

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Pike County Light & Power	:	
Company for Approval of Its Default Service	:	P-2020-3022988
Plan and Waiver of Commission Regulations	:	
and <i>Nunc Pro Tunc</i> Treatment for the Period	:	
June 1, 2021 through May 31, 2024	:	

RECOMMENDED DECISION

(NON-PROPRIETARY VERSION)

Before
Eranda Vero
Administrative Law Judge

INTRODUCTION

This Recommended Decision recommends that the “Joint Petition of All Parties for Settlement” be approved in its entirety without modification because it is in the public interest and supported by substantial evidence. This decision finds that the Settlement complies with the relevant sections of the Public Utility Code regarding default service plans and is consistent with Commission regulations promoting settlements. The Petitioner requests that the Commission rule on this matter by its May 20, 2021 public meeting because its current default service plan expires on June 1, 2021.

HISTORY OF THE PROCEEDING

On November 23, 2020, Pike County Light & Power Company (Pike, the Company, or PCLP) filed a Petition for Approval of its Default Service Plan (DSP Plan) for the period from June 1, 2021 through May 31, 2024, at Docket No. P-2020-3022988. The Petition

was filed pursuant to Section 2807(e) of the Public Utility Code, 66 Pa.C.S. § 2807(e), and the Commission regulations at 52 Pa. Code §§ 54.181-54.190.

In its Petition, Pike admitted that it should have filed this Petition by June 1, 2020, and that the nine-month time frame for Commission decision in this proceeding would run after the date of expiration of Pike's current DSP Plan. Consequently, Pike requested *nunc pro tunc* treatment of its filing as well as an expedited proceeding to allow the Commission to decide this matter at its May 20, 2021, public meeting. Also, in the Petition, Pike indicated its willingness to file its prepared direct testimony as expeditiously as possible and requested that this matter be assigned to an Administrative Law Judge without delay.

Notice of Pike's Petition and Prehearing Conference was published in the Pennsylvania Bulletin on December 12, 2020, 50 Pa.B. 7117. A deadline of December 29, 2020 was established for the filing of formal protests, petitions to intervene and answers. The Prehearing conference was set for January 5, 2021.

On December 15, 2020, I issued an Order requiring Pike to file a written explanation with the Secretary's Bureau of the reasons that led to the late filing, as well as the grounds on which the filing should be granted *nunc pro tunc* and expedited treatment by the Commission.¹ The Order also required Pike to file its written direct testimony by no later than December 24, 2020, at 11:00 a.m.

In compliance with the December 15, 2020 Order, Pike filed the required written explanation of the late filing on December 21, 2020 and its prepared Direct Testimony on December 24, 2020.

On December 29, 2020, the Office of Small Business Advocate (OSBA) filed a Notice of Appearance, Notice of Intervention, Public Statement and Answer to Pike's Petition. Also, on December 29, 2020, the Office of Consumer Advocate (OCA) filed a Notice of Appearance, Notice of Intervention, Public Statement, and Answer to Pike's Petition.

¹ The December 15, 2020 Order memorialized instructions provided to Pike's counsel by e-mail dated December 7, 2020.

A Prehearing Conference Order was issued on December 30, 2020, advising the parties of the date and time of the scheduled conference, informing them of the procedures applicable to the proceeding, and directing the submission of prehearing memoranda prior to the conference.

The prehearing conference was held as scheduled on Tuesday, January 5, 2021, at 10:00 a.m. Counsel for Pike, OCA and OSBA participated in the prehearing conference via telephone. No party objected to Pike's request for *nunc pro tunc* treatment of its filing and the parties agreed to an expedited litigation schedule.

On January 8, 2021, I issued a Prehearing Order memorializing the actions from the prehearing conference and establishing the procedural schedule.

On January 26, 2021, I granted the Protective Order proposed by Pike.

In accordance with the litigation schedule, various parties filed direct and rebuttal testimony.

After the submission of written testimony, the parties engaged in discussions in an attempt to achieve a settlement of some or all of the issues in this case. As a result of those negotiations, on February 5, 2021, counsel for Pike informed me that the parties had reached a settlement in full and intended to submit a joint petition for settlement with statements in support by February 19, 2021. As a result of the settlement, I suspended the litigation schedule and canceled the evidentiary hearing scheduled for February 10, 2021 by Hearing Cancellation Notice dated February 9, 2021.

The Joint Petition of All Parties for Settlement ("Joint Petition" or "Settlement") was filed on February 19, 2021. It was executed by counsel for Pike, OCA and OSBA (Joint Petitioners or the Settling Parties). The Settlement was submitted in both proprietary and non-proprietary formats and included Statements in Support of the Settlement from each party.

By Joint Stipulation filed contemporaneously with the Joint Petition, all parties stipulated to the admission of the pre-served testimony and exhibits in this case and requested that the testimony be admitted into the record by separate order or by the inclusion of a provision in the Recommended Decision.

By Order entered March 9, 2021, the following pre-served testimony was admitted into the record via stipulation:

Pike County

- PCLP Statement No. 1, the Direct Testimony of Russell Miller in both Highly Confidential and Public format with Exhibits RM-1 (Public), RM-2 (Highly Confidential), RM-3 (Highly Confidential), and RM-4 (Highly Confidential);
- PCLP Statement No. 2, the Direct Testimony of Noel Chesser Pike in Public format with Exhibits NPC-1 (Public) and NPC-2 (Highly Confidential);
- PCLP Statement No. 1R, The Rebuttal Testimony of Russell Miller in Public format.

OCA

- OCA Statement No. 1, the Direct Testimony of Serhan Ogur in Public format containing Appendix A;
- OCA Statement No. 1-R, the Rebuttal Testimony of Serhan Ogur in Public format.

OSBA

- OSBA Statement No. 1, the Direct Testimony of Robert Knecht in both Highly Confidential and Public format with Exhibits IEC-1 (Public) and IEC-2 (Highly Confidential).

The record in this case closed on February 19, 2021, when the Joint Petition for Settlement was submitted. In light of the statutory deadline applicable to default service plans, and Pike's request for *nunc pro tunc* treatment of its filing and expedited proceeding, the Commission must act on this filing no later than at its Public Meeting on May 20, 2021. For the reasons discussed below, the settlement will be recommended for approval in its entirety without modification.

