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April 9, 2021

By Electronic Filing

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

Re: Pike County Light & Power Company 2020 General Base Rate Increase (Electric)
Filing; Docket No. R-2020-3022135; **JOINT PETITION FOR PARTIAL
SETTLEMENT**

Dear Secretary Chiavetta:

Enclosed you will find the Joint Petition for Partial Settlement in the above-captioned proceeding. Copies have been served in accordance with the attached Certificate of Service. Should you have any questions, please feel free to contact me directly.

Very truly yours,

/s/ Thomas J. Sniscak

Thomas J. Sniscak, Esq.
Whitney E. Snyder, Esq.
Kevin J. McKeon, Esq.
Bryce R. Beard, Esq.

Counsel for Pike County Light and Power Company

BRB/das
Enclosures

cc: Honorable Mary D. Long (via email malong@pa.gov)
Marc Hoffer (via email mhoffer@pa.gov)
Marissa Boyle (via email maboyle@pa.gov)
Jordan Van Order (via email jvanorder@pa.gov)
Per Certificate of Service

CERTIFICATE OF SERVICE

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

VIA ELECTRONIC MAIL ONLY

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/s/ Thomas J. Sniscak

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Bryce R. Beard, Esq.

Dated: April 9, 2021

**BEFORE THE PENNSYLVANIA
PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2020-3022135
	:	
Pike County Light & Power Company	:	
(Electric)	:	

**JOINT PETITION FOR PARTIAL SETTLEMENT
OF RATE INVESTIGATION**

Pike County Light & Power Company ("Pike (Electric)" or "Company"), the Bureau of Investigation and Enforcement ("I&E"), the Office of Consumer Advocate ("OCA"), and the Office of Small Business Advocate ("OSBA") collectively referred to as "Joint Petitioners," by their respective counsel, respectfully request: (a) that Administrative Law Judge Mary D. Long ("ALJ Long" or "ALJ") recommend approval of this Joint Petition for Partial Settlement of Rate Investigation ("Petition" or "Partial Settlement"), without modification, under the terms and conditions as set forth herein; (b) that the Pennsylvania Public Utility Commission ("Commission") adopt said ALJ recommendation and approve this Partial Settlement and resolve the matters reserved for litigation; and (c) that the Commission permit Pike (Electric) to file tariff supplements, effective on one (1) days' notice for service rendered on and after the entrance of the Order approving the Partial Settlement and resolving the matters reserved for litigation, but in any event no sooner than July 28, 2021. In support of this Partial Settlement, the Joint Petitioners set forth the following:

I. FACTUAL AND PROCEDURAL BACKGROUND

1. On October 26, 2020, Pike (Electric) filed with the Commission Supplement No. 82 to Tariff Electric - Pa. P.U.C. No. 8 to become effective December 28, 2020 Supplement No. 82 to Tariff Electric - PA P.U.C. No. 8 contains proposed changes in Pike (Electric)'s rates, rules, and regulations and sets forth a request to adjust current electric rates in order to produce additional distribution revenues of \$1,933,600 per year, an increase of approximately 19.4% in overall electric revenues (including an estimate of electric supply costs for full service and retail access customers), or 37.0% in electric distribution revenues, based on the twelve months ended June 30, 2021.

2. Notices of Appearance were filed by I&E on November 3, 2020; OSBA on November 13, 2020; and OCA on November 16, 2020.

3. On December 17, 2020, the Commission entered an Order suspending the effective date of the proposed tariff until July 28, 2021 and instituted an investigation into the rate filing.

4. ALJ Mary D. Long was assigned to the instant matter and presided over a Pre-Hearing Conference on January 11, 2021.

5. On January 14, 2021, the ALJ issued a Prehearing Order setting forth the litigation schedule for the proceeding, including dates for telephonic evidentiary hearings.

6. On January 19, 2021, the ALJ issued a Public Hearing Notice setting forth the schedule for telephonic hearings seeking customers' input.

7. On February 8, 2021, at 1:00 PM and 6:00 PM, Public Input Hearings were held. Multiple customers of Pike (Electric) provided testimony regarding the proposed rate increase.

8. During the course of this proceeding, I&E, OCA, and OSBA submitted and Pike (Electric) responded to more than 175 multi-part interrogatories and discovery requests.

9. In addition, the parties filed testimony in this proceeding. The Company filed the Direct Testimony of the following witnesses on October 26, 2020 together with its rate filing:

- a. Cost of Service / Rate Panel – Paul Normand and Debbie Gajewski
- b. Accounting Panel – Charles A. Lennox, Vice President and Chief Financial Officer, Corning Natural Gas Holding Company and Richard A. Kane; and
- c. Steven Grandinali – General Manager, Pike County Light & Power Company.

