the writing of two rounds of Briefs, and the possible writing of Exceptions and Reply Exceptions are all avoided. All of these costs, if incurred by Pike, would have ultimately been paid the customers.

Finally, approval of the Joint Petition is in the public interest because the agreed-upon rate and revenue levels provide for the necessary additional funds to meet Pike's obligations under the Code to provide safe, adequate and reliable service.

For all of the foregoing reasons, I find that the settlement embodied in the Joint Petition is both just and reasonable and its approval would be in the public interest. I recommend that the Commission approve the Joint Petition, as submitted.

As to the non-settling party, Mr. Krisanda, he was provided a copy of the Joint Petition and offered an opportunity to comment or object to its terms and demonstrate why the case should be litigated rather than settled. Mr. Krisanda chose not to respond. Inasmuch as his due process rights have been fully protected, his formal Complaint can be dismissed for lack of prosecution. See, *Schneider v. Pa. Public Utility Comm'n*, 83 Pa.Cmwlth. 306, 479 A.2d 10 (1984) (Commission is required to provide due process to the parties, when parties are afforded notice and an opportunity to be heard Commission requirement to provide due process is satisfied).

Therefore, I further recommend that the Commission's investigation at Docket Number R-2008-2046520 be marked closed at this time and the associated Complaint filed by Gregory Krisanda be dismissed for failure to prosecute. The associated Complaints filed by William R. Lloyd, Jr., Small Business Advocate, and Irwin A. Popowsky, Consumer Advocate, are sustained in part and dismissed in part, consistent with this Recommended Decision.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the subject matter of, and the parties to, this proceeding.
2. The settlement terms contained in the Joint Petition submitted by Pike, OTS, OSBA and OCA are in the public interest.

3. The Joint Petition submitted by Pike, OTS, OSBA and OCA should be approved as submitted, without modification.

4. The formal Complaint filed by Gregory Krisanda is dismissed for failure to prosecute.

5. The formal Complaints filed by William R. Lloyd, Jr., Small Business Advocate, and Irwin A. Popowsky, Consumer Advocate, are sustained in part and dismissed in part, consistent with this Recommended Decision.

ORDER

THEREFORE,

IT IS RECOMMENDED:

1. That Pike County Light & Power Company shall not place into effect the rates, rules, and regulations contained in Supplement No. 82 to Tariff Gas - Pa. P.U.C. No. 6, the same having been found to be unjust, unreasonable, and therefore, unlawful.

2. That the terms and conditions contained in the Joint Petition For Settlement Of Rate Investigation filed January 15, 2009, by Pike County Light & Power Company, the Office of Trial Staff, the Office of Small Business Advocate and the Office of Consumer Advocate in Docket No. R-2008-2046520 be, and the same hereby is, approved.

3. That Pike County Light & Power Company submit a tariff or tariff supplement designed to produce an increase in annual revenues of \$260,000.

4. That Pike County Light & Power Company file a tariff or tariff supplement in substantially the same form as that attached as Appendix A to the Joint Petition For Settlement Of Rate Investigation, reflecting rates, rules, and regulations to become effective upon one day's notice for service rendered on or after April 16, 2009, upon entry of the Commission Order approving the recommendation to adopt the Joint Petition For Settlement Of Rate Investigation.

5. That Pike County Light & Power Company will not file a tariff or tariff supplement proposing an increase in base rates that would constitute a general rate increase under Section 1308(d) of the Public Utility Code, 66 Pa.C.S.A. § 308(d), prior to April 16, 2010, unless a legislative body or administrative agency, including the Pennsylvania Public Utility Commission, orders or enacts fundamental changes in policy, regulation or statutes which directly and substantially affect Pike's rates. Nothing contained herein shall prohibit Pike County Light & Power Company from filing for a change in rates under Sections 1308(a) and (b) of the Public Utility Code, 66 Pa.C.S.A. § 1308(a) and (b) before April 16, 2010, to the extent necessitated by such legislative body or administrative agency action. Nothing contained herein shall limit Pike County Light & Power Company's rights under Section 1308(e) of the Public Utility Code, 66 Pa.C.S.A. § 1308(e).

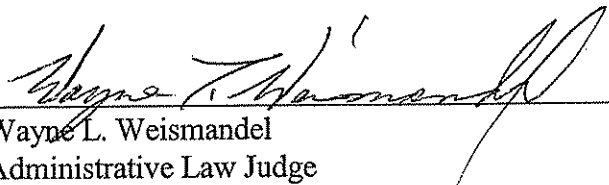
6. That the (a) Direct and Rebuttal testimony of Pike County Light & Power Company's Accounting Panel, the Direct and Rebuttal Testimony of Pike County Light & Power Company's Rate Panel, the Direct and Rebuttal Testimony of Richard DiLoreto and the Direct Testimony of Charles D. Hutcheson and Roger A. Morin, PhD; (b) the Office of Small Business Advocate's Statements Nos. 1, 2 and 3, the Direct, Rebuttal and Surrebuttal Testimony of Robert D. Knecht; (c) the Office of Trial Staff's Statements 1, 2, 2-SR, 3, 3-SR, 4 and 4-SR, the Direct and Surrebuttal Testimony of Office of Trial Staff witnesses Robert Plonski, Debra Backer, Gary L. Yocca and Joseph Kubas, respectively; and (d) the Office of Consumer Advocate's Statements 1, 1S, 2, 3, 3R and 3S, the Direct, Rebuttal and Surrebuttal Testimony of David J. Effron, David C. Parcell and Glen A. Watkins, respectively, are admitted into evidence.

7. That the formal Complaint filed by Gregory Krisanda, Docket Number C-2008-2059428, is dismissed for failure to prosecute.

8. That the formal Complaints of William R. Lloyd, Jr., Small Business Advocate, Docket Number C-2008-2059680, and of Irwin A. Popowsky, Consumer Advocate, Docket Number C-2008-2059605, are sustained in part and dismissed in part, consistent with this Opinion and Order.

10. That the Pennsylvania Public Utility Commission's inquiry and investigation in Docket Number R-2008-2046520 is terminated and the record closed.

Date: January 28, 2009



Wayne L. Weismandel
Administrative Law Judge

ATTACHMENT

**BEFORE THE PENNSYLVANIA
PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission

v.

Docket No. R-2008-2046520
(Gas Rate Case)

Pike County Light & Power Company

**JOINT PETITION FOR SETTLEMENT
OF RATE INVESTIGATION**

Pike County Light & Power Company ("Pike" or "Company"), the Office of Trial Staff ("OTS"), the Office of Consumer Advocate ("OCA"), and the Office of Small Business Advocate ("OSBA"), collectively referred to as "Joint Petitioners", respectfully request: (a) that Administrative Law Judge Wayne L. Weisman del recommend approval of this Joint Petition for Settlement ("Petition for Settlement") as set forth herein; (b) that Administrative Law Judge Wayne L. Weisman del admit into evidence the testimony and exhibits identified herein; (c) that the Pennsylvania Public Utility Commission ("Commission") approve and adopt this Petition for Settlement as set forth herein; and (d) that the Commission permit Pike to file tariff supplements attached hereto at **Appendix A** effective on one day's notice for service rendered on and after the Effective Date as set forth in this Petition for Settlement. In support of this Petition for Settlement, the Joint Petitioners set forth the following:

I. FACTUAL AND PROCEDURAL BACKGROUND

1. On July 18, 2008, Pike filed with the Commission Supplement No. 82 to Tariff Gas – PA P.U.C. No. 6 to become effective September 16, 2008. Supplement No. 82 to Tariff Gas – PA P.U.C. No. 6 contains proposed changes in Pike's rates, rules, and regulations and sets forth a request to adjust current natural gas rates in order to produce additional revenues of approximately \$425,000 per year, an increase of approximately 21.4 % in overall natural gas revenues based on the twelve months ending March 31, 2009.

2. On August 14, 2008, OSBA filed a Notice of Appearance and a Formal Complaint against the proposed rate change. On August 19, 2008, OCA filed a Notice of Appearance and a Formal Complaint against the proposed rate adjustment. On August 19, 2008, OTS filed a Notice of Appearance. On August 27, 2008, Gregory and Laurie Krisanda (jointly, "Krisanda") filed a Formal Complaint against the filing at Docket No. C-2008-2059428. Pike has filed Answers to the Formal Complaints of OSBA, OCA and Krisanda and denied the substantive allegations contained therein.

3. On September 11, 2008, the Commission issued an Order suspending the effective date of the proposed tariff until April 16, 2009 and instituted an investigation into the rate filing.

4. Administrative Law Judge Wayne L. Weismandel ("ALJ") was assigned to the instant matter and presided over an Initial Pre-Hearing Conference on October 7, 2008.

5. On September 17, 2008, the ALJ issued a Prehearing Order setting forth the litigation schedule for the proceeding, including dates for submission of testimony and evidentiary hearings in Harrisburg.

6. During the course of this proceeding, OTS, OCA, and OSBA propounded and Pike responded to more than 150 interrogatories and discovery requests. In addition, the Company has made its witnesses available to the parties to answer specific questions. The parties used discovery extensively to investigate Pike's filing and to prepare their respective positions on the rate change request.