TERMS AND CONDITIONS OF THE SETTLEMENT PETITION

The Joint Petition is a 12-page document signed by all the parties in this proceeding: Pike, OCA and OSBA. Appendix A is the Statement in Support of Pike County Light & Power. Appendix B is the Statement in Support of Joint Petition for Settlement of the Office of Consumer Advocate. Appendix C is the Statement in Support of the Office of Small Business Advocate. Appendix D contains the Proposed Tariff Changes.

The essential terms of the Joint Petition for Partial Settlement are set forth on pages 4-9 in paragraphs numbered 17-24 in the Settlement. These terms are stated below verbatim and, for ease of reference, retain the same numbers and headings as they appear in the Settlement.

A. PIKE'S DEFAULT SERVICE PLAN FOR YEARS JUNE 2021 TO MAY 2024

17. Pike will continue to procure its default supply from the NYISO² spot market pursuant to the terms of the Electric Supply Agreement with O&R,³ which expires August 2022 (ESA I). Pike is currently negotiating a new Electric Supply Agreement with O&R (ESA II). ESA II will have substantially similar terms to ESA I. Pike will submit ESA II for Commission review no later than April 1, 2022 via petition that includes supporting reasons for approval of ESA II. The Petition will be served on the OSBA and OCA. To the extent either OSBA or OCA objects to ESA II within 60 days of service, the matter will be set for hearing and decision so that decision can be reached prior to August 2022. To the extent no party objects to ESA II, the matter will be decided directly by the Commission.

18. Pike will implement the following hedging procurement strategy:

a. For plan year one (June 2021 – May 2022), Pike will hedge a portion of the year's delivery period (September 1, 2021 – May 31, 2022) [**BEGIN HIGHLY CONFIDENTIAL**] ■

² New York Independent System Operator (NYISO).

³ Orange and Rockland Utilities, Inc. (O&R).

[REDACTED]
[REDACTED]
[REDACTED]. [END HIGHLY CONFIDENTIAL] Pike will attempt to procure half of this hedge in July 2021. Pike will attempt to procure the subsequent half of this hedge in August 2021.

b. For plan year two (June 2022 – May 2023), Pike will hedge [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]. [END HIGHLY CONFIDENTIAL] Pike will attempt to procure half of this hedge 7 to 8 months prior to the beginning of the plan year. Pike will attempt to procure the subsequent half of this hedge 2 to 3 months prior to the beginning of the plan year.

c. For plan year three (June 2023 – May 2024), Pike will hedge [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]. [END HIGHLY CONFIDENTIAL] Pike will attempt to procure half of this hedge 7 to 8 months prior to the beginning of the plan year. Pike will attempt to procure the subsequent half of this hedge 2 to 3 months prior to the beginning of the plan year.

d. Pike will also attempt to hedge using overhanging contracts. For the delivery period June 1, 2024 – May 31, 2025 Pike will hedge [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]. [END HIGHLY CONFIDENTIAL] Pike will attempt to procure half of this hedge in April 2023. Pike will attempt to procure the subsequent half of this hedge in October 2023.

e. Pike will not accept any hedging contract if the refreshed bid price (the executable price) [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]
[REDACTED]. [END HIGHLY CONFIDENTIAL]

f. If a specific procurement effort pursuant to Paragraph 18.a. – 18.d., does not result in a hedging product

purchase, Pike will re-attempt to purchase the product in the following month.

g. If the second procurement effort does not result in a procurement being made, the next scheduled procurement for the relevant plan year will be modified to include the open position for which the hedging purchase was not successful.

h. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]. [END HIGHLY CONFIDENTIAL]

i. Pike will be permitted to recover up to \$48,000 per plan year for outside consulting costs related to the hedging program in its default service tariff charges.

j. Pike will adhere to the timing and magnitude of hedging contracts set forth above except in the event of major market disruptions.

19. Within ten days of completing each procurement in Paragraph 18, Pike will provide a detailed report to the Commission, the Office of Consumer Advocate, and the Office of Small Business Advocate regarding the results of the procurement, the number of counterparty bids received, and the forward market prices against which the bids were evaluated.

20. If no bids were found to be acceptable after the procurement in Paragraph 18, that is, no bids were found to be within the parameters in Paragraph 18, Pike will submit a report to the Commission, the OCA, and the OSBA within ten days that explains, to the extent known, the circumstances of why no acceptable bids were offered, and what plans the Company has for redoing the procurement.

21. Pike will modify its current default supply rate design to incorporate a reconciliation mechanism where cost recovery of over- or under-collections occurring over a six-month period would be collected over the subsequent 12-month period instead of the quarterly reconciliation Pike now uses. Pike will provide tariff pages implementing this change as an attachment to the Joint Petition for Settlement. See Appendix D.

22. Pike's proposed Alternative Energy Portfolio Standard (AEPS) credit procurement as described in its testimony is approved, which states:

Pike proposes to continue its current practice and solicit various brokers and counterparties to procure credits. It will compare prices offered for credits and purchase sufficient credits to meet the AEPS requirements from the supplier with the lower offer price. Pike notes that it has obtained AEPS credits directly from brokers in the past (2017), and for 2018, AEPS credits were procured with the help of Enel X. Pike utilized Enel X for procurement assistance in 2019 and 2020. Pike may utilize either strategy for 2021-2024.

PCLP Statement No. 1.

23. Pike's proposed waivers are approved:

a. 52 Pa. Code § 54.185(e)(2) (plan identifying the schedules and technical requirements of competitive bid solicitations and spot market energy purchases).

b. 52 Pa. Code § 54.185(e)(6) (copies of agreements or forms to be used in the procurement of electric generation supply for default service customers).

c. Partial waiver of 52 Pa. Code 69.1805, 69.1805(1), 69.1805(2) and 69.1805(3) (inclusion of short and long-term contracts in procurement mix and tailoring procurement to customer classes).

d. 52 Pa. Code §69.1807(3) (competitive bid solicitation process guidelines).

24. Pike will continue to follow the communication access provisions for electric generation suppliers in paragraphs 20 through 24 of the Joint Petition for Settlement at Docket No. P-2018-3002709 that the Commission approved by Order dated January 17, 2019.

Settlement at 4-8.

The Settlement is also conditioned upon the standard settlement conditions. For example, if the Commission modifies the Settlement, the parties reserve the right to withdraw

from the Settlement and proceed with litigation. Settlement at 9. The Settlement is also conditioned on it not being cited as precedent in any future proceeding, except to the extent required to implement the settlement. Id. The Settlement also does not preclude any party from taking other positions in proceedings involving other public utilities. Id. at 10. If the Settlement is recommended for approval without modifications the parties agree to waive the right to file exceptions. Id.