10. The Company filed Rebuttal Testimony from its Cost of Service / Rate Panel, Accounting Panel, and Steven L. Grandinali on February 8, 2021.

11. The OSBA filed the Direct, Rebuttal, and Surrebuttal Testimony along with Exhibits of Robert D. Knecht on February 2, 2021, February 22, 2021, and March 4, 2021 respectively.

12. I&E filed the Direct Testimony and Exhibits of John Zalesky, Anthony Spadaccio and Esyan A. Sakaya on February 2, 2021 and Surrebuttal Testimony and Exhibits of John Zalesky, Anthony Spadaccio and Esyan A. Sakaya on March 4, 2021.

13. The OCA filed the Direct Testimony and Exhibits of Dante Mugrace, Karl R. Pavlovic, and Marlon Griffing on February 2, 2021, Rebuttal Testimony of Karl R. Pavlovic on February 22, 2021, and Surrebuttal Testimony and Exhibits of Dante Mugrace, Karl R. Pavlovic and Marlon Griffing on March 4, 2021.

14. Following the filing of testimony and exhibits and before the date for the commencement of evidentiary hearings in this matter, the parties met and engaged in settlement

negotiations resulting in this Partial Settlement. Joint Petitioners agreed to a proposed revenue increase and certain other settlement terms. Issues of Revenue Allocation, Rate Structure and Rate Design have been reserved for litigation. The Joint Petitioners filed Main Briefs and Reply Briefs on reserved matters on April 5 and April 9, respectively.

15. Except for matters reserved for litigation, Joint Petitioners are in full agreement that Commission approval of this Partial Settlement would result in rates that are just and reasonable and therefore in the public interest.

II. TERMS AND CONDITIONS OF SETTLEMENT

16. Under the terms of the Partial Settlement, Pike (Electric) will be permitted to establish rates which will produce an overall increase in annual electric distribution operating revenues of approximately \$1.4 million, an increase of 13.8% in overall electric revenues, and 26.9% in electric distribution revenues.

17. Rates will be effective on one day's notice for service rendered no sooner than July 28, 2021.

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

- a. *Effective Date* - The rates reflecting the increase set forth above will become effective no sooner than July 28, 2021. Pike (Electric) agrees that it will not file for a Distribution System Improvement Charge (“DSIC”) with an effective date that is prior to July 1, 2022. Pike (Electric) is allowed to file a tariff or tariff supplement proposing changes in its State Tax Adjustment Surcharge, System Benefits Charge, Tax Cuts and Jobs Act Surcharge, Default Service rates, including the Market Price for Electric Supply, Electric Supply Adjustment

Charge, and any successor charges. In addition, Pike (Electric) is allowed to file for the recovery and / or refund of costs resulting from legislative changes and / or mandates (e.g., changes to federal income tax rates). Nothing in this paragraph is intended to limit Pike (Electric) rights under Section 1308(e) (governing extraordinary rate relief).

b. *Revenue Allocation/Rate Structure/Rate Design* — Reserved for Litigation

c. *Customer Charge* – Joint Petitioners have agreed to the following Customer Charges:

SC1 – Residential Heating & Non-Heating: \$8.80

SC2 – Small Commercial & Industrial (Secondary): \$17.26

SC2 - Large Commercial & Industrial (Primary): \$140.00

d. *Other Tariff Changes* – Pike (Electric) introduced eight new LED Street light and two LED flood light luminaries and the associated charges for SC-3, Municipal Street lights. Induction Street light and Incandescent flood light luminaries and the associated charges for SC-3, municipal street lights have been eliminated. The Company also introduced four new LED lighting and two LED flood lighting luminaries and the associated charges for SC-4, private lighting. Mercury Vapor lighting luminaries and the associated charges for SC-4, private lighting have been eliminated.

e. *Storm Expense* - Deferred storm expenses of \$977,630 will be amortized over five-years at the rate of \$195,526 per annum.

f. *Tax Cuts and Jobs Act (“TCJA”) Surcharge Credit* – The Company will pass back TCJA credits deferred during the current and stub periods of approximately

\$180,700 at June 30, 2021, using the current TCJA temporary surcharge credit mechanism over a period of six-months with interest using the residential mortgage lending rate specified by the Secretary of Banking in accordance with the Loan Interest Protection Law (41. P.S. §§ 101, et seq.).