7. In addition, the parties have filed testimony in this proceeding. The Company filed the Direct Testimony of the following witnesses on July 18, 2008 together with its rate filing:

- a. Accounting Panel – Kenneth A. Kosior, Richard A. Kane and Stephen D. Prager;
- b. Gas Rate Panel – William Atzl, Yan Flishenbaum, and Cheryl Ruggiero;
- c. Roger A. Morin, PhD;
- d. Richard S. DiLoreto; and
- e. Charles D. Hutcheson.

8. The Company filed Rebuttal Testimony from the Accounting and Rate Panels, and Richard DiLoreto on November 14, 2008.

9. The OSBA filed the Direct, Rebuttal and Surrebuttal Testimony of Robert D. Knecht on October 31, 2008, November 14, 2008 and December 4, 2008, respectively.

10. OTS filed the Direct Testimony of Robert Plonski, Debra Backer, Gary L. Yocca, and Joseph Kubas on October 31, 2008, and the Surrebuttal Testimony of Debra Baker and Gary L. Yocca, and Joseph Kubas on December 4, 2008.

11. The OCA filed the Direct Testimony of David C. Parcell, and Glenn A. Watkins on October 31, 2008 and David J. Effron on November 5, 2008, and the Rebuttal Testimony of

Glenn Watkins on November 14, 2008, and the Surrebuttal Testimony of David J. Effron and Glenn A. Watkins on December 4, 2008.

12. Following the filing of testimony and before the commencement of evidentiary hearings in this matter, Joint Petitioners met and engaged in settlement negotiations resulting in this Petition for Settlement. Joint Petitioners have been able to agree to a proposed revenue increase and a rate design to recover the agreed-upon increase and a number of other settlement terms that effectively resolve all the issues raised by the participants in this proceeding.

13. Although Joint Petitioners have not agreed upon specific adjustments reflective of their respective positions (except as set forth below), they join in and request approval of this Petition for Settlement. Joint Petitioners are in full agreement that Commission approval of this Petition for Settlement would result in rates that are just and reasonable and would otherwise be in the public interest and in the best interests of Pike's customers.

II. TERMS AND CONDITIONS OF SETTLEMENT

14. Under the terms of the settlement, Pike will be permitted to establish rates which will produce an overall increase in annual operating revenues of approximately \$260,000.

15. These rates, as determined in accordance with the attached proof of revenues (**Appendix B**) and tariff supplement, will be effective on one day's notice for service rendered no sooner than April 16, 2009.

16. In sum, the increase in overall revenues by class from present rates as proposed in this Petition for Settlement is as follows:

Customer Class	Present Revenues	Revenues per Settlement	Revenue Increase	Percent Increase
SC-1 (Residential)	1,627,900	1,853,400	225,500	13.9%
SC-2 (Commercial)	<u>327,200</u>	<u>361,800</u>	<u>34,500</u>	10.5%
TOTAL	1,955,100	2,215,100	260,000	13.3%

17. In addition to, and in consideration of, the agreed-upon overall increase in operating revenues, Joint Petitioners agree to various terms and conditions set forth as follows:

- a. *Effective Date and Stay-Out* -- The rates reflecting the increase set forth above will become effective no sooner than April 16, 2009. Pike agrees that it will not file for a new general base rate increase prior to April 16, 2010. However, if a legislative body or administrative agency, including the Commission, orders or enacts fundamental changes in policy, regulation or statutes which directly and substantially affect Pike's rates, Pike may file for a change in rates under Sections 1308(a) and (b) (governing general rate relief) before the expiration of the stay-out period and this Settlement shall not prevent the Company from filing tariff supplements to the extent necessitated by such action. Nothing in this paragraph is intended to limit Pike's rights under Section 1308(e) (governing extraordinary rate relief).
- b. *Rate Structure/Rate Design* -- Joint Petitioners agree to the distribution of revenue among customer classes in this Petition for Settlement as set forth in the attached Proof of Revenues at **Appendix B**. In addition, the

Customer Charges will be set at \$6.00 for Service Classification No.1 (SC-1) and \$9.00 for Service Classification No. 2 (SC-2).

- c. *Future Rate Filings* – The Company agrees that in its next base rate filing it will base its Embedded Cost of Service (“ECOS”) study on the same time period as the historic accounting test year. The Company also agrees to provide a revised ECOS study for illustrative purposes reflecting the proposed rate level. However, this revised study will not include projections of future year costs and usage. Finally, the Company agrees that it will address in its ECOS in its next base rate filing the other criticisms of its ECOS raised by the OSBA and the other parties in this proceeding, *i.e.*, the Company will either incorporate in its ECOS in its next base rate filing the changes recommended by the OSBA and the other parties in this proceeding or the Company will explain in its filing why it has declined to incorporate those changes.
- d. *Service Charges* – The Joint Petitioners agree that a reconnection charge of \$27 shall be established in Rules and Regulations Section 15, Restoration of Service, of the Company’s gas tariff. The Joint Petitioners also agree that the Company may impose a late payment charge on any bill not paid within five days of the due date at the rate of one and one-half percent (1.5%) per month on the overdue balance of the bill.
- e. *OPEB Expense* – Deferred expenses for Other Post Employee Benefits (“OPEB”) will be amortized over 10 years.

- f. *Rate Case Expense* – The revenue requirement reflects an allowance for rate case expense that is 50% of the Company's claim and a normalization of the rate case expense over five years.

18. The design and structure of rates for Pike customers under this Petition for Settlement are developed based upon the customer and usage charges contained within the tariff supplement set forth in **Appendix A**. Joint Petitioners agree that rates and charges set forth in **Appendix A** are just and reasonable and are in the public interest. Joint Petitioners agree to undertake best efforts to obtain approval of this Petition for Settlement in time for rates to become effective April 16, 2009.

19. The Joint Petitioners request that Pike's original filing, including all exhibits, testimony and supporting data, be admitted into the record as originally filed with the Secretary of the Commission. 52 Pa. Code §§ 53.52, 53.53. In addition, the Joint Petitioners request the admission of: (a) Direct and Rebuttal testimony of Pike's Accounting Panel, the Direct and Rebuttal Testimony of Pike's Rate Panel, the Direct and Rebuttal Testimony of Richard DiLoreto and the Direct Testimony of Charles D. Hutcheson and Roger A. Morin, PhD; (b) OSBA Statements Nos. 1, 2 and 3, the Direct, Rebuttal and Surrebuttal Testimony of Robert D. Knecht; (c) OTS Statements 1, 2, 2-SR, 3, 3-SR, 4 and 4-SR, the Direct and Surrebuttal Testimony of OTS witnesses Robert Plonski, Debra Backer, Gary L. Yocca and Joseph Kubas, respectively; (d) OCA Statements 1, 1S, 2, 3, 3R and 3S, the Direct, Rebuttal and Surrebuttal Testimony of David J. Effron, David C. Parcell and Glen A. Watkins, respectively.

20. Joint Petitioners agree that adoption and approval of this Petition for Settlement by the ALJ and the Commission is in the public interest. Under this Petition for Settlement, the monthly bill of a typical residential customer using 100 Cef per month will increase from \$

143.23 to \$ 163.07, or by approximately 13.8%, rather than the 23.1% originally requested by the Company.

21. This Petition for Settlement provides for a sound and reasonable revenue requirement and appropriately balances the interests and concerns of Pike, the OTS, OCA, and OSBA. In addition, adoption and approval of this Petition for Settlement will avoid the need for the evidentiary hearings and the cross-examination of witnesses, for briefing, and for continued litigation of this proceeding, thereby eliminating substantial costs.¹

22. This Petition for Settlement arises from extensive discovery, testimony and discussions and reflects compromises by all sides. It is being proposed to settle the instant case. Accordingly, this Petition for Settlement is made without any admission against, or prejudice to, any positions which any Joint Petitioner might adopt during any subsequent litigation of this proceeding (should this Petition for Settlement be rejected or modified), or in any other proceeding.

23. If the Commission withholds approval of this Petition for Settlement as to any of the terms and conditions, or alters any of the terms and conditions, any Joint Petitioner may withdraw from this settlement upon written notice of its intent to the Commission and the remaining parties within three business days of the date of the Commission's Order and may resume with the litigation of this proceeding within ten days of the entry of the Order making any such modifications.

¹ It should be noted that the majority of witnesses in this proceeding would be required to come to Harrisburg from out-of-town for hearings and that settlement of this matter eliminates significant costs for travel.

24. Joint Petitioners agree that this Petition for Settlement shall be considered to have the same effect as full litigation of the instant proceeding resulting in the establishment of rates that are Commission-made rates.

25. In the event that the Commission does not approve this Petition for Settlement, the signatory parties reserve their respective rights to resume litigation. If the ALJ, in his Recommended Decision, recommends that the Commission adopt this Petition for Settlement as herein proposed, Joint Petitioners agree to waive the filing of Exceptions. However, Joint Petitioners do not waive their rights to file Exceptions with respect to any additional matters dealt with, or any modifications to the terms and conditions of this Petition for Settlement recommended by, the ALJ in his Recommended Decision.

26. Joint Petitioners recognize that this Petition for Settlement does not bind formal complainants who have not joined herein. It should be noted that the Krisanda Complainants, the only other parties participating in this proceeding, have been or will be given the opportunity to sign on to this Petition for Settlement or offer their comments on this Petition for Settlement. The Krisanda Complaint was docketed by the Commission under Docket No. C-2008-2059428. The Joint Petitioners are not aware of any other formal complainants in this matter.