DISCUSSION

Legal Standard

Pike has the burden of proof in this proceeding to establish that it is entitled to the relief it is seeking. 66 Pa.C.S. § 332(a). Pike must establish its case by a preponderance of the evidence. Samuel J. Lansberry, Inc. v. Pa. Pub. Util. Comm’n, 578 A.2d 600 (Pa.Cmwlt. 1990), alloc. den., 602 A.2d 863 (Pa. 1992). In this case, Pike requests that the Commission approve its default service filing and, therefore, has the burden of proving that the plan satisfies all applicable legal requirements for it to be approved.

Pike’s default service implementation plan was filed pursuant to Section 2807(e) of the Public Utility Code, 66 Pa.C.S. § 2807(e). Default service is the basic service that Pennsylvania’s electric customers are entitled by law to receive if they do not switch to an alternative retail electric generation supplier (EGS), or if their alternative EGS fails to provide them with service. Pike is the default service provider in its service territory and, therefore, must offer default service that meets specific legal requirements. In general, Act 129 of 2008, 66 Pa.C.S. §§ 2807(e)(3.1)-(3.7), seeks to ensure the availability to all Pennsylvanians of “adequate, reliable, affordable, efficient and environmentally sustainable electric service at the least cost, taking into account any benefits of price stability over time.” *See*, Preamble to Act 129, 2008 Pa. Legis. Serv. Act 2008-129 (H.B. 2200). Further, Act 129 declares that it is in the public interest to adopt “energy procurement requirements designed to ensure that electricity obtained reduces the possibility of electric price instability, promotes economic growth and ensures affordable and available electric service to all residents.” Id.

Furthermore, Section 2807(e) requires that the default service provider follow a Commission-approved competitive procurement plan, that the competitive procurement plan include auctions, requests for proposal, and/or bilateral agreements, and that the plan include a prudent mix of spot market purchases, short-term contracts, and long-term purchase contracts designed to ensure adequate and reliable service at the least cost to customers over time. 66 Pa.C.S. §§ 2807(e)(3.1) and (3.2). Act 129 also requires that the Commission consider whether the default service provider's plan includes prudent steps necessary to negotiate favorable generation supply contracts and prudent steps necessary to obtain least cost generation supply contracts on a long-term, short-term and spot market basis, and that neither the default service provider nor its affiliated interest has withheld from the market any generation supply in a manner that violates federal law. *See*, 66 Pa.C.S. § 2807(e)(3.7); *see also*, 52 Pa.Code §§ 54.181-54.189 and 69.1802-69.1816.

In this case, the parties submitted a settlement of all issues. Commission policy promotes settlements. 52 Pa. Code § 5.231. Settlements lessen the time and expense the parties must expend litigating a case and at the same time conserve administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa. Code § 69.401. The focus of inquiry for determining whether a proposed settlement should be recommended for approval is not a "burden of proof" standard, as is utilized for contested matters. Pa. Pub. Util. Comm'n v. City of Lancaster – Bureau of Water, Docket No. R-2010-2179103 (Opinion and Order entered July 14, 2011) (Lancaster). Instead, the benchmark for determining the acceptability of a settlement or partial settlement is whether the proposed terms and conditions are in the public interest. *Id.*, *citing*, Warner v. GTE North, Inc., Docket No. C-00902815 (Opinion and Order entered April 1, 1996) (Warner); Pa. Pub. Util. Comm'n. v. CS Water & Sewer Assocs., 74 Pa. PUC 767 (1991). In addition, the Commission has held that parties to settled cases are afforded flexibility in reaching amicable resolutions, so long as the settlement is in the public interest. Pa. Pub. Util. Comm'n v. MXenergy Elec. Inc., Docket No. M-2012-2201861 (Opinion and Order entered Dec. 5, 2013).

Finally, all decisions of the Commission must be supported by substantial evidence. 2 Pa.C.S. § 704. "Substantial evidence" is such relevant evidence that a reasonable mind might accept as adequate to support a conclusion. More is required than a mere trace of evidence or a suspicion of the existence of a fact sought to be established. Norfolk & Western Ry. Co. v. Pa. Pub. Util. Comm'n, 489 Pa. 109, 413 A.2d 1037 (1980); Erie Resistor Corp. v. Unemployment Comp. Bd. of Review, 194 Pa. Super. 278, 166 A.2d 96 (1961); and Murphy v. Pa. Dept. of Pub. Welfare, White Haven Cntr., 85 Pa.Cmwlth. 23, 480 A.2d 382 (1984).

It is against this legal backdrop that the Settlement will be viewed.

Public Interest Analysis

As noted above, it is the policy of the Commission to promote settlements. 52 Pa. Code § 5.231(a). The benchmark for determining whether a settlement should be approved is whether the proposed terms and conditions are in the public interest. *See, Lancaster, Warner, supra*. In the Settlement, the parties noted that the Settlement was achieved after extensive investigation of Pike's filing, including formal and informal discovery and the submission of multiple rounds of pre-served testimony that were admitted into the record via stipulation. Settlement at 8-9.

In addition, and as discussed further below, the Settling Parties submitted Statements in Support of the Settlement, articulating their individual arguments and reasons why approving the Settlement without modification is appropriate and in the public interest.

Pike

In its Statement in Support, Pike noted that the Settlement was achieved only after a comprehensive investigation of the default service plan (DSP), including Pike responding to numerous formal discovery requests, the filing of multiple rounds of pre-served testimony and numerous settlement discussions. Pike stated that the Settlement reflects a carefully balanced compromise of the interests of the parties. Pike St. in Supp. at 1-2.

With regard to the Settlement terms regarding default supply procurement and hedging, Pike noted that it is unique among Pennsylvania electric distribution companies because of its modest size, significant electric generation supplier penetration rate and the fact that Pike is affiliated with NYISO and not PJM⁴. Pike pointed out that its last DSP proceeding produced a settlement that allowed Pike to undertake a financial hedging strategy as part of its default service procurement. In its Statement in Support, Pike added that the Settlement reached in the present case allows the Company to continue to engage in financial hedges for a portion of its default supply load, while incorporating safeguards on the amount, timing and pricing of hedges that will give ratepayers price protections. Pike stated that the financial hedging is a way that the Company may be able to satisfy the more common understanding of “prudent mix” applied to other utilities which will bring a level of price stability that is not available with spot market purchases only. Pike St. in Supp. at 3.