- g. *Deferred TCJA “Protected” Balances* – The Protected TCJA credit balance of \$110,645 as of June 30, 2021 is reflected as a rate base deduction and the unamortized balance will continue to reduce rate base in future proceedings until the balance is fully returned to ratepayers. The Company will amortize the Protected TCJA balance over forty-years as a credit to expense at the rate of \$2,766 per annum.
- h. *Deferred TCJA “Non-Protected” Balances* – The Non-Protected TCJA credit balance of \$73,270 as of June 30, 2021 is reflected as a rate base deduction and the unamortized balance will continue to reduce rate base in future proceedings until the balance is fully returned to ratepayers. The Company will amortize the Non-Protected TCJA balance over five-years as a credit to expense at the rate of \$14,654 per annum.
- i. *DSIC Surcharge* – LTIP Projects approved by the PAPUC in Docket No. P-2020-3022285 will not include plant claimed in this rate case for the July 1, 2021 through December 31, 2021 period of \$275,000 and all plant placed in service prior to June 30, 2021. The Company will be permitted to include the Civil portion of the 34.5 Kv underground project estimated at \$450,000 in the DSIC after that project is placed into service. For purposes of calculating its DSIC, Pike (Electric) shall use the equity return rate for electric utilities contained in the

Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities as updated each quarter consistent with any changes to the equity return rate for electric utilities contained in the most recent Quarterly Earnings Report, consistent with 66 Pa. C.S. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa. C.S. § 1358(b)(1).

- j. *Depreciation Rates* – No party objected to the Company's proposed plant depreciation and amortization rates. The depreciation / amortization rates are contained in **Appendix A**.

19. Joint Petitioners have agreed to undertake best efforts to provide this Petition and all supporting documentation as promptly as possible with the goal of having the rates become effective by July 28, 2021, subject to resolution of the matters reserved for litigation.

20. By separate Stipulation for the Admission of Testimony and Exhibits into the Evidentiary Record, the Joint Petitioners requested and stipulated to the admission of the following into the evidentiary record by order entered March 15, 2021:

Pike County Light and Power Company Testimony and Exhibits (Electric):

Direct Testimony

- A. Pike County Light & Power Company Statement No. 1 - Direct Testimony of Electric Rate Panel including Exhibits E-6, E-7 and E-8;
- B. Pike County Light & Power Company Statement No. 2 - Direct Testimony of Accounting Panel including Exhibits E-1, E-2, E-3, E-4, and E-5; and
- C. Pike County Light & Power Company Statement No. 3 - Direct Testimony of Steven L. Grandinali.

Rebuttal Testimony

- A. Pike County Light & Power Company Statement No. 1-R - Rebuttal Testimony of Electric Rate Panel including Exhibit E-6 update and E-7 update;

- B. Pike County Light & Power Company Statement No. 2-R – Update/Rebuttal Testimony of Accounting Panel including Appendix A, Exhibit E-3 update, and Exhibit E-4 update; and
- C. Pike County Light & Power Company Statement No. 3-R – Rebuttal Testimony of Steven L. Grandinali.

Bureau of Investigation and Enforcement Testimony and Exhibits (Electric):

Direct Testimony

- A. I&E Statement No. 1 - Direct Testimony of John Zalesky including I&E Exhibit No. 1 (PROPRIETARY);
- B. I&E Statement No. 2 - Direct Testimony of Anthony Spadaccio including I&E Exhibit No. 2;
- C. I&E Statement No. 3 - Direct Testimony of Esyan Sakaya including I&E Exhibit No. 3;

Surrebuttal Testimony

- A. I&E Statement No. 1-SR – Surrebuttal Testimony of John Zalesky;
- B. I&E Statement No. 2-SR - Surrebuttal Testimony of Anthony Spadaccio;
- C. I&E Statement No. 3-SR - Surrebuttal Testimony of Esyan Sakaya including I&E Exhibit No. 3-SR

Office of Consumer Advocate Testimony and Exhibits (Electric):

Direct Testimony

- A. OCA Statement No. 1 - Direct Testimony of Dante Mugrace in both PUBLIC and CONFIDENTIAL format and including Schedules DM-1 through DM-23;
- B. OCA Statement No. 2 - Direct Testimony of Karl Pavlovic including Exhibits KRP-1 through KRP-11; and
- C. OCA Statement No. 3 - Direct Testimony of Marlon Griffing including Exhibits MFG-1 through MFG-14.