27. Pike, OTS, OCA, and OSBA have attached to this Petition for Settlement, as **Appendices "C", "D", "E", and "F"**, respectively, Statements in Support setting forth the bases upon which they believe the Settlement is fair, just and reasonable and is, therefore, in the public interest.

28. The Joint Petitioners agree that this Settlement shall not constitute or be cited as controlling precedent in this or any other jurisdiction.

WHEREFORE, Joint Petitioners, by their respective counsel, respectfully request as follows:

1. That Administrative Law Judge Wayne L. Weismandel and the Commission approve this Petition for Settlement inclusive of its terms and conditions without modification;
2. That the Commission permit Pike County Light & Power Company to file a tariff supplement (**Appendix A**) on one day's notice, so as to increase total revenues of Pike by approximately \$260,000, to a level of approximately \$2,215,100 or by 13.3 % beginning no sooner than for service rendered on and after April 16, 2009; and,
3. That the testimony and exhibits identified herein be admitted into the record.
4. That the Commission terminate and mark closed its inquiry and investigation at Docket No. R-2008-2046520, including all complaint dockets associated therewith.

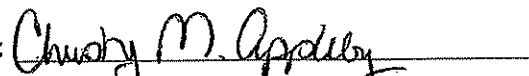
Respectfully submitted,

**PIKE COUNTY LIGHT & POWER
COMPANY**

By: 

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Harrisburg, PA 17101

DATED: January 15, 2009

BEFORE THE PENNSYLVANIA
PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission

v.

Pike County Light & Power Company

Docket No.: R-2008-2046520
2008 Gas Base Rate Case

CERTIFICATE OF SERVICE

I hereby certify that the Joint Petition for Settlement of Rate Investigation has been served on the persons listed below in accordance with the requirements of Section 1.54 of the Commission's regulations, 52 Pa. Code § 1.54 (relating to service by a party):

VIA E-MAIL and FIRST CLASS MAIL

Honorable Wayne L. Weismandel
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
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VIA FEDERAL EXPRESS

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Matamoras, PA 18336
gkris2003@yahoo.com

Respectfully submitted,


John Gallagher
Counsel for Petitioner

Date: January 15, 2009

APPENDIX "A"

SUPPLEMENT NO. ___ TO
GAS - PA. P.U.C. NO. 6

PIKE COUNTY LIGHT & POWER COMPANY

74th REVISED LEAF NO. 2
SUPERSEDING 72nd REVISED LEAF NO. 2
73rd REVISED LEAF NO. 2 CANCELED

2. CHANGES MADE BY THIS SUPPLEMENT

In compliance with Order of Pa. P.U.C. entered _____, 2009 at Docket No. R-2008-2046520, Supplement No. ___ has been filed to cancel Supplement Nos. 82 and 83 and to reflect the following:

- (1) increased Service Charges and Commodity Charges for Service Classifications Nos. 1 and 2;
- (2) a roll in of State Tax Adjustment Surcharge into base rates;
- (3) a revised reconnection charge; and
- (4) the implementation of a late payment charge.

ISSUED:

EFFECTIVE:

ISSUED BY: John D. McMahon
President
Milford, Pennsylvania

PIKE COUNTY LIGHT & POWER COMPANY

SUPPLEMENT NO. ___ TO
GAS - PA. P.U.C. NO. 6

74th REVISED LEAF NO. 3
SUPERSEDING 72nd REVISED LEAF NO. 3
73rd REVISED LEAF NO. 3 CANCELED

3. TABLE OF CONTENTS

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2. Changes Made by This Tariff	2 74th Revised
3. Table of Contents	3 74th Revised, 4 15th Revised 4A 68th Revised
4. Territory to which Tariff Applies	5 2nd Revised
5. Abbreviations and Definitions	5 2nd Revised
5.1 Abbreviations	5 2nd Revised, 6 1st Revised,
5.2 Definitions	7, 8 2nd Revised
 RULES & REGULATIONS	
6. How to Obtain Service	
6.1 Applications	9 2nd Revised
6.2 Permits	9 2nd Revised
6.3 Temporary Service	9A 1st Revised
6.4 Main Extensions	9A 1st Revised, 9B Original
6.5 Cash Deposits for Non-Residential Customers	10 2nd Revised
6.6 Credit and Deposit Procedures for Applicants and Residential Customers	10 A 2nd Revised, 10B, 10C 1st Revised
6.7 Taxes on Contributions in Aid of Construction and Customer Advances Reserved for Future Use	10C 1st Revised 10D, 10E, 10F, 10G, 10H, 10I, 10J 1st Revised
7. Service Connections	
7.1 Location	11 Original
7.2 Services Installed by Company	11 Original
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8. Piping and Equipment	
8.1 Piping, Apparatus and Inspection	12 1st Revised
8.2 Increased Capacity	12 1st Revised

(Continued)

ISSUED:

EFFECTIVE:

ISSUED BY: John D. McMahon
President
Milford, Pennsylvania

PIKE COUNTY LIGHT & POWER COMPANY

SUPPLEMENT NO. ___ TO
GAS - PA. P.U.C. NO. 6

15th REVISED LEAF NO. 4
SUPERSEDING 13th REVISED LEAF NO. 4
14th REVISED LEAF NO. 4 CANCELED

3. TABLE OF CONTENTS (Continued)

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9.1 Access to Customer's Premises	13 2nd Revised
9.2 Identification of Employees	13 2nd Revised
9.3 Meters	13 2nd Revised
9.4 Meter Reading	13 2nd Revised
9.5 Rendering of Bills	14 3rd Revised
9.6 Late Payment Charge	14 3rd Revised
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10.1 Residential	15 1st Revised
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11.1 Company Liability	22 Original
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12. Termination of Service	
12.1 Termination of Service for Non-Residential Customers	24 1st Revised
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12.3 Notice Procedures - Termination for Residential Customers	27, 28 1st Revised 29 2nd Revised
12.4 Notice Procedures After Dispute Filed for Residential Customers	29 2nd Revised
12.5 Emergency Provisions for Residential Customers	29A 1st Revised, 30 2nd Revised
12.6 Termination at Any Premises Other than the Residential Customer's Residence	31, 32 1st Revised
12.7 Third Party Notification for Residential Customers	33 1st Revised
Reserved for Future Use	34, 35, 36 1st Revised

(Continued)

ISSUED:

EFFECTIVE:

ISSUED BY: John D. McMahon
President
Milford, Pennsylvania

SUPPLEMENT NO. TO
GAS - PA. P.U.C. NO. 6

PIKE COUNTY LIGHT & POWER COMPANY

68th REVISED LEAF NO. 4A
SUPERSEDING 66th REVISED LEAF NO. 4A
67th REVISED LEAF NO. 4A CANCELED

3. TABLE OF CONTENTS (Continued)

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	14.2 Discontinuance of Service	38, 39 1st Revised
15.	Restoration of Service	
	15.1 Restoration of Service	40, 40A 3rd Revised
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16.	Disputes; Termination Disputes; Informal and Formal Complaints for Residential Customers	
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SERVICE CLASSIFICATIONS		
1.	Residential and Residential Space Heating Service	45 39th Revised 45A 3rd Revised
2.	General Service and Non-Residential Space Heating Service	46 38th Revised 46A 3rd Revised

ISSUED:

EFFECTIVE:

ISSUED BY: John D. McMahon
President
Milford, Pennsylvania

SUPPLEMENT NO. TO
GAS - PA. P.U.C. NO. 6

PIKE COUNTY LIGHT & POWER COMPANY

3rd REVISED LEAF NO. 14
SUPERSEDING 1st REVISED LEAF NO. 14
2nd REVISED LEAF NO. 14 CANCELED

RULES AND REGULATIONS

9. METERING AND BILLING (Continued)

9.5 RENDERING OF BILLS

Rates and Charges are stated on a monthly basis as set forth in the Service Classifications. For billing purposes, a monthly period will be considered as 26 - 35 days. In determining the charges for billing periods other than a monthly period, the monthly rates, as stated in the Service Classification, are prorated on the basis of thirtieths of a month.

Bills for service will be rendered monthly. Bills for residential service for any month in which no meter reading is taken are rendered on an estimated basis. When the Company is unable to obtain meter readings on regular reading dates, bills are rendered (1) on readings by Customers if said readings are received on or before the date shown on the meter indexing card, or (2) on estimated readings. Amounts billed on the basis of such estimates are subject to adjustment in accordance with the next meter readings obtained by the Company.

In case any meter for any reason fails to register the full use of service by the Customer for any period of time, the usage of service by the Customer for the period may be estimated by the Company on the basis of available data, and the Customer billed accordingly.

9.6 LATE PAYMENT CHARGE

(C)

The Company may impose late payment charges on any bill not paid within five days of the due date at the rate of one and one-half percent (1.5%) per month on the overdue balance of the bill. The interest rate, when annualized, will not exceed 18% simple interest per annum.

9.7 CHANGE OF RATE

(C)

Service Classifications and Rules and Regulations under which Customers are served are subject to such changes as may be lawfully made. Customers taking service under a rate schedule so revised shall thereafter take and pay for service in accordance with the provisions of the revised or superseding schedule so established.