Pike also noted in its Statement in Support the provisions of the Settlement regarding rate design and AEPS credit procurement, as well as the waivers of regulations and electric generation supplier communication. *See* Settlement ¶¶ 21-23. In particular, Pike agrees to modify its current default supply rate design to incorporate a reconciliation mechanism where cost recovery of over- or under-collections occurring over a six-month period would be collected over the subsequent 12-month period. Settlement ¶21. According to Pike, this provision will provide additional price stability in rates for residential default service customers and extends the reconciliation adjustment from Pike’s current quarterly reconciliation rate design. Pike St. in Supp. at 3-4.

Regarding Pike’s AEPS credit procurement, the Company noted that none of the parties challenged its proposal to continue its current practice and solicit various brokers and counterparties to procure credits. Pike St. in Supp. at 4. Pike will compare prices offered for credits and purchase sufficient credits to meet the AEPS requirements from the supplier with the lower offer price. Pike noted that it has obtained AEPS credits directly from brokers in the past (2017), and for 2018, AEPS credits were procured with the help of Enel X. Pike utilized Enel X

⁴ PJM Interconnection, LLC (PJM).

for procurement assistance in 2019 and 2020. Pike may utilize either strategy for 2021-2024. *See* PCLP St. No. 1; Settlement ¶ 22.

Pike also noted that the Commission has granted in the past each of the waivers requested in this proceeding. Pike St. in Supp. at 3; Settlement ¶23. With regard to the supplier issues, Pike noted that in its last DSP proceeding, Pike agreed to specific provisions regarding the provision of data, customer information, and other matters that Pike will provide to EGSs. Under the terms of the Settlement, Pike will continue to follow the communication access provisions for electric generation suppliers as previously approved in the Joint Petition for Settlement at Docket No. P-2018-3002709. Pike St. in Supp. at 5; Settlement ¶24. Pike also noted that it was granted a waiver of the Commission's Electronic Data Interchange (EDI) requirements at Docket No. P-2018-3005165. Pike St. in Supp. at 5.

Pike concluded its Statement in Support by noting that acceptance of the Settlement will avoid the necessity of further administrative, and possibly appellate proceedings regarding these issues. This is particularly true here as Pike's DSP proceedings have been fully litigated and appealed to the Commonwealth Court in the past. Pike St. in Supp. at 5.

OCA

In its Statement in Support of the Settlement, OCA addressed three aspects of Pike's proposed DSP and their resolution as reflected in the Settlement: (1) Pike's financial hedging strategy; (2) procurement contracts that would remain in effect into the subsequent DSP period (overhanging contracts); and (3) the structure of Pike's reconciliation mechanism for collecting or refunding differences between default service costs and revenues.

OCA noted that in its proposed DSP, Pike planned to purchase energy for residential default service customers through the NYISO spot energy market. To dampen the potential price volatility inherent in purchasing on the spot market, Pike also proposed to purchase financial hedges in the form of contracts for differences that would have the effect of fixing the spot market price for the period of time over which the hedge would be in place for the

portion of the supply that was hedged. Resulting from this strategy, a portion of Pike's supply will effectively be purchased at a fixed price and a portion will be purchased at prices that vary in accordance with spot market prices. OCA St. in Supp. at 3.

OCA added that Pike planned to utilize a target of 50 percent hedge coverage, using a laddered procurement approach. Hence, the Company would be targeting that 50 percent of its default service procurements would be hedged and the remaining 50 percent would be based on the NYISO spot prices. OCA disagreed with Pike and recommended a different percentage for hedge coverage in order to shield Pike's customers from too much rate volatility. OCA St. in Supp. at 3; OCA St. No. 1 at 3, 7.

OCA explained that Paragraph 18 of the Settlement reflects Pike's acceptance of OCA's key recommendations with respect to its financial hedging activity. In particular, Subparagraphs 18 a. through 18 d. indicate Pike's acceptance of a hedging target percentage reasonably within the parameters recommended by OCA's witness.

Next, OCA noted that it agreed with Pike's original proposal for ladderizing their hedge purchases and for dividing the purchases into two procurements. OCA's witness also supported the pricing parameters the Company proposed for determining the acceptability of bids for hedge products, as well as Pike's proposed timing of the purchases for each plan year. Ultimately, Subparagraphs 18 b. and 18 c. of the Settlement reflect Pike's acceptance of the OSBA's recommendation for shortening the lead time for the Company's hedge purchases for the 2022 and 2023 plan years. The hedge purchases for those years will be made in two transactions, one occurring 7 to 8 months before the plan year and the second occurring 2 to 3 months prior to the plan year. In its Statement in Support, OCA indicated that it did not oppose OSBA's proposal for shortening the lead times for the hedge purchases. OCA St. in Supp. at 3-4. Additionally, the OCA supports the pricing parameters for Pike's hedge purchases as incorporated in subparagraphs 18 a. through 18 e. of the Settlement. OCA St. in Supp. at 7.

In its Statement in Support, OCA also noted that the Company's proposed DSP did not include any contracts with delivery periods that extend beyond the end of the DSP period

on May 31, 2024, (overhanging contracts). According to OCA’s witness, overhanging contracts are used to avoid the problem of a “hard stop,” which occurs when 100 percent of a new portfolio must be procured at the beginning of a subsequent DSP period because all of the power purchase agreements (PPAs) or financial hedges expire at the conclusion of the prior plan period. In OCA’s view, a hard stop unnecessarily exposes default service customers to a price shock risk. Using overhanging contracts, however, extends the price stability benefits of the financial hedging approach into the initial part of the subsequent DSP period. Accordingly, OCA’s witness recommended that, as part of its 2021-2024 DSP, Pike procure financial hedges for Plan Year 2025 (June 1, 2024 – May 31, 2025, delivery period) in two separate transactions -- the first in April 2023 and a second in October 2023. When combined, these two financial hedge purchases should correspond to 100 percent of Pike’s financial hedge target for Plan Year 2025. This will ensure that the Company procures financial hedges for default service customers for the beginning part of the subsequent DSP period on the same schedule it utilized for Plan Years 2023 and 2024. OCA St. in Supp. at 4-5.

OCA noted that Subparagraph 18 d. of the Settlement reflects Pike’s acceptance of OCA’s recommendation to make use of contracts that will “overhang” into the first year of the subsequent DSP period. In Subparagraph 18 d., Pike commits to attempting to purchase a hedge for the period June 1, 2024 through May 31, 2025, at the target hedge percentage. Pike proposes to purchase half of the hedge for that year in April of 2023, and the other half in October of 2023, as recommended by OCA’s witness. In its Statement in Support, OCA argued that the terms of Subparagraph 18d. are in the public interest because they will allow Pike’s default service customers to avoid the hard stop problem together with the associated price spike risks. OCA St in Supp. at 4-5 and 6-7.