Rebuttal Testimony

- A. OCA Statement No. 2-R – Rebuttal Testimony of Karl Pavlovic;

Surrebuttal Testimony

- A. OCA Statement No. 1-SR – Surrebuttal Testimony of Dante Mugrace and including Schedules SR DM-1 through SR DM-23;
- B. OCA Statement No. 2-SR - Surrebuttal Testimony of Karl Pavlovic; and
- C. OCA Statement No. 3-SR - Surrebuttal Testimony of Marlon Griffing including Exhibits MFG-8 Corrected and MFG-15 through MFG-19.

Office of Small Business Advocate Testimony and Exhibits (Electric):

Direct Testimony

- A. OSBA Statement No. 1 - Direct Testimony of Robert Knecht including Exhibits IEC-1 through IEC-3;

Rebuttal Testimony

- A. OSBA Statement No. 1-R – Rebuttal Testimony of Robert Knecht;

Surrebuttal Testimony

- A. OSBA Statement No. 1-S – Surrebuttal Testimony of Robert Knecht.

21. Joint Petitioners agree that adoption and approval of this Petition for Partial Settlement by the ALJ and the Commission is in the public interest. While the revenue allocation of the \$1,400,000 settlement revenue requirement was not settled, the Joint Petitioners have settled on customer charges, and the comparison of those impacts are provided below:

Pike County Light & Power Company					
Electric Rate Case Filing					
Docket No. R-2020-3022135					
	Present	As Filed		Proposed Settlement	
Customer Charge	Rates	Amount	% Increase	Amount	% Increase
SC1 - Residential Heating & Non-Heating	\$8.50	\$11.70	37.6%	\$8.80	3.5%
SC2- Small Commercial & Industrial (Secondary)	\$13.60	\$18.73	37.7%	\$17.26	26.9%
SC2- Large Commercial & Industrial (Primary)	\$110.90	\$152.00	37.1%	\$140.00	26.2%

22. This Partial Settlement provides for a sound and reasonable revenue requirement and appropriately balances the interests of Pike (Electric) and its customers. In addition, adoption and approval of this Petition for Partial Settlement will avoid the need for the evidentiary hearings and the cross-examination of witnesses, for briefing, and for continued litigation of the settled issues, thereby eliminating substantial costs.

23. This Petition for Partial Settlement arises from extensive discovery, testimony and discussions and reflects compromises by all sides. It is being proposed to partially settle the instant case. Accordingly, this Petition for Partial 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 Partial Settlement be rejected or modified), or in any other proceeding.

24. If the Commission withholds approval of this Petition for Partial 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 (3) business days of the date of entry 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.

25. Joint Petitioners agree that Commission approval of this Petition for Partial Settlement without modification 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.

26. In the event that the Commission does not approve this Petition for Partial Settlement, the Joint Petitioners reserve their respective rights to resume litigation. If the ALJ, in her Recommended Decision, recommends that the Commission adopt this Petition for Partial

Settlement as herein proposed, Joint Petitioners agree to waive the filing of Exceptions on the matters settled in this Petition. However, Joint Petitioners do not waive their rights to file Exceptions with respect to the litigated issue on Rate Structure and Design, any additional matters dealt with, or any modifications to the terms and conditions of this Petition for Partial Settlement recommended by the ALJ in her Recommended Decision.

27. The Joint Petitioners recognize that this Petition for Partial Settlement does not bind formal complainants who have not joined herein.

28. Pike (Electric), I&E, OCA, and OSBA have attached to this Petition for Partial Settlement, as **Appendices "B", "C", "D", and "E"**, respectively, Statements of Support setting forth the bases upon which they believe the Partial Settlement is fair, just and reasonable and is, therefore, in the public interest.

29. In compliance with the ALJ's March 10, 2021 Order at Ordering paragraph 6, the parties have attached to this Petition for Partial Settlement **Appendix F**, the proposed finding of fact conclusions of law, and ordering paragraphs.

30. The Joint Petitioners agree that this Partial 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 ALJ Long and the Commission approve this Petition for Partial Settlement inclusive of its terms and conditions without modification;
2. That the Commission permit Pike (Electric) to file a tariff supplement on one day's notice, so as to increase distribution revenues of Pike (Electric) by approximately \$1,400,000, beginning no sooner than for service rendered on and after July 28, 2021, subject to resolution of the issues reserved for litigation; and
3. That the Commission terminate and mark closed its inquiry and investigation at Docket No. R-2020-3022135, including all complaint dockets associated therewith.