(C) Indicates Change

(Continued)

ISSUED:

EFFECTIVE:

ISSUED BY: John D. McMahon
President
Milford, Pennsylvania

SUPPLEMENT NO. TO
GAS - PA. P.U.C. NO. 6

PIKE COUNTY LIGHT & POWER COMPANY

5th REVISED LEAF NO. 14A
SUPERSEDING 3rd REVISED LEAF NO. 14A
4th REVISED LEAF NO. 14A CANCELED

RULES AND REGULATIONS

9. METERING AND BILLING (Continued)

9.8 BUDGET BILLING

(C)

- (1) All residential and non-residential customers, unless otherwise prohibited, may elect to pay for service taken in accordance with the following provisions:
 - a. The customer will make equal monthly payments during the Budget.
 - b. If at the end of the Budget Year, the amount paid by the customer is less than the amount due for actual service rendered:
 - (i) the balance due for residential customers, customers who are a condominium association, cooperative housing corporation, and master metered gas heated multifamily dwelling units during the time that such units are either owned by the Federal Department of Housing and Urban Development or subject to a first mortgage held or guaranteed by that agency shall be billed to and payable by the customer during the next six monthly billing periods; or
 - (ii) the balance due for all other customers will be billed in the month ending the budget year and shall be payable by the customer in full at that time.
 - c. If at the end of the Budget Year, the amount paid by the customer is greater than the amount due for actual service rendered, the Company shall apply a credit to the customer's account equal to the amount overpaid or, at the customer's request, shall refund an amount equal to the overpayment.
- (2) The Budget Year will be the twelve-month period beginning with the billing month the customer initially enrolls in budget billing.

(C) Indicates Change

(Continued)

ISSUED:

EFFECTIVE:

ISSUED BY: John D. McMahon
President
Milford, Pennsylvania

SUPPLEMENT NO. ___ TO
GAS - PA. P.U.C. NO. 6

PIKE COUNTY LIGHT & POWER COMPANY

4th REVISED LEAF NO. 14B
SUPERSEDING 2nd REVISED LEAF NO. 14B
3rd REVISED LEAF NO. 14B CANCELED

RULES AND REGULATIONS

9. METERING AND BILLING (Continued)

9.8 BUDGET BILLING (Continued)

(C)

- (3) The monthly budget payment will normally be adjusted at the end of the Budget Year to reflect any changes in the Company's charges or the customer's usage during the Budget Year. The Company may also adjust the monthly budget payment during the Budget Year should conditions warrant a change.
- (4) When a customer elects budget billing for both gas and electric service, the monthly budget payment will be based on the combined cost of providing gas and electric service.
- (5) Should a customer fail to make a monthly budget payment when due, the Company shall have the right to cancel the budget billing plan. Upon cancellation any overpayment will be credited to the customer's account and any deficiency shall be due and payable.

(C) Indicates Change

ISSUED:

EFFECTIVE:

ISSUED BY: John D. McMahon
President
Milford, Pennsylvania

PIKE COUNTY LIGHT & POWER COMPANY

3rd REVISED LEAF NO. 40
SUPERSEDING 1st REVISED LEAF NO. 40
2nd REVISED LEAF NO. 40 CANCELED

RULES AND REGULATIONS

15. RESTORATION OF SERVICE

15.1 RESTORATION OF SERVICE

(C)

(A) Requirements for Residential Reconnection

When service to a dwelling has been terminated, the Company shall inform the applicant or residential customer where payment can be made to restore service and shall reconnect service after receiving:

- (1) Full payment of any outstanding charges plus a reconnection fee of \$27.00 if the residential customer or applicant has a household income exceeding 300 percent of the Federal Poverty Level or has defaulted on 2 or more payment agreements. If an applicant or residential customer with household income exceeding 300 percent of the Federal Poverty Level experiences a life event the residential customer or applicant shall be permitted a period of not more than 3 months to pay the outstanding balance required for reconnection. For purposes of this paragraph, a life event is a job loss that extended beyond 9 months, a serious illness that extended beyond nine months, or death of the primary wage earner; or
- (2) Full payment over 12 months of any outstanding charges plus a reconnection fee of \$27.00 if the residential customer or applicant has a household income exceeding 150 percent of the Federal Poverty Level but not greater than 300 percent of the Federal Poverty Level; or
- (3) Full payment over 24 months of any outstanding charges plus a reconnection fee of \$27.00 if the residential customer or applicant has a household income not exceeding 150 percent of the Federal Poverty Level; or
- (4) Payment of any outstanding balance or payment of a portion of the outstanding balance if the applicant resided at the premises for which service is being requested during the time that the outstanding balance accrued. The Company may establish that the applicant resided at the premises for which service is requested through the use of mortgage, deed, or lease information or a commercially available credit reporting service or by other methods approved by the Commission.

(B) Requirements for Non-Residential Reconnection

When service to a non-residential building has been terminated, the Company shall inform the applicant where payment can be made to restore service and shall reconnect service after receiving full payment of any outstanding charges plus a reconnection fee of \$27.00.

(C) Indicates Change

(Continued)

ISSUED:

EFFECTIVE:

ISSUED BY: John D. McMahon
President
Milford, Pennsylvania

PIKE COUNTY LIGHT & POWER COMPANY

SUPPLEMENT NO. TO
GAS - PA. P.U.C. NO. 6

3rd REVISED LEAF NO. 40A
SUPERSEDING 1st REVISED LEAF NO. 40A
2nd REVISED LEAF NO. 40A CANCELED

RULES AND REGULATIONS

15. RESTORATION OF SERVICE (Continued)

15.1 RESTORATION OF SERVICE (Continued) (C)

(C) Timing of Reconnection

The Company shall restore service provided that the applicant has met all conditions for the restoration of service, as follows:

- (1) Within 24 hours for erroneous terminations or upon receipt by the Company of a valid medical certification,
- (2) Within 24 hours for termination occurring after November 30 and before April 1,
- (3) Within three days for erroneous terminations requiring street or sidewalk digging,
- (4) Within three days from April 1 to November 30 for proper terminations,
- (5) Within seven days for proper terminations requiring street or sidewalk digging.

15.2 PERSONNEL AVAILABLE TO RESTORE SERVICE

The Company shall have adequate personnel available between 9 a.m. and 5 p.m. on each working day, or for a commensurate period of eight consecutive hours, to restore service when required under this Section.

(C) Indicates Change

ISSUED:

EFFECTIVE:

ISSUED BY: John D. McMahon
President
Milford, Pennsylvania

SUPPLEMENT NO. TO
GAS - PA. P.U.C. NO. 6

PIKE COUNTY LIGHT & POWER COMPANY

23rd REVISED LEAF NO. 44C
SUPERSEDING 21st REVISED LEAF NO. 44C
22nd REVISED LEAF NO. 44C CANCELED

STATE TAX ADJUSTMENT SURCHARGE

In addition to the charges provided in this tariff, except for charges or credits applied under the Gas Cost Rate, the Take or Pay Surcharge, and/or the Income Tax Adjustment, an adjustment of 0.00% will be applied for all service rendered on and after the effective date of this leaf. (I)

The State Tax Adjustment Surcharge will be recomputed using the elements prescribed by the Commission whenever the Company experiences a material change in any of the taxes used in calculation of the surcharge. Such recalculation will be submitted to the Commission within 10 days after the occurrence of the event which occasions such recomputation. If the recomputed surcharge is less than the one in effect the utility will, or if the recomputed surcharge is more than the one in effect the utility may, submit with such recomputation a tariff or supplement to reflect such recomputed surcharge. The effective date of such tariff or supplement shall be ten days after filing. Any charges or credits in the surcharge shall be rolled into base rates in the Company's next base rate proceeding.

(I) Indicates Increase

ISSUED:

EFFECTIVE:

ISSUED BY: John D. McMahon
President
Milford, Pennsylvania

PIKE COUNTY LIGHT & POWER COMPANY

39th REVISED LEAF NO. 45
SUPERSEDING 37th REVISED LEAF NO. 45
38th REVISED LEAF NO. 45 CANCELED

SERVICE CLASSIFICATION NO. 1

APPLICABLE TO USE OF SERVICE FOR:

Residential Service and Residential Space Heating Service

RATE - FIVE PART - MONTHLY:

- (1) Service Charge \$ 6.00 (I)
- (2) Commodity Charge
All Ccf @ 142.30¢ per Ccf (I)
- (3) Gas Cost Rate
All sales made hereunder shall be subject to the Gas Cost Rate as explained in Rider A of this tariff.
- (4) Take-or-Pay Recovery Surcharge
All sales made hereunder shall be subject to the Take-or-Pay Recovery Surcharge as explained in Rider B of this tariff.
- (5) State Tax Adjustment Surcharge
The State Tax Adjustment Surcharge included in this Tariff is applied to charges under this rate except for charges made under the Gas Cost Rate.

MINIMUM CHARGE EACH CONTRACT EACH LOCATION:

Not less than \$6.00 net per month during which service is furnished to a Customer at each location. (I)

TERMS OF PAYMENT:

Bills are due and payable on or before twenty days from date bill is mailed to Customer. If bill is not paid within twenty days, service may be discontinued after suitable written notice as outlined in the Rules and Regulations.

(I) Indicates Increase

(Continued)

ISSUED:

EFFECTIVE:

ISSUED BY: John D. McMahon
President
Milford, Pennsylvania

SUPPLEMENT NO. TO
GAS - PA. P.U.C. NO. 6

PIKE COUNTY LIGHT & POWER COMPANY

3rd REVISED LEAF NO. 45A
SUPERSEDING 1st REVISED LEAF NO. 45A
2nd REVISED LEAF NO. 45A CANCELED

SERVICE CLASSIFICATION NO. 1 (Continued)

TERM:

Terminable at any time unless a specified period is required under a main extension agreement.