OCA’s Statement in Support of the Settlement points out that, under the proposed DSP, Pike planned to employ a quarterly reconciliation mechanism, where recovery of over- or under-collections of default service costs and revenues occurring over a three-month period would be collected over the subsequent three-month period. Pike proposed that the ESAC⁵ be capped at 2 cents/kWh in either direction (charge or credit). If the 2 cents/kWh cap is reached,

⁵ Pike’s mechanism is referred to as the Energy Supply Adjustment Charge (ESAC).

the remaining over- or under-collection balance would be carried forward to the subsequent quarter. OCA St in Supp. at 5.

OCA's analysis of the level of the ESAC going back to 2016 revealed that the reconciliation adjustment has consistently and materially impacted the price of default service by at least 30 percent in each of the last eight quarters. According to OCA, large and volatile reconciliation adjustment rates are not beneficial for three reasons. First, such rates create large swings in residential default service customers' rates and monthly bills. Second, since the energy component of Pike's default service rate reflects the projected wholesale market costs to serve default service customers, a large difference between the overall default service rate and the energy component leads to inefficient retail pricing of electricity and thus inefficient usage levels. Third, large differences between the energy component and overall default service rates create incentives for customers to switch between default service and third-party supply to take advantage of the ESAC-driven difference between the rates offered by default service and competitive suppliers. OCA argued that such switching exacerbates the level of under- and over-collections and makes it harder for Pike to forecast default service sales and set accurate targets for its financial hedges. In OCA's view, this dynamic also creates cost shifts between customers who opportunistically switch into and out of default service and customers who remain on default service. OCA St. in Supp. at 5-6.

To counter the effects of Pike's proposed reconciliation mechanism, OCA's witness recommended a "six-month/12-month" reconciliation mechanism under which cost recovery of over- or under-collections occurring over a six-month period would be recovered over the subsequent 12-month period. He explained that this would provide additional stability in rates for residential default service customers, and also permit the default service rates to be more reflective of market prices since the reconciliation adjustment can be expected to be smaller than if amortization of the amounts were made over Pike's proposed three-month period. For default service rates to be market-reflective, the rate components that are independent of wholesale market prices should be as small as possible in either direction. OCA St. in Supp. at 6; OCA St. No. 1 at 17-18.

OCA supports the Settlement as it reflects the Company's acceptance of OCA's "6 month/12 month" reconciliation proposal. In particular, Paragraph 21 states that Pike will modify its current default supply rate design to incorporate a reconciliation mechanism under which over- or under-collections occurring over a six-month period would be recovered over the subsequent 12- month period rather than the quarterly reconciliation Pike now uses. In its Statement in Support, OCA explains that, since the reconciliation adjustment reflects past market outcomes rather than current market conditions, amortizing the reconciliation adjustment over 12 months will result in more market-reflective residential default service rates compared to a three-month amortization. More market-reflective default service rates will also reduce the incentive for opportunistic switching between default service and competitive supply. OCA St. in Supp. at 7.

OCA concluded its Statement in Support by noting that the adoption of its recommendations with regard to financial hedging strategy, overhanging contracts and reconciliation mechanism should result in less volatile, more stable default service rates for the Company's residential customers. The OCA further stated that this Settlement represents a reasonable and proper resolution of the issues presented by the Company's DSP proposal and should be approved by the Commission as being in the public interest and in the interest of Pike County Light and Power Company's customers. OCA St. in Supp. at 8.

OSBA

In its Statement in Support, OSBA explained that Pike's DSP, as filed, proposed to continue the same basic default service plan that has been in effect since January of 2008 with the incorporation of financial price hedging strategy beginning May 31, 2019 through the end of the current plan on May 30, 2021, as agreed to in the settlement of its 2018 DSP at Docket No. P-2018-3002709, which the Commission approved by Order dated January 17, 2019. OSBA St. in Supp. at 2-3.

Further, OSBA noted that it opposed neither the Company's filed plan to acquire default service electricity for its customers through spot market purchases with financial hedges nor its proposal to continue the current rate design. OSBA St. in Supp. at 2.

Because Pike's hedging strategy was only recently implemented in May of 2019 and was in its infancy at the start of the COVID 19 pandemic, OSBA concluded that it was just too soon to evaluate the efficacy of Pike's hedging strategy. As a result, OSBA did not object to the Company's proposal to continue the existing hedging strategy, subject only to concerns about the timing for the hedging. OSBA St. in Supp. at 3, OSBA St. No. 1 at 7.

However, OSBA took issue with OCA's proposal that the amount of load targeted to be hedged be materially increased substantially. OSBA St. in Supp. at 3, *see also* OCA St. No. 1 at 6. First, OSBA noted that Pike has a difficult history with locking in prices at high rates following Hurricanes Katrina and Rita, which lead to a need for extraordinary action by the Commission in the form of a Commission-sponsored retail aggregation program. Next, OSBA explained that the risk to default service customers with a high hedging level is a scenario in which (a) a hedge contract is locked in at a relatively high price, (b) market prices fall materially, and (c) default service customers switch to EGS supply. In this scenario, according to OSBA, low prices for the over-hedged loads increase the losses incurred by the Company and passed on to ratepayers. A larger potential problem in OSBA's view is the risk of customer migration. OSBA explains that if hedged prices are above market, customers may choose to shop, but the hedges remain in place. While Pike will target a specific percentage of the load to be hedged, if a material percentage of the default service switch to EGS supply, the actual load hedged will be much higher than the target. This would mean that Pike would need to sell more load back into the grid at prices below the hedged price, incurring losses that are passed on to remaining default service ratepayers. Moreover, OSBA noted that shopping rates at Pike have recently declined materially with the departure of Direct Energy from the market. While a shift back to shopping is presumably possible, so is a significant reduction in default service for Pike. OSBA St. in Supp. at 3-4.