Respectfully submitted,

**PIKE COUNTY LIGHT & POWER
COMPANY (ELECTRIC)**

OFFICE OF CONSUMER ADVOCATE

By: /s/ Thomas J. Sniscak

By: _____

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Whitney E. Snyder, Esq.
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*Counsel for Pike County Light and Power
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**BUREAU OF INVESTIGATION
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**OFFICE OF SMALL BUSINESS
ADVOCATE**

By: _____

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Respectfully submitted,

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Date: April 9, 2021

Respectfully submitted,

**PIKE COUNTY LIGHT & POWER
COMPANY (ELECTRIC)**

OFFICE OF CONSUMER ADVOCATE

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*Counsel for Pike County Light and Power
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By: _____

By: /s/ Sharon E. Webb _____

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APPENDIX A

DEPRECIATION / AMORTIZATION RATES

**PIKE COUNTY LIGHT AND POWER COMPANY
ELECTRIC DEPRECIATION / PLANT AMORTIZATION RATES**

<u>ACCOUNT</u>	<u>ACCOUNT TITLE</u>	<u>LIFE TABLE</u>	<u>AVERAGE SERVICE LIFE</u> (years)	<u>NET SALVAGE FACTOR</u> (percent)	<u>ANNUAL DEPRECIATION RATE</u> (percent)	<u>NET SALVAGE (A)</u> (in dollars)
<u>ELECTRIC UTILITY PLANT</u>						
<u>DISTRIBUTION PLANT</u>						
360000	LAND AND LAND RIGHTS - EASEMENTS	h3.0	50	-	2.00%	-
360100	LAND AND LAND RIGHTS - FEE	-	-	-	-	-
361000	STRUCTURES AND IMPROVEMENTS	h3.0	50	-	2.00%	-
362000	STATION EQUIPMENT	h1.5	40	-	2.50%	-\$0.78
364000	POLES, TOWERS, AND FIXTURES	h1.5	45	-	2.22%	\$16,347.83
365500	OVERHEAD CONDUCTOR AND DEVICES	h2.0	50	-	2.00%	\$12,783.42
365600	OVERHEAD CONDUCTOR CAPACITORS	h1.5	30	-	3.33%	\$89.45
366000	UNDERGROUND CONDUIT	h2.5	65	-	1.54%	\$142.71
367000	UNDERGROUND CONDUCTOR AND DEVICES	h3.0	50	-	2.00%	\$147.14
368100	OVERHEAD LINE TRANSFORMERS	h1.0	35	-	2.86%	\$2,144.19
368200	INSTALLATION OF OVERHEAD LINE TRANSFORMERS'	h1.0	35	-	2.86%	\$2,347.94
368300	UNDERGROUND LINE TRANSFORMERS	h1.0	35	-	2.86%	-\$1,474.21
368400	INSTALLATION OF UNDERGROUND LINE TRANSFORMERS	h1.0	35	-	2.86%	\$107.35
369100	OVERHEAD SERVICES	h3.0	55	-	1.82%	\$3,581.50
369200	UNDERGROUND SERVICES	h3.0	55	-	1.82%	\$315.91
370100	METERS- ELECTRO MECHANICAL	h1.5	20	-	5.00%	-\$201.42
370110	METERS - SOLID STATE	h1.5	20	-	5.00%	-\$3,413.74
370200	METER INSTALLATIONS - ELECTRO MECHANICAL	h1.5	20	-	5.00%	-
370210	METER INSTALLATIONS - SOLID STATE	h1.5	20	-	5.00%	-
373100	OVERHEAD STREET LIGHTS	h1.0	35	-	2.86%	\$831.56
<u>GENERAL EQUIPMENT</u>						
394000	SMALL TOOLS AND EQUIPMENT	Amortization	5	-	20.00%	-
<u>COMMON UTILITY PLANT</u>						
<u>BUILDINGS & YARDS</u>						
390000	STRUCTURES 8. IMPROVEMENTS - WESTFALL	h 1.5	45	-	2.22%	-
390000	STRUCTURES ft IMPROVEMENTS - MILFORD	Amortization	5	-	20.00%	-
<u>GENERAL EQUIPMENT</u>						
391100	OFFICE FURNITURE & EQUIPMENT	Amortization	5	-	20.00%	-
391200	OFFICE FURNITURE & EQUIPMENT- MISCELLANEOUS	Amortization	5	-	20.00%	-
391300	OFFICE FURNITURE & EQUIPMENT- COMPUTERS / SOFTWARE	Amortization	10	-	10.00%	-
392000	VEHICLES AND TRANSPORTATION EQUIPMENT	Amortization	5	-	20.00%	-
397000	COMMUNICATIONS EQUIPMENT - TELEPHONE SYSTEM	Amortization	5	-	20.00%	-
398000	MISCELLANEOUS EQUIPMENT	Amortization	5	-	20.00%	-
<u>INTANGIBLE</u>						
303000	TRADE NAME (B)	Amortization	15	-	6.67%	-

(A) Annual net salvage allowance included in depreciation expense in lieu of recovery / passback through the annual depreciation rate.