SPECIAL PROVISIONS:

Budget Billing Plan:

(C)

Any customer taking service hereunder may, upon request, be billed monthly in accordance with the budget billing plan provided for in Section 9.8 of the Rules and Regulations.

(C) Indicates Change

ISSUED:

EFFECTIVE:

ISSUED BY: John D. McMahon
President
Milford, Pennsylvania

SUPPLEMENT NO. ___ TO
GAS - PA. P.U.C. NO. 6

PIKE COUNTY LIGHT & POWER COMPANY

38th REVISED LEAF NO. 46
SUPERSEDING 36th REVISED LEAF NO. 46
37th REVISED LEAF NO. 46 CANCELED

SERVICE CLASSIFICATION NO. 2

APPLICABLE TO USE OF SERVICE FOR:

General Service and Non-Residential Space Heating Service

RATE - FIVE PART - MONTHLY:

(1) Service Charge \$ 9.00 (I)

(2) Commodity Charge

First 300 Ccf. @ 147.39¢ per Ccf (I)
All Over 300 Ccf. @ 132.42¢ per Ccf (I)

(3) Gas Cost Rate

All sales made hereunder shall be subject to the Gas Cost Rate as explained in Rider A of this tariff.

(4) Take-or-Pay Recovery Surcharge

All sales made hereunder shall be subject to the Take-or-Pay Recovery Surcharge as explained in Rider B of this tariff.

(5) State Tax Adjustment Surcharge

The State Tax Adjustment Surcharge included in this tariff is applied to charges under this rate except for charges made under the Gas Cost Rate.

MINIMUM CHARGE EACH CONTRACT EACH LOCATION:

Not less than \$9.00 net per month during which service is furnished to a Customer at each location. (I)

TERMS OF PAYMENT:

Bills are due and payable on or before fifteen days from date bill is mailed to Customer. If bill is not paid within fifteen days, service may be discontinued after suitable written notice as outlined in the Rules and Regulations.

(I) Indicates Increase

(Continued)

ISSUED:

EFFECTIVE:

ISSUED BY: John D. McMahon
President
Milford, Pennsylvania

SUPPLEMENT NO. TO
GAS - PA. P.U.C. NO. 6

PIKE COUNTY LIGHT & POWER COMPANY

3rd REVISED LEAF NO. 46A
SUPERSEDING 1st REVISED LEAF NO. 46A
2nd REVISED LEAF NO. 46A CANCELED

SERVICE CLASSIFICATION NO. 2 (Continued)

TERM:

Terminable at any time unless a specified period is required under a main extension agreement.

SPECIAL PROVISIONS:

Budget Billing Plan:

(C)

Any customer who takes service hereunder may, upon request, be billed monthly in accordance with the budget billing plan provided for in Section 9.8 of the Rules and Regulations.

(C) Indicates Change

ISSUED:

EFFECTIVE:

ISSUED BY: John D. McMahon
President
Milford, Pennsylvania

APPENDIX “B”

PIKE COUNTY LIGHT AND POWER COMPANY

Proof of Revenues
For the Future Test Year Ending March 31, 2009

Current Rates

<u>SC1</u>				<u>SC2</u>				<u>Total</u>	
<u>Blocking</u>	<u>Bill Units</u>	<u>Current Rate (\$)</u>	<u>Current Revenue (\$)</u>	<u>Blocking</u>	<u>Bill Units</u>	<u>Current Rate (\$)</u>	<u>Current Revenue (\$)</u>	<u>Current Revenue (\$)</u>	
Annual Bills	13,073	5.00	65,365	Annual Bills	911	5.00	4,555		
All CCF	1,146,000	1.2350	1,415,310	First 300 CCF or less	78,697	1.3327	104,879		
				Over 300 CCF	<u>159,303</u>	<u>1.1971</u>	<u>190,702</u>		
Total	1,146,000		1,480,675	Total	238,000		300,136	1,780,811	
		Correction Factor	<u>1.000057</u>			Correction Factor	<u>0.999998</u>		
		Corrected Revenue	1,480,591			Corrected Revenue	300,137	1,780,728	
Unbilled/Billing Day Adj	<u>(20,000)</u>		<u>(23,297)</u>	Unbilled/Billing Day Adj	<u>(5,000)</u>		<u>(6,227)</u>	<u>(29,523)</u>	
Total	<u>1,126,000</u>		<u>1,457,294</u>	Total	<u>233,000</u>		<u>293,911</u>	<u>1,751,205</u>	

Proposed Rates

<u>SC1</u>				<u>SC2</u>				<u>Total</u>	
<u>Blocking</u>	<u>Bill Units</u>	<u>Revised Rate (\$)</u>	<u>Revised Revenue (\$)</u>	<u>Blocking</u>	<u>Bill Units</u>	<u>Revised Rate (\$)</u>	<u>Revised Revenue (\$)</u>	<u>Revised Revenue (\$)</u>	
Annual Bills	13,073	6.00	78,438	Annual Bills	911	9.00	8,199		
All CCF	<u>1,146,000</u>	1.4230	<u>1,630,758</u>	First 300 CCF or less	78,697	1.4739	115,991		
				Over 300 CCF	<u>159,303</u>	<u>1.3242</u>	<u>210,950</u>		
Total	1,146,000		1,709,196	Total	238,000		335,139	2,044,335	
		Correction Factor	<u>1.000057</u>			Correction Factor	<u>0.999998</u>		
		Corrected Revenue	1,709,098			Corrected Revenue	335,140	2,044,239	
Unbilled/Billing Day Adj	<u>(20,000)</u>		<u>(26,717)</u>	Unbilled/Billing Day Adj	<u>(5,000)</u>		<u>(6,794)</u>	<u>(33,511)</u>	
Total	<u>1,126,000</u>		<u>1,682,381</u>	Total	<u>233,000</u>		<u>328,346</u>	<u>2,010,728</u>	

Revenue Summary

	<u>SC1</u>	<u>SC2</u>	<u>Total</u>
Revenue at Current Rates	\$1,457,294	\$293,911	\$1,751,205
Revenue at Proposed Rates	<u>\$1,682,381</u>	<u>\$328,346</u>	<u>\$2,010,728</u>
Increase	\$225,087	\$34,436	\$259,523
Target Increase	<u>\$225,091</u>	<u>\$34,437</u>	<u>\$259,528</u>
Difference	(\$4)	(\$1)	(\$5)

PIKE COUNTY LIGHT AND POWER COMPANY

**Impact of Proposed Rate Change on Total Revenue
For the 12 Months Ending March 31, 2009**

<u>Service Class</u>	<u>Type of Service</u>	<u>Annual Bills</u>	<u>Total Sales (CCF)</u>	<u>Total Revenue at:</u>		<u>Increase:</u>	
				<u>Present Rates (\$000)</u>	<u>Proposed Rates (\$000)</u>	<u>Rev Change (\$000)</u>	<u>Percent Change</u>
1	Residential	13,008	1,126,000	1,627.9	1,853.4	225.5	13.9%
2	Commercial	<u>912</u>	<u>233,000</u>	<u>327.2</u>	<u>361.8</u>	<u>34.5</u>	10.5%
Total		<u>13,920</u>	<u>1,359,000</u>	<u>1,955.1</u>	<u>2,215.1</u>	<u>260.0</u>	13.3%

PIKE COUNTY LIGHT AND POWER COMPANY

Present and Proposed Rates (In Brief)

<u>Present SC1</u>		<u>Proposed SC1</u>	
Customer Charge	\$5.00	Customer Charge	\$6.00
All CCF @	1.2350 / CCF	All CCF @	1.4230 / CCF
Plus: STAS	-0.03%	Plus: STAS	0.00%
Plus: GCR*	0.14768 / CCF	Plus: GCR*	0.14768 / CCF
Minimum Charge:		Minimum Charge:	
\$ 5 per month		\$ 6 per month	

<u>Present SC2</u>		<u>Proposed SC2</u>	
Customer Charge	\$5.00	Customer Charge	\$9.00
First 300 CCF @	1.3327 / CCF	First 300 CCF @	1.4739 / CCF
Over 300 CCF @	1.1971 / CCF	Over 300 CCF @	1.3242 / CCF
Plus: STAS	-0.03%	Plus: STAS	0.00%
Plus: GCR*	0.14768 / CCF	Plus: GCR*	0.14768 / CCF
Minimum Charge:		Minimum Charge:	
\$ 5 per month		\$ 9 per month	

* GCR Rate is the average GCR rate for the Rate Year Period of April 2008 - March 2009. It is based on the GCR in effect from April 2008 to August 2008 and, for the period of September 2008 through March 2009, it is based on the GCR proposed by the Company in its July 2, 2008 preliminary GCR filing.

APPENDIX "C"

**BEFORE THE PENNSYLVANIA
PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission

v.

Docket No. R-2008-2046520

Pike County Light & Power Company
(Gas Rate Case)

**STATEMENT ON BEHALF OF
PIKE COUNTY LIGHT & POWER COMPANY
IN SUPPORT OF JOINT PETITION FOR
SETTLEMENT OF RATE INVESTIGATION**

I. INTRODUCTION

Pike County Light & Power Company ("Pike" or "Company"), respectfully submits this Statement In Support of the Joint Petition for Settlement of Rate Investigation ("Petition for Settlement"), with the Office of Trial Staff ("OTS"), the Office of Consumer Advocate ("OCA"), and the Office of Small Business Advocate ("OSBA"), collectively referred to as "Joint Petitioners." The Petition for Settlement, if approved without modification, will permit Pike to establish rates for its customers which are designed to produce an overall increase in annual operating revenues of approximately \$ 260,000, in lieu of the additional \$ 424,000 in revenues originally requested by Pike. Under the Petition for Settlement, Pike's present revenue levels of approximately \$ 1,955,100 will increase to an overall total revenue level of \$ 2,215,100, representing an increase of approximately 13.3%.