OSBA noted that the Settlement resolves the Company's level of hedging on a confidential basis. OSBA St. in Supp. at 3, Settlement ¶ 18. Importantly, OSBA noted that in evaluating the Settlement provision, its concern about over-hedging is mitigated by several factors. First, electricity markets are not what they were during Pike's last DSP, when it entered into a full-requirements contract during a period of extreme disruption in natural gas markets following Hurricanes Katrina and Rita . OSBA explained that market prices are much lower now, due entirely to lower energy costs. In today's markets, electric supply prices are more heavily influenced by the capacity market, transmission costs and ancillary service, none of which are affected by the hedge. OSBA St. in Supp. at 5.

Second, OSBA argued that the risk of a downside scenario within the Settlement is mitigated by staggering the time for entering into the hedges, so that the price is not set based on market conditions in a single day. Id.

Third, OSBA stated that when evaluating the Settlement, it made its own evaluation of the relative risks of the Settlement hedging strategy based on load profile information provided by the Company. OSBA noted that this analysis was not presented in its testimony, but that it relied upon it to conclude that the hedging risk in the Settlement is relatively low. Id.

Fourth, the Settlement addresses OSBA's issue with Pike's proposal to enter into hedging arrangements far in advance of the date in which power would be hedged. According to OSBA, this long lead time increases the risk that actual prices will vary considerably from the hedged price. The Settlement addresses this issue by substantially shortening the lead time for the hedges. OSBA St. in Supp. at 5; *see* Settlement ¶ 18.

Finally, OSBA noted that the Company retains enough flexibility within the Settlement language that it is not required to enter into financial hedges during periods of market upset. OSBA St. in Supp. at 5. Thus, the OSBA concluded that the risks inherent in the hedging

strategy adopted in the Settlement are not unreasonable, and they should, at least theoretically, result in a much-needed improvement in default service rate stability at Pike. OSBA St. in Supp. at 6.

Disposition

The Joint Petition for Settlement should be approved in its entirety without modification because it is in the public interest. This Settlement complies with the relevant sections of the Public Utility Code regarding default service plans and is consistent with Commission regulations promoting settlements. Furthermore, the Settlement is supported by substantial evidence.

The Settlement helps achieve the goals of Act 129 of 2008. Through Act 129, the General Assembly found it to be the policy of the Commonwealth to promote stability in the price of electric service. For example, and as noted above, the Preamble to Act 129 provides that it is the objective of the Commonwealth to ensure the availability to all Pennsylvanians of “adequate, reliable, affordable, efficient and environmentally sustainable electric service at the least cost, taking into account any benefits of price stability over time.” *See*, Preamble to Act 129. Act 129 further declares that it is in the public interest to adopt “energy procurement requirements designed to ensure that electricity obtained reduces the possibility of electric price instability, promotes economic growth and ensures affordable and available electric service to all residents.” *Id.* In addition, Section 2807(e) requires that the default service provider follow a Commission-approved competitive procurement plan, that the competitive procurement plan include auctions, requests for proposal, and/or bilateral agreements, and that the plan include a prudent mix of spot market purchases, short-term contracts, and long-term purchase contracts designed to ensure adequate and reliable service at the least cost to customers over time. 66 Pa.C.S. §§ 2807(e)(3.1) and (3.2).

Recognizing Pike’s unique circumstances in terms of size, supplier penetration rate and the Company’s affiliation with NYISO, the Commission has approved Pike’s acquisition of default supply from solely the NYISO spot market in Pike’s prior default service

proceedings.⁶ These circumstances have not changed. Pike serves approximately 4,851 residential and commercial customers in Pike County, Pennsylvania. For calendar year 2019, the electric requirements of customers in the Company's service territory were 77,072 MWh, with a peak demand of approximately 17.5 MW. Pike provides transmission and distribution services, and EGSs provide generation services to approximately 27 percent of Pike's customers. PCLP St. No. 1 at 3-4. In addition, the Company now acquires all of its supply from Orange and Rockland from the NYISO spot market pursuant to an Electric Supply Agreement that the Commission approved as part of Corning Natural Gas Holding Corporations' acquisition of Pike from Orange and Rockland.⁷ The Settlement allows Pike to continue the purchase of its default service electric generation supplies on the NYISO spot energy market along with necessary capacity, ancillary services, and alternative energy credits.

However, reliance solely on the spot market has raised issues of price volatility in past proceedings. To advance the Act 129 goals of price stability and prudent mix, Pike's last DSP proceedings produced a settlement that allowed Pike to undertake a financial hedging strategy as part of its default service procurement. The present Settlement includes a similar hedging procurement strategy as part of Pike's default service plan for the period of June 1, 2021, to May 31, 2024. Although much of the details regarding the hedging procurement strategy are proprietary, in general, the Settlement hedges the variable spot market rate with an additional procurement strategy. The hedging program is strictly a financial transaction, in which the Company enters into a fixed-for-floating hedge with a counterparty, wherein Pike would pay the counterparty a fixed per MWh price, and the counterparty would pay Pike the spot price. When combined with the spot purchases, Pike would implicitly pay the fixed price for all the MWh hedged. The amount hedged is a specified MW amount for each hour of the day (*i.e.*, around-the-clock aka ATC). *See* OSBA St. in Supp. at 3, OSBA St. No. 1 at 7.

⁶ *See Petition of Pike County Light & Power Company for Approval of its Default Service Implementation Plan*, Docket No. P-2015-2490141 at 11, 17 (Order entered Mar. 10, 2016).

⁷ *Joint Application of Pike County Light & Power Co., et al. for a Certificate of Public Convenience*, Docket No. A-2015-25 17036 et al. (Order entered Aug. 11, 2016).

In addition, certain pricing protections in the Highly Confidential Settlement protect consumers from paying too much for the benefit of price stability. As OSBA noted, the language of the Settlement affords the Company enough flexibility that it is not required to enter into financial hedges during periods of market upset. OSBA St. in Supp. at 5. Pursuant to the Settlement, if bids are not within a certain threshold, Pike will not accept them and will try to procure the hedge again within those parameters. If the market is such that price stability cannot be provided at a reasonable cost, no hedge will occur, and Pike's DSP procurement will essentially be the same as it has been in the past. *See* Settlement ¶ 18. These provisions, in addition to safeguards on the amount and the timing of hedge purchases, will give rate payers price protections which will bring Pike closer to the spirit of Act 129 and the objectives of competitive procurement plans.

As Pike noted in its Statement in Support of the Settlement, allowing the Company to engage in a financial hedge allows Pike to engage in longer-term contracts for portions of its default supply. *See* Pike St. in Supp. at 3. Doing so will enable Pike to meet the goals contained in Act 129 and will provide more stability and certainty in the rates charged to consumers because the variable spot market rate can be volatile. More stability and certainty is in the public interest.