(B) Amortization of Trade Name expense is charged "Below the Line" to FERC Account 425 - Miscellaneous Amortization Expense.

In addition to the depreciation produced by application of the above rates, the following additional amounts are being credited to depreciation expense to amortize a Depreciation Reserve Excess:

	<u>Total</u>	<u>Annual</u>	<u>Amortization End Date</u>
Reserve Excess - Case R-2008-2046518	-\$416,318	-\$16,000	March 2035

APPENDIX B

PIKE (ELECTRIC) STATEMENT IN SUPPORT

The Partial 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. The Joint Petitioners engaged in meaningful settlement discussions to seek an amicable resolution of the issues in the case. With the exception of the allocation of the rate increase between customer classes and rate design necessary to recover the increase in revenues of \$1.4 million, all other issues were resolved. The parties communicated by telephone and electronic mail to discuss their respective positions and to explore ways to reconcile any disagreements. The Petition for Partial Settlement is the result of these discussions.

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

II. SUPPORTING FACTORS

The agreement set forth in the Petition for Settlement is the result of extensive negotiations and reflects compromises by all parties, and is in the public interest for the following reasons:

1. Pike is obligated to operate its' electric 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 Partial 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 electric property.

3. If the Commission approves the Petition for Partial 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 \$1.4 million to a revenue level of approximately \$11.6 million, representing an increase of 13.8%. 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 electric distribution service directly to approximately 4,860 customers in Pike County, Pennsylvania. This is the first increase in rates that Pike has requested since 2014. The overall rate increase contained within the Petition for Partial Settlement is just and reasonable and in the public interest.

5. Under the terms of the Partial Settlement, Pike will be permitted to establish rates which will produce an overall increase in annual operating revenues of approximately \$1.4 million.

6. The rate increase proposed under this Petition for Settlement will go into effect no sooner than July 28, 2021.

7. The Joint Petitioners agree that the Company will amortize deferred storm expenses over a five year period, with no carrying charges. This provision will allow the Company to recover reasonable and prudently incurred costs, while mitigating the rate impact on customers.

8. The Joint Petitioners agree that the Company will amortize deferred Tax Cut and Jobs Act (TCJA) deferred credits associated with protected and non-protected balances over forty-years and five-years respectively. Current and Stub Period Deferred TCJA balances of approximately \$180,700 plus interest will be passed-back to ratepayers over six months via the TCJA Surcharge Credit mechanism.

9. The Joint Petitioners agree that the Company will not seek to implement a Distribution System Infrastructure Charge (DSIC) for Long-Term Infrastructure Improvement Plan (LTIIP) Projects approved by the PAPUC in Docket No. P-2020-3022285 that are not included as part of Rate Base in the Joint Petition until July 1, 2022.

10. Finally, the Partial Settlement obviates further administrative and possible appellate proceedings, with the exception of issues relating to the allocation of the rate increase between customer classes and the final rate design, thereby resulting in substantial savings to the Joint Petitioners and to Pike's customers.

III. TESTIMONY FROM THE PUBLIC INPUT HEARINGS

Pike participated in the public input hearings held in this matter on February 9, 2021. Pike recognizes that any rate increase has impacts on customers, but such increases are necessary for Pike to maintain sufficient operating revenues in order to continue to provide safe and reliable service to the public. While the majority of the public input testimony addressed general concerns for the overall size of the rate increases requested by the Company in both its electric

and gas cases, some public testimony was provided on concepts including the company's electric system reliability, operations, costs, and other issues. As discussed in the rebuttal testimony of Pike's witness Steven Grandinali, the general trend of service interruptions for Pike's electric service has been decreasing since being acquired from Orange and Rockland Utilities. PCLP Statement No. 3-R at 2-6. Pike continues to place system reliability as a high priority and has made significant efforts in its vegetation management program, pole replacements, system hardening, and distribution projects towards that goal. *Id.* The agreed to revenue requirement increase will allow Pike to continue to improve its system reliability to the benefit of its customers and address many of the concerns raised at the public input hearings.

Pike appreciates and considers the customer input as a valuable part of the ratemaking process. The Joint Petition reflects an exhaustive effort by the Company and the statutory advocates who represent the greater interest, and Pike believes that the Joint Partial Settlement produces a just and reasonable rate increase necessary in order to support Pike's continued safe and reliable electric utility service to the public.