The Settlement was achieved after extensive scrutiny of Pike's filing (and data in support thereof) and analysis of voluminous interrogatories and informal data requests answered by Pike. With the assistance of the presiding officer, the Joint Petitioners met and engaged in meaningful

settlement discussions to seek an amicable resolution of the issues in the case. The parties met in person and communicated by telephone and electronic mail to discuss their respective positions and to explore ways to reconcile any disagreements. The Petition for Settlement is the result of these discussions.

Pike respectfully requests that presiding Administrative Law Judge Wayne L. Weisman recommend approval, without modification, of the Petition for Settlement to the Commission. The basis for recommending Commission approval of the settlement achieved by the Joint Petitioners is set forth in the Petition for Settlement and is also supported by the factors outlined below.

II. SUPPORTING FACTORS

The Settlement is the result of extensive negotiations and reflects compromises by all parties. Pike submits that the Settlement is in the public interest for the following reasons:

1. Pike is obligated to operate its natural gas distribution system in an efficient and economical manner, to maintain the system in good repair and working order and to make all necessary and proper additions, improvements, replacements and repairs. The Petition for Settlement is in the public interest because the agreed-upon rate and revenue levels provide for the necessary additional funds to meet Pike's obligations under the Public Utility Code to provide safe, adequate and reliable service.
2. The agreed-upon rate and revenue levels outlined in the Petition for Settlement will allow Pike to (a) produce an adequate return on the Company's invested capital that is dedicated to the service of the Company's customers, (b) provide sufficient operating revenues to meet operating expenses, taxes and other charges, (c) enable the Company to maintain its creditworthiness at a level sufficient to raise capital necessary to perform its obligations to

provide safe, adequate and proper service to its customers, and (d) provide a reasonable rate of return on the Company's investment in its utility property.

3. If the Commission approves the Petition for Settlement without modification, Pike will be permitted to establish rates which are designed to produce an increase in annual base rate operating revenue of approximately \$260,000 to a revenue level of approximately \$2,215,100, representing an increase of only 13.3%. In its original rate filing, the Company sought additional revenues of \$424,900 or an increase of 21.4%. Thus, Pike submits that the additional revenues provided for under the Petition for Settlement are just and reasonable and in the public interest.

4. Currently, Pike provides natural gas distribution service directly to approximately 1,200 customers in Pike County, Pennsylvania. Under this Petition for Settlement, the monthly bill of a typical residential customer using 100 Ccf per month will increase from \$143.23 to \$163.07, or by approximately 13.8%, rather than the 23.1% originally requested by the Company. This is the first increase in rates that Pike has requested since 1993.¹ The rates contained within the Petition for Settlement are just and reasonable and in the public interest.

5. Under the terms of the settlement, customers in the SC-2 rate classification will experience no increase in distribution rates. This provision of the settlement was agreed-upon by the parties in order to bring the commercial class closer in line with their cost of service in accordance with recent Commission and Court decisions. The rate design proposed by the Joint Petitioners is in the public interest and should be approved by the presiding officer and the Commission.

¹ According to inflationdata.com the inflation rate for the period between January 1993 to January 2008 is 48.2%. Thus, something that cost \$1 in 1993 would cost approximately \$1.48 in 2008.

6. The rates proposed under this Petition for Settlement will go into effect no sooner than April 16, 2009. Pike customers will not experience a rate increase sooner than anticipated under a fully litigated process for setting Pike's electric distribution rates.

7. Unless certain specified contingencies occur, the terms of the Petition for Settlement provide that Pike will not seek another base rate increase prior to April 16, 2010. The agreed-upon "stay-out" contributes significantly to rate stability for Pike's customers and is therefore in the public interest.

8. The Joint Petitioner have agreed to Customer Charges that are lower than those proposed by the Company in its original filing. For Service Classification No. 1 (SC-1), the Customer Charge will be set at \$6.00 and for SC-2, the charge will be \$9.00. Pike had proposed a Customer Charge of \$6.29 for SC-1 and \$9.43 for SC-2. The Company submits that the lower fixed customer charges are just and reasonable and should be approved by the Commission.

9. The Company has agreed to make changes with regard to its Cost of Service Study in future rate filings. In the future, Pike will submit a COS that features matching the dates used in the study and the historic accounting test year. This addresses a concern raised by the parties in this proceeding that the time periods were different in this case and caused some difficulty in terms of reconciliation of numbers. Also, the Company will provide a COS that reflects the proposed rate level for illustrative purposes. These changes to future filings will make it easier for the parties and the Commission to review the proposed rate changes and the underlying justifications for the changes.

10. In addition to the terms set forth above, the Joint Petitioners agreed to establish a \$27 reconnection charge in the Company's tariff. Also, a late payment charge equal to 1.5% of the overdue balance will be imposed for customers who do not pay their bills on time. These

charges are necessary to cover administrative costs associated with terminations, reconnections and overdue bills and are intended to insulate responsible ratepayers from additional costs.

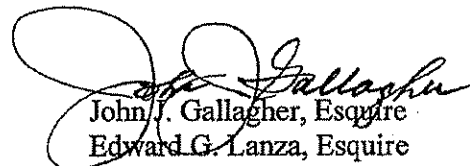
11. Other settlement terms include a provision to amortize over 10 years deferred expenses for Other Post Employee Benefits (OPEBs) and to reduce the Company's rate case expense claim by 50% and amortize the expense over 5 years. These provisions are intended to result in lower rates for customers in the long run.

12. Finally, the Settlement obviates further administrative and possible appellate proceedings, thereby resulting in substantial savings to the Joint Petitioners and to Pike's customers.

III. CONCLUSION

For all of the foregoing reasons, and for the reasons set forth in the Petition for Settlement, Pike respectfully requests that Administrative Law Judge Wayne L. Weismandel recommend and that the Commission approve the Joint Petition for Settlement in this proceeding.

Respectfully submitted,



John J. Gallagher, Esquire
Edward G. Lanza, Esquire
Saul Ewing, LLP
2 North Second Street, 7th Floor
Harrisburg, PA 17101

Counsel for Pike

Date: January 13, 2009

147582.2

APPENDIX “D”

BACKGROUND

1. On July 18, 2008, Pike filed Supplement No. 82 to Tariff Gas- PA P.U.C. No. 6 to become effective September 16, 2008. Supplement No. 82 contained proposed changes in rates, rules and regulations designed to produce an additional \$425,000 (21.4%) in annual base rate revenues.

2. By Order entered September 11, 2008, the Commission suspended the base rate filing and instituted an investigation to determine the lawfulness, justness and reasonableness of the proposed rates, rules and regulations contained in the Company's Supplement No. 82. The Order indicated that the filing would be suspended by operation of law until April 16, 2009 unless permitted by subsequent Commission Order to become effective at an earlier date. Furthermore, the Commission's September 11, 2008 Order indicated that the Company's existing rates, rules and regulations should be examined to determine if they were just and reasonable. The filing was assigned to the Office of Administrative Law Judge (OALJ) for the purpose of conducting evidentiary hearings and the preparation and issuance of a Recommended Decision.

3. OALJ subsequently assigned Administrative Law Judge (ALJ) Wayne L. Weismandel as the presiding officer.

4. The OTS filed a Notice of Appearance on August 19, 2008. In addition, the Office of Consumer Advocate, Office of Small Business Advocate and Gregory and Laurie Krisanda filed Formal Complaints.

5. An Initial Prehearing Conference was held on October 7, 2008, at which time a procedural schedule was developed. The schedule included filing dates for testimony, main briefs and reply briefs as well as dates for evidentiary hearings.

6. A Second Prehearing (Settlement) Conference was held on November 25, 2008. In preparation, the parties submitted memorandum summarizing their respective litigation positions, finalizing witnesses, and proposed order of witness cross-examination.

7. In anticipation of litigation, OTS preliminarily identified and submitted the testimony of its expert witnesses. The OTS direct testimony and exhibits submitted in this proceeding includes the following: OTS Statement No. 1 and Exhibit No. 1, OTS Statement No. 2 and Exhibit No. 2, OTS Statement No. 3 and Exhibit No. 3, OTS Statement No. 4 and Exhibit No. 4. In addition, OTS submitted surrebuttal testimony and exhibits identified as OTS Statement No. 2-SR, OTS Statement No. 3-SR and Exhibit No. 3-SR, and OTS Statement No. 4-SR.

8. Evidentiary hearings were to commence in Harrisburg on December 9, 2008. Prior to the commencement of the evidentiary hearings, the Joint Petitioners requested cancellation of the hearings as an agreement in principle had been reached resolving the all issues raised by various parties.