The Settlement also helps achieve the goals of the Electricity Generation Customer Choice and Competition Act. 66 Pa.C.S. § 2801 *et seq.* (“the Competition Act”). The General Assembly noted as part of its declaration of policy in the Competition Act, among other things, that “[t]he purpose of [the Competition Act] is to modify existing legislation and regulations and to establish standards and procedures in order to create direct access by retail customers to the competitive market for the generation of electricity while maintaining the safety and reliability of the electric system for all parties.” 66 Pa.C.S. § 2802(12); *see also*, 66 Pa.C.S. § 2802(7) (“[t]his Commonwealth must begin the transition from regulation to greater competition in the electricity generation market to benefit all classes of customers”) and 66 Pa.C.S. § 2802(13) (“[t]he procedures established under this chapter provide for a fair and orderly transition from the current regulated structure to a structure under which retail customers

will have direct access to a competitive market for the generation and sale or purchase of electricity.”).

The provisions of the Settlement help to achieve these goals. Significantly, in Paragraph 24 of the Settlement, Pike agrees to continue to abide by the communication access provisions for electric generation suppliers stated in paragraphs 20 through 24 of the Joint Petition for Settlement at Docket No. P-2018-3002709 (*2018 Settlement*) that the Commission approved by Order dated January 17, 2019. Those provisions are as follows:

20. Pursuant to the Commission’s Orders in Docket No. M-2010-2183412 and pursuant to providing customers notice and opportunity to opt out as stated in those Orders, Pike will develop an eligible customer list (ECL) by March 1, 2019 and will update its ECL on a monthly basis. Pike will provide its ECL to electric generation suppliers serving in its territory on a monthly basis and upon request. The ECL is to include, at a minimum, the following information:

- ECL Revision Date
- Customer Account Number
- Customer Name
- Service Address
- Billing Address
- Billing Country Code (if available)
- Tariff Rate Class and Schedule
- Rate Subclass/Rate Subcode (if available)
- Meter Read Cycle
- Load Profile Group per Tariff
- Transmission/Capacity Obligation (NYISO) (Current/Future) (if available)
- POLR/Shopping Status (Y or N)
- Monthly Consumption (each of 12 months)(KWH)
- On Peak/Off Peak Consumption (each of 12 months)(KWH) (if available)
- Monthly Peak Demand (each of 12 months) (KW) (if available)
- Interval Meter (Y or N)
- Net Metering (Y or N)
- Sales Tax Status (Y or N)

21. Commencing 30 days following entry of the Commission's final order in this docket, Pike will provide cash reconciliation files to electric generation suppliers on a monthly basis during the week that the supplier receives wired funds.

22. Commencing 30 days following entry of the Commission's final order in this docket, Pike will provide electric generation suppliers with billing files that, at a minimum, provide the following information: read dates, usage, rate, tax, invoiced amount and purpose of the transaction (i.e., original, cancel, rebill).

23. Commencing 30 days following entry of the Commission's final order in this docket, Pike will provide electric generation suppliers serving customers in the service territory with monthly sync lists that provide a list of accounts the electric generation supplier is currently serving, has recently enrolled but the enrollment is still pending, or has dropped within the past 12 months.

24. Commencing 30 days following entry of the Commission's final order in this docket, Pike will respond to any enrollment, drop or change request submitted by an electric generation supplier within two business days of the request via e-mail acknowledging that the information was received and the date on which it will be processed, which shall be no later than 3 business days from the email acknowledging receipt of the request.

2018 Settlement.

The incorporation of certain *2018 Settlement* provisions into the present Settlement will continue to promote competition in Pike's service territory. In particular, by incorporating the provisions of paragraph 20 from the *2018 Settlement*, the present Settlement continues Pike's obligation to update the eligible customer list on a monthly basis. This list will continue to provide 17 pieces of customer data, such as account number, name, address, etc. In addition, the present Settlement continues Pike's obligation to: 1) provide cash reconciliation files to EGSs on a monthly basis during the week that the supplier receives wire funds; 2) provide EGSs with billing files that, at a minimum, provide the read dates, usage, rate, tax, invoiced amount and purpose of the transaction; 3) provide EGSs serving customers in its service territory with monthly sync lists that provide a list of accounts the EGS is currently serving, has recently enrolled but the enrollment is still pending or has dropped within the past 12 months;

and 4) respond to any enrollment, drop or change request submitted by an EGS within two business days of the request via email acknowledging that the information was received and the date on which the request will be processed, which shall be no later than three business days from the email acknowledging receipt.

All of these provisions are consistent with the Competition Act because they will help promote competition in Pike's service territory by making it easier for EGSs to provide competing service. The inclusion of these provisions in the present Settlement furthers Pike's progress toward promoting competition and reflects the Settling Parties' commitment to reach a settlement.

Other provisions of the Settlement are in the public interest and warrant adopting the Settlement in its entirety without modification. In particular, the Settlement continues Pike's obligation to comply with various reporting requirements which were first established in the terms of the 2018 Settlement. For example, within ten days of completing each procurement in the hedging procurement strategy, Pike will provide a detailed report to the Commission, the OCA and the OSBA regarding the results of the procurement, the number of counterparty bids received and the forward market prices against which the bids were evaluated. Settlement ¶ 19. The Settlement also requires that Pike submit a report to the Commission, the OCA and the OSBA if no bids were found to be acceptable after the hedging procurement strategy explaining the circumstances of why no acceptable bids were offered and what plans Pike has for redoing the procurement, to the extent known. Settlement ¶ 20. These provisions of the Settlement are providing the Company with continued oversight to ensure that it is complying with the terms set forth in the settlement. Such oversight is in the public interest.

The Settlement is also in the public interest and should be adopted without modification because the parties have agreed that various Commission regulations would be waived as part of the DSP. These regulations include Sections 54.185(e)(2), 54.185(e)(6), 69.1805, 69.1805(1), 69.1805(2), 69.1805(3) and 69.1807(3). These regulations provide requirements regarding procurement policies and customer switching.

Section 54.185 of the Commission's regulations governs requests for waivers of default service plans. This Section provides:

§ 54.185. Default service programs and periods of service.

(g) DSPs shall include requests for waivers from the provisions of this subchapter in their default service program filings. For DSPs with less than 50,000 retail customers, the Commission will grant waivers to the extent necessary to reduce the regulatory, financial or technical burden on the DSP or to the extent otherwise in the public interest.