IV. 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 Mary D. Long recommend and that the Commission approve the Joint Petition for Partial Settlement in this proceeding.

Respectfully submitted,

/s/ Thomas J. Sniscak

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Dated: April 9, 2021

*Counsel for Pike County Light and Power
Company*

APPENDIX C

I&E STATEMENT IN SUPPORT

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2020-3022135
	:	
Pike County Power and Light Company - Electric	:	
	:	

**BUREAU OF INVESTIGATION AND ENFORCEMENT
STATEMENT IN SUPPORT OF
JOINT PETITION FOR PARTIAL SETTLEMENT
OF RATE INVESTIGATION**

TO ADMINISTRATIVE LAW JUDGE MARY D. LONG:

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), by and through its Prosecutors Carrie B. Wright and Erika L. McLain, hereby respectfully submits that the terms and conditions of the foregoing Joint Settlement Petition (“Joint Petition” or “Settlement”) are in the public interest and represent a fair, just, and reasonable balance of the interests of the Pike County Power and Light – Electric (“Pike” or “Company”) and its customers:

I. INTRODUCTION

1. I&E is charged with representing the public interest in Commission proceedings related to rates, rate-related services, and applications affecting the public interest. In negotiated settlements, it is incumbent upon I&E to identify how amicable resolution of any such proceeding benefits the public interest and to ensure that the public interest is served. Based upon I&E’s analysis of Pike’s base rate filing, acceptance of

this proposed Settlement is in the public interest and I&E recommends that the Administrative Law Judge and the Commission approve the Settlement in its entirety.

2. On October 26, 2020, Pike County filed Supplement No. 82 to Tariff Electric - Pa. P.U.C. No. 8 (“Supplement No. 82”) to be effective December 28, 2020, calculated to produce approximately \$1,933,600 in additional annual revenue.

3. I&E entered Notices of Appearance of Prosecutor Carrie B. Wright and Erika L. McLain in this proceeding on November 3, 2020.

4. The Office of Small Business Advocate (“OSBA”) filed a Notice of Appearance on November 13, 2020.

5. The Office of Consumer Advocate (“OCA”) filed a Formal Complaint and Notice of Appearance on November 16, 2020.

6. By Order entered December 17, 2020 at Docket R-2018-3022135, the Commission instituted a formal investigation to determine the lawfulness, justness, and reasonableness of Pike’s existing and proposed rates, rules, and regulations.

7. Pursuant to 66 Pa. C.S. §1308 (d), Supplement No. 82 was suspended by operation of law until July 28, 2021, unless permitted by Commission Order to become effective at an earlier date.

8. Administrative Law Judge (“ALJ”) Mary D. Long was assigned to this proceeding for purposes of conducting hearings and issuing a Recommended Decision.

9. A Telephonic Prehearing Conference was scheduled for Monday, January 11, 2021 in which all Parties participated.

10. ALJ issued an Order on January 14, 2021 establishing discovery modifications, a procedural schedule, and public input hearing dates.
11. In accordance with the litigation schedule, I&E, OCA and OSBA served Direct Testimony on February 2, 2021.
12. The Parties participated in two public input hearings on February 8, 2021 at 1:00 p.m. and 6:00 p.m.
13. Rebuttal Testimony was served by the Company, OCA and OSBA on February 22, 2021.
14. I&E, OCA, and OSBA served Surrebuttal Testimony on March 4, 2021.
15. The Parties continued settlement discussions which ultimately culminated in the instant partial settlement.
16. Prior to agreeing to the settlement, I&E conducted a thorough review of the Pike's filing and supporting information, discovery responses and contributed to the forthright discussions amongst the Parties during settlement discussions.
17. The provisions of the settlement represent a revenue increase that I&E agrees is just, reasonable, and in the public interest.
18. In accordance with Commission policy favoring settlements at 52 Pa. Code §5.231, I&E participated in settlement discussions with Pike and other Parties to the proceeding. Following extensive settlement negotiations, the Parties were able to reach a partial settlement.

II. SUPPORTING FACTORS

19. I&E represents that all issues raised in Pike's rate case filing have been satisfactorily resolved through discovery and discussions with the Company or are incorporated or considered in the resolution proposed in the Settlement. The very nature of a settlement requires compromise on the part of all Parties. This Settlement exemplifies the benefits to be derived from a negotiated approach to resolving what can appear at first blush to be irreconcilable regulatory differences. Joint Petitioners have carefully discussed and negotiated all issues raised in this proceeding, and specifically those addressed and resolved in this Settlement. Further line-by-line identification of the ultimate resolution of the disputed issues beyond those presented in the Settlement is not necessary as I&E represents that the Settlement maintains the proper balance of the interests of all Parties. I&E is satisfied that no further action is necessary and considers its investigation of this rate filing complete.