TERMS AND CONDITIONS OF SETTLEMENT

9. In accordance with the Commission's policy at 52 Pa. Code §5.231 encouraging settlements over costly and time consuming litigation, the settling parties were successful in achieving a comprehensive settlement using extensive discovery and

settlement discussions. Accordingly, for the reasons articulated below, OTS maintains that the proposed Settlement is in the public interest and requests that it be approved by ALJ Weisman and the Commission without modification:

a. It is agreed that PCL&P may place into effect rates proposed and identified in Appendix B to the Settlement Agreement. The Settlement Agreement provides for an increase of \$260,000 to the Company's annual base rate revenue. The agreed upon rates represent a \$165,000 reduction from PCL&P's filed request of \$425,000. OTS maintains that the proposed \$260,000 increase contained in the Joint Petition is in the public interest because it allows the Company additional revenue needed to improve its net income position while moderating the impact of the rate increase on ratepayers.

With the exceptions noted in the Joint Petition, this additional base rate revenue has been agreed to in the context of a "black box" settlement. A black box agreement does not specifically identify the resolution of disputed issues. Instead, an overall increase to base rates is agreed to and parties retain the right to challenge all issues in subsequent base rate proceedings. Such settlements benefit ratepayers as it allows for resolution of the proceeding in a timely manner thereby keeping expenses associated with this filing to a reasonable level by avoiding the need for evidentiary hearings, briefs, exceptions and possible appeals.

Utility regulation in Pennsylvania permits the recovery of prudently incurred expenses and allows utilities the opportunity to earn a reasonable return on the value of assets that are used and useful in serving the public. The \$260,000 rate increase

contained in the Joint Petition adheres to these fundamental ratemaking principles. The agreed upon rates provide adequate income to the Company to satisfy its operational and investment needs while, at the same time, the moderated rate increase protects ratepayers by ensuring just and reasonable rates.

b. The rate increase will become effective no sooner than April 16, 2009. Moreover, with the exceptions noted in the Joint Petition, the Settlement Agreement provides that PCL&P will refrain from filing a base rate case prior to April 16, 2010. This effective date and stay-out provision benefits ratepayers because it provides an extensive period of rate stability.

c. The parties reached a settlement of rate structure and rate design as detailed in Appendix B of the Joint Petition. OTS provided rate structure and rate design testimony in OTS Statement No. 3 and OTS Statement No. 3-SR, and maintains that the agreed upon rate structure and design is in the public interest because it appropriately distributes the rate increase among all of the Company's customer classes.

The Company has two rate classes identified as Residential SC1 and Commercial SC 2. The current customer charge for both classes is \$5.00 per month. Residential customers pay a usage rate of \$1.235 per Ccf and Commercial customers pay \$1.3327 per Ccf for the first 300 Ccf per month and \$1.1971 per Ccf for all usage over 300 Ccf per month. PCL&P's base rate filing proposed to increase the Residential customer charge to \$6.29 per month and increase the usage rate to \$1.5526 per Ccf, resulting in a 19.4% increase in revenue for the Residential class.

The Company proposed to increase the Commercial customer charge to \$9.43 per month and increase the first usage rate to \$1.5115 per Ccf and the second usage rate to \$1.3577 per Ccf, resulting in a 13.2% increase in revenue for the Commercial class.

As detailed in Appendix B to the Joint Petition, it is agreed that the Residential customer charge will be increased to \$6.00 per month and the usage rate will increase to \$1.4230 per Ccf. The Commercial customer charge is proposed to be increased to \$9.00 per month and increase the first usage rate to \$1.4739 per Ccf and the second usage rate to \$1.3242 per Ccf. Doing so results in a 13.9% increase in revenue for Residential customers and a 10.5% revenue increase for Commercial customers.

The agreed upon customer charges for PCL&P's customer classes appropriately allows the Company to recover costs incurred to serve those customers. The balance of the Company's revenue will come from the volumetric charge, which will send appropriate price signals to customers allowing usage to be controlled as is deemed necessary.

d. PCL&P will make several changes to its Embedded Cost of Service study ("ECOS") in its next base rate filing. Specifically, PCL&P will base its ECOS on the same period as the historic accounting year, will provide an ECOS reflecting the proposed rate level, and will address certain criticisms of its ECOS raised by the parties. These agreed upon revisions to the ECOS will ensure that parties have sufficient information to analyze and determine the proportionate share of the Company's total revenue requirement for each rate class. The ECOS will assist in determining the relative cost to serve each class, establish the individual class revenue

requirements and show the subsidy each class receives or contributes to the Company's overall net income.

e. The Company will establish a reconnection charge of \$27 and impose a late payment charge of 1.5% of the overdue balance on any bill not paid within five days of the due date. This settlement term is consistent with Commission regulations. 52 Pa. Code §§ 56.22, 56.191, 56.192

f. Rate case expense was a contested issue in this proceeding. The OTS recommendation with regard to rate case expense is presented in OTS Statement No. 2, pp. 15-19 and OTS Statement No. 2-SR, pp. 9-15. Specifically at issue was the appropriate amount of rate case expense to be recovered from ratepayers and the appropriate ratemaking treatment of this expense. Per the Settlement Agreement, the parties agree that the revenue requirement reflects rate case expense allowance of 50% of the Company's claim and that this expense is to be normalized over five years. OTS maintains that this settlement term reflects a prudent level of rate case expense and appropriately normalizes this expense over a five year period.

10. In addition to the foregoing reasons, based upon OTS' analysis of the filing and the present proposal, acceptance of this proposed settlement is in the public interest because resolution of this case by settlement rather than litigation will avoid the substantial time and expense involved in continuing to formally pursue all issues in this proceeding.

11. OTS further submits that the acceptance of the foregoing Settlement Agreement will eliminate the need for any cross-examination of witnesses,

preparation of main briefs, reply briefs; exceptions and reply exceptions, and the filing of possible appeals. The avoidance of litigation expense by settlement of this proceeding serves the interests of the Company and its customers.


13. OTS' agreement to settle this case is made without any admission or prejudice to any position that OTS might adopt during subsequent litigation in the event the Settlement is rejected by the Commission or otherwise properly withdrawn by any of the Joint Petitioners.

14. If the ALJ recommends that the Commission adopt the Settlement as proposed, OTS has agreed to waive the filing of Exceptions. However, OTS has not waived its right to file Exceptions with respect to any modifications to the terms and conditions of the settlement, or any additional matters that may be proposed by other parties to this proceeding or the ALJ in his Recommended Decision. OTS has also reserved the right to file Reply Exceptions to any Exceptions that may be filed by the Company or any other party to this proceeding.

CONCLUSION

WHEREFORE, the Commission's Office of Trial Staff represents that it supports the Joint Petition for Settlement as being in the public interest and respectfully requests that the Administrative Law Judge Wayne L. Weismandel and the Commission approve the foregoing Joint Petition, including all terms and conditions contained therein.

Respectfully submitted,



Allison C. Kaster
Prosecutor
Attorney I.D. No. 93176

Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, Pennsylvania 17105-3265
(717) 787-1976

Dated: January 15, 2009

APPENDIX “E”

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission,	:	
	:	
v.	:	Docket No. R-2008-2046520
	:	
Pike County Light & Power Company	:	
(Gas Rate Case)	:	

STATEMENT OF THE
OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF THE JOINT PETITION
FOR SETTLEMENT OF THE RATE INVESTIGATION

The Office of Consumer Advocate (OCA), a signatory party to the foregoing Joint Petition for Settlement of Rate Investigation (Settlement) in the above-captioned proceeding, respectfully requests that the terms and conditions of the Settlement be approved by the Administrative Law Judge (ALJ) and the Pennsylvania Public Utility Commission (Commission). The Settlement resolves all issues regarding the request for an increase in distribution revenues by Pike County Light & Power Company – Natural Gas Rate Case (Pike or Company). It is the position of the OCA that the proposed Settlement is in the public interest and in the interests of customers of Pike.

I. INTRODUCTION

On July 18, 2008, Pike filed with the Commission Supplement No. 82 to Tariff Gas- Pa. P.U.C. No. 6 (Supplement No. 82), to become effective September 16, 2008. In Supplement No. 82, the Company proposed to increase its overall annual operating revenues by \$425,000 for its natural gas division, or by an approximate 21.4% overall increase in total annualized revenues over present rates. For the residential class, the Company proposed an

average overall increase of 23.1% in residential distribution service rates. Under the rates proposed by the Company, a typical residential customer using 100 ccf per month would have seen their average monthly bill increase by \$33.08, from \$143.23 to \$176.31. Included in this increase was a proposed increase in the monthly customer charge for residential service by \$1.29 from \$5.00 to \$6.29.

Complaints in opposition to the increase were filed by the OCA and the Office of Small Business Advocate (OSBA). One consumer complaint was filed by Greg and Laurie Krisanda. The Commission's Office of Trial Staff also filed a Notice of Appearance.

On September 11, 2008, the Commission entered an Order initiating an investigation of Pike's proposed rate increase and assigned the matter to the Office of Administrative Law Judge. Administrative Law Judge Wayne L. Weismandel was assigned to preside over the case. As part of its Order, the Commission permitted the effective date of Pike's proposed tariff to be suspended by operation of law until April 16, 2009.

A prehearing conference was held before ALJ Weismandel on October 7, 2008. At the prehearing conference, a procedural schedule for the case was adopted, as were modified discovery rules providing for shorter response times to discovery requests than are prescribed by the Commission's regulations.

A Second Prehearing Conference was held on November 25, 2008 to discuss settlement and the procedural status of the case.