52 Pa.Code § 54.185(g). Pike noted in its Statement in Support of the Settlement that the Commission has granted each of the waivers Pike requested in past DSP proceedings.⁸ No party opposed Pike's requested waivers. Pike qualifies for such waivers because it has less than 50,000 retail customers. As such, to the extent that granting the waivers is necessary to reduce the regulatory, financial or technical burden on Pike, or is otherwise in the public interest, I will recommend that the Commission grant these waiver requests as part of this proceeding.

All of these provisions of the Settlement collectively support approving the Settlement without modification as being in the public interest. It is clear that the Settling Parties have thoroughly analyzed the initial filing through multiple rounds of discovery and pre-served testimony and have addressed several important issues, including issues that have been heard by the Commonwealth Court. The Settling Parties are commended on working together to reach an amicable resolution of multiple issues.

Furthermore, as is the case with most settlements, the Settlement should be approved as being in the public interest because the Settlement will save the parties from expending substantial time and expense involved with further litigation. Although the Settling Parties exchanged discovery and extensive pre-served testimony, additional costs could have included lengthy hearings, briefs, exceptions and possible appeals. Avoiding such expenditures minimizes the costs that might ultimately be passed on to the ratepayers, and also conserves the

⁸ Pike was also granted a waiver of the Commission's Electronic Data Interchange (EDI) requirements at Docket No. P-2018-3005165. Pike St. in Supp. at 5.

resources of all other parties involved in these proceedings and Commission resources as well. This is particularly true given the history of this matter with prior proceedings being fully litigated and also appealed to the Commonwealth Court.

In addition, the Settlement should be approved as being in the public interest because the Settling Parties have engaged in extensive discovery and other litigation-related efforts in order to properly investigate and resolve the issues presented, much of which was admitted into the record via stipulation. These efforts demonstrate that the initial filings and the responses to the filings have been thoroughly vetted and considered by all concerned parties. The Settlement is also the result of extensive and fruitful negotiations between all the parties and represents what each party believes to be a fair and reasonable compromise. These efforts also demonstrate that the parties are satisfied that there are no unresolved evidentiary issues at this point in the proceeding.

Further, the Settlement should be approved because it is supported by substantial evidence. Decisions of the Commission must be supported by substantial evidence on appeal. 2 Pa.C.S. § 704. As noted above, the Settling Parties stipulated to the admission of the pre-served testimony in this proceeding. The admission of the pre-served testimony supports adopting the Settlement.

As a result, the Settlement will be recommended for approval without modification because it is in the public interest, consistent with the Public Utility Code and supported by substantial evidence.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the subject matter of, and the parties to, this proceeding. 66 Pa.C.S. § 2807.
2. Pike has the burden of proof in this proceeding to establish that it is entitled to the relief it is seeking. 66 Pa.C.S. § 332(a).

3. Pike must establish its case by a preponderance of the evidence. Samuel J. Lansberry, Inc. v. Pa. Pub. Util. Comm'n, 578 A.2d 600 (Pa.Cmwlt. 1990), alloc. den., 602 A.2d 863 (Pa. 1992).

4. Commission policy promotes settlement. *See* 52 Pa. Code § 5.231.

5. A settlement lessens the time and expense that the parties must expend litigating a case and, at the same time, conserves precious administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa. Code § 69.401.

6. In order to accept a settlement, the Commission must determine that the proposed terms and conditions are in the public interest. Pa. Pub. Util. Comm'n v. York Water Co., Docket No. R-00049165 (Order entered Oct. 4, 2004); Pa. Pub. Util. Comm'n v. C.S. Water & Sewer Assocs., 74 Pa. PUC 767 (1991).

7. Act 129 of 2008 seeks to ensure the availability to all Pennsylvanians of “adequate, reliable, affordable, efficient and environmentally sustainable electric service at the least cost, taking into account any benefits of price stability over time.” Preamble to Act 129 of 2008.

8. Act 129 of 2008 declares that it is in the public interest to adopt “energy procurement requirements designed to ensure that electricity obtained reduces the possibility of electric price instability, promotes economic growth and ensures affordable and available electric service to all residents.” Preamble to Act 129 of 2008.

9. Default service providers must follow a Commission-approved competitive procurement plan that includes auctions, requests for proposal, and/or bilateral agreements and a prudent mix of spot market purchases, short-term contracts, and long-term purchase contracts designed to ensure adequate and reliable service at the least cost to customers over time. 66 Pa.C.S. §§ 2807(e)(3.1) and (3.2).

10. A default service provider's plan must include prudent steps necessary to negotiate favorable generation supply contracts, prudent steps necessary to obtain least cost generation supply contracts on a long-term, short-term and spot market basis and that neither the default service provider nor its affiliated interest has withheld from the market any generation supply in a manner that violates federal law. 66 Pa.C.S. § 2807(e)(3.7).

11. One purpose of the Electricity Generation Customer Choice and Competition Act is to modify existing legislation and regulations and to establish standards and procedures in order to create direct access by retail customers to the competitive market for the generation of electricity while maintaining the safety and reliability of the electric system for all parties. 66 Pa.C.S. § 2802(12).

12. For default service providers with less than 50,000 retail customers, the Commission will grant waivers to the extent necessary to reduce the regulatory, financial or technical burden on the default service provider or to the extent otherwise in the public interest. 52 Pa. Code § 54.185(g).

13. The Joint Petition of All Parties for Settlement submitted in this proceeding on February 19, 2021 should be adopted in its entirety without modification because it is in the public interest and consistent with Commission regulations regarding settlements.

ORDER

THEREFORE,

IT IS RECOMMENDED:

1. That the Joint Petition of All Parties for Settlement submitted by Pike County Light and Power Company, the Office of Consumer Advocate, and the Office of Small

Business Advocate on February 19, 2021, at Docket Number P-2020-3022988, be approved in its entirety without modification.

2. That the Petition for Approval of a Default Service Plan and Waiver of Commission Regulations filed on November 13, 2020 by Pike County Light and Power Company at Docket Number P-2020-3022988 be approved as modified by the Settlement filed on February 19, 2021.

3. That Pike County Light & Power Company shall file appropriate tariff supplements to be effective June 1, 2021.

4. That, upon acceptance and approval of by the Commission of the tariff supplements filed by Pike County Light & Power Company consistent with this Recommended Decision, the Commission's proceeding at Docket Number P-2020-3022988 shall be marked closed.

Date: March 17, 2021

/s/
Eranda Vero
Administrative Law Judge