Throughout the course of the proceeding, the OCA engaged in formal and informal discovery designed to thoroughly investigate all aspects of the Company's proposed rate increase. The OCA submitted the Direct Testimonies of David J. Effron, David Parcell, and Glenn A. Watkins on November 5, 2008. The OCA submitted the Rebuttal Testimony of Glenn

A. Watkins on November 14, 2008. The OCA submitted the Surrebuttal Testimony of David J. Effron and Glenn A. Watkins on December 4, 2008.

The parties reached a settlement agreement in principle in advance of the evidentiary hearings and requested that the procedural schedule be suspended. ALJ Weismandel granted the request to suspend the procedural schedule. The parties have agreed to the stipulation of the admission of all parties' testimonies into the record. The parties have requested to move those testimonies as part of this Settlement.

As noted above, and discussed further below, the OCA submits that the proposed Settlement is in the public interest and in the interest of the customers of Pike. The OCA submits that the Settlement should be approved. The OCA will discuss several of the key provisions of the Settlement that are of particular importance to the OCA, and which are set forth below.

II. DISTRIBUTION OF REVENUES (Settlement at ¶¶ 14-17(a),(e), (f), 20)

The proposed Settlement provides for an overall distribution base rate increase of \$260,000 in natural gas base distribution revenues no sooner than April 16, 2009 for service rendered on or after that date. The revenue increase contained in the Settlement is approximately \$165,000 less than the \$425,000 rate increase amount originally requested by Pike. This rate increase reflects an increase of approximately 13.3% as compared to the Company's original request of a 21.4% increase in overall revenues. The average monthly bill for a typical residential customer using 100 ccf per month will increase by \$19.84 from \$143.23 to \$163.07, or by approximately 13.8%. The Company's original filing proposed an increase of approximately \$33.08 per month from \$143.23 to \$176.31 per month, or a 23.1% increase, for the average residential customers. The terms of the settlement provide that the increase will not

go into effect before April 16, 2009. Also, the Company has agreed that it will not file for another base rate increase before April 16, 2010. This stay-out provision should provide some measure of rate stability until at least the end of 2010, assuming the Company files as soon as the stay-out expires.

Based on the OCA's analysis of the Company's filing and the discovery responses received, the rate increase under the proposed Settlement represents a result that would be within the range of likely outcomes in the event of full litigation of the case. The increase is appropriate and, when accompanied by other important provisions contained in the Settlement, yields a result that is just and reasonable.

III. REVENUE ALLOCATION (Settlement at ¶ 16, 17 (b), (c))

The Company initially proposed to increase residential rates by \$380,834. Under the Settlement, residential customers will pay an increase of \$225,000 in base rates, thus sharing in the lowered revenue requirement agreed to by the parties.

In this proceeding, the Company provided a cost of service study, and OCA witness Glenn A. Watkins presented an alternative study that addressed issues with the Company's study. Based on the OCA's review of the two cost of service studies presented in this proceeding and the varying revenue allocation proposals presented by other parties, the OCA views the Settlement to be within the range of reasonable outcomes from the full litigation of this case. The agreed-upon allocation of the rate increase is included in the Proof of Revenues attached as Appendix B to the Settlement. The OCA notes that the revenue allocation to residential customers under the Settlement represents a decrease from the Company's originally proposed revenue for residential customers. Under the Settlement, the residential class will

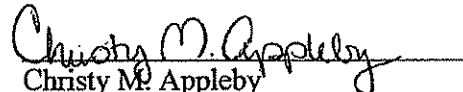
receive an increase from the current distribution revenues of \$225,500, an approximate 13.9% increase as opposed to the Company's originally proposed residential increase of 23.1%.

IV. CONCLUSION

The terms and conditions of the Settlement provide an overall distribution base rate increase of \$260,000 no sooner than April 16, 2009. The revenue allocation contained in the Settlement represents a compromise among the positions of several parties in this proceeding and will move all classes toward system average returns. The OCA submits that the reduction in the proposed revenue requirement increase, the revenue allocation, along with all of the other terms and conditions of the Settlement described above, represent a fair and reasonable settlement of this proceeding.

WHEREFORE, for the foregoing reasons, the Office of Consumer Advocate submits that the proposed Settlement is in the public interest and in the best interest of Pike's ratepayers.

Respectfully Submitted,


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DATE: January 14, 2009
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APPENDIX "F"

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
v.	:	Docket No. R-2008-2046520
	:	
PIKE COUNTY LIGHT & POWER COMPANY	:	
(Gas Base Rate Case)	:	

**STATEMENT OF THE OFFICE OF SMALL BUSINESS ADVOCATE
IN SUPPORT OF THE JOINT PETITION FOR SETTLEMENT
OF RATE INVESTIGATION**

The Small Business Advocate is authorized and directed to represent the interests of the small business consumers of utility services in the Commonwealth of Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. Pursuant to that statutory authority, on August 14, 2008, the Office of Small Business Advocate ("OSBA") filed a complaint in the above-captioned proceeding against the July 18, 2008, filing by Pike County Light & Power Company ("PCL&P" or the "Company") of Supplement No. 82 to Tariff Gas-Pa.P.U.C. No. 6. Through Supplement No. 82, PCL&P requested an annual increase in distribution revenues of approximately \$424,900.

Subsequently, the OSBA filed the direct, rebuttal and surrebuttal testimony of its witness, Robert D. Knecht. The OSBA also actively participated in the negotiations that led to the Joint Petition for Settlement of Rate Investigation ("Settlement") and is a signatory to the Settlement.

The OSBA submits this statement in support of the Settlement.

Settlement Issues

The Settlement sets forth a list of issues that were resolved through the negotiation process. The issues of importance to the OSBA were the following:

Multiple-Year Increases

In addition to a one-time rate increase proposal, PCL&P offered two alternative proposals which involved rate increases in each of three successive years. The OSBA opposed the multiple-year rate increase proposals on the grounds that they would be inconsistent with Section 1308(d.1) of the Public Utility Code. The OSBA also opposed the multiple-year proposals because they would be inconsistent with the Commission's practice of setting rates on the basis of a single future test year and would also constitute single-issue and retroactive ratemaking. *See* OSBA Statement No. 1, at 4-6. The Settlement provides PCL&P with a one-time rate increase rather than either of the multiple-year increases requested by the Company.

Cost of Service Studies

There was a difference of opinion among the parties about the proper cost of service methodology, particularly with respect to the issue of the classification and allocation of mains costs. In that respect, there was also significant disagreement and confusion regarding what methodologies the Commission has approved in prior proceedings. The only area of agreement among the OCA, OTS and the OSBA was that the Company's methodology was not consistent with recent Commission precedent. However, the OSBA sees little value in re-litigating that issue in this proceeding, because the Commission precedent is relatively recent, and the Company serves only about 80 non-residential customers.

In addition to the issue of mains cost classification and allocation, the OSBA identified several aspects of the Company's Cost of Service Study ("COSS") which, in the view of the OSBA, unjustifiably over-stated the costs assigned to small business customers. The OSBA recommended that the

Commission direct PCL&P to address these matters in its next base rate case. *See* OSBA Statement No. 1, at 6-16. As part of the Settlement, PCL&P has agreed to file a COSS in its next base rate case which will address the criticisms of its COSS raised by the OSBA in this proceeding, *i.e.*, the Company will either incorporate in its COSS in its next base rate filing the changes recommended by the OSBA in this proceeding or the Company will explain in its filing why it declined to incorporate those changes.

Revenue Allocation

In direct testimony, OSBA witness Mr. Knecht concluded that the Company's COSS was not an unreasonable basis for allocating the proposed rate increase among the various rate classes, because it contained cost allocation biases both in favor of, and detrimental to, non-residential customers. Mr. Knecht concluded that, based on the Company's COSS, the proposed revenue allocation for its rate classes was directionally correct, in that it assigned above-average increases to those customer classes whose rates were under-recovering allocated costs, while assigning below-average increases to those classes whose rates were over-recovering allocated costs. However, the Company's proposal would have resulted in rates for the SC-2 rate class that remained unreasonably distant from allocated costs. To remedy that problem, the OSBA proposed a first-dollar relief adjustment to the Company's revenue allocation proposal for the SC-2 class, of up to \$24,750. *See* OSBA Statement No. 1, at 19-20.

Because of the poor quality of the Company's COSS, there is a significant possibility that the Commission would not adopt it for purposes of revenue allocation if the matter were to be fully litigated. The OSBA also is concerned about the cost to the OSBA of fully litigating a proceeding involving only about 80 non-residential customers. For those reasons, the OSBA accepts the revenue allocation proposal in the Settlement, which assigns a modestly lower percentage rate increase to the non-residential SC-2 rate class than to the residential SC-1 rate class. The OSBA believes that this revenue allocation will provide for modest progress toward cost-based rates, and that the matter can be better evaluated in the Company's next base rates proceeding when the Company submits a superior COSS analysis.

The resolution of the foregoing issues was of special importance to the OSBA when it concluded that the Settlement was in the best interests of PCL&P's small business customers.

Conclusion

As the OSBA's issues of principal concern were resolved through the settlement process, and in consideration of the small number of business customers served by PCP&L, signing this Settlement enables the OSBA to conserve its resources and avoid the uncertainties inherent in fully litigating the case. For the reasons set forth in the Settlement, as well as the additional factors that are enumerated in this statement, the OSBA supports the proposed Settlement and respectfully requests that the ALJ and the Commission approve the Settlement document in its entirety without modification.

Respectfully submitted,



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Date: January 10, 2009