20. Based upon I&E's analysis of the filing, acceptance of this proposed Settlement is in the public interest. Resolution of this case by settlement rather than litigation will avoid the substantial time and effort involved in continuing to formally pursue all issues in this proceeding at the risk of accumulating excessive expense.

21. I&E further submits that the acceptance of this Settlement will negate the need for evidentiary hearings, which would compel the extensive devotion of time and expense for the preparation, presentation, and cross-examination of multiple witnesses, the preparation of Main and Reply Briefs, the preparation of Exceptions and Replies, and the potential of filed appeals, all yielding substantial savings for all Parties, and

ultimately all customers, as well as certainty on the regulatory disposition of issues. This Settlement thereby conserves time and expenses for all involved.

22. The Commission encourages settlements, which eliminate the time, effort, and expense of litigating a matter to its ultimate conclusion.¹ Here, the Joint Petitioners successfully achieved a Partial Settlement Agreement.

23. The Commission has recognized that a settlement “reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest.”²

24. All signatories to the Joint Petition actively participated in all settlement discussions during the course of the settlement process. As such, the issues raised by I&E have been satisfactorily resolved through discovery and discussions with the Parties and are incorporated in the Joint Petition. I&E represents that the Settlement satisfies all applicable legal standards and results in terms that are preferable to those that may have been achieved at the end of a fully litigated proceeding. Accordingly, for the reasons articulated below, I&E maintains that the proposed Settlement is in the public interest and requests that the following terms be approved by the ALJ and the Commission without modification:

A. Revenue Requirement (Joint Petition, ¶16)

The Parties agreed to a \$1,400,000 increase in annual distribution revenue to become effective upon initial Commission Order in this proceeding. This Settlement

¹ *Pa. PUC v. Venango Water Co.*, Docket No. R-2014-2427035, 2015 WL 2251531, at *3 (Apr. 23, 2015 ALJ Decision) (adopted by Commission via Order entered June 11, 2015); *See* 52 Pa. Code §5.231.

² *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 PA PUC 767, 771 (1991).

balances the interests of ratepayers and Pike County. Pike will receive sufficient operating funds in order to provide safe and adequate service while ratepayers are protected as the resulting increase minimizes the impact of the Pike’s initial request. Mitigation of the level of the rate increase benefits ratepayers and results in “just and reasonable” rates in accordance with the Public Utility Code, regulatory standards, and governing case law.³

B. Effective Date (Joint Petition, ¶18(a.))

The Settlement reflects an effective date for new rates no sooner than July 28, 2021. Pike also agreed that it will not file for a Distribution System Improvement Charge (“DSIC”) with an effective date prior to July 1, 2022.

C. Storm Expense (Joint Petition, ¶18(e.))

Joint Petitioners agreed that Pike’s deferred storm expenses of \$977,630 will be amortized over five-years at the rate of \$195,526 per annum. This term is in line with I&E’s recommendation in testimony recommending that the Company to amortize this expense over five-years⁴ and is within the public interest.

D. Tax Cuts and Jobs Act Surcharge Credit (Joint Petition, ¶18(f.))

The Settlement Petition requires the Company to pass back Tax Cuts and Jobs Act (“TCJA”) credits deferred during the current stub periods of approximately \$180,700⁵ using the current TCJA temporary surcharge credit mechanism over a period of six-months with interest using the residential mortgage lending rate specified by the

³ 66 Pa. C.S. § 1301.

⁴ I&E Stmt. No. 1, p. 12 & I&E Stmt. No. 1-SR, p. 9.

⁵ Balance as of June 30, 2021.

Secretary of Banking in accordance with the Loan Interest Protection Law. It is important that ratepayers benefit from the tax savings associated with TCJA and will receive a credit with interest. It is within the public interest for the Company to pass back the tax savings with interest onto the ratepayers as they were originally funding the tax at a higher rate.

E. Deferred TCJA “Protected” Balances (Joint Petition, ¶18(g.))

The Settlement Petition requires Pike to amortize over forty-years the Protected return to TCJA credit balance of \$110,645⁶ at the rate of \$2,766 per annum. The credit balance is reflected as a rate base deduction and the unamortized balance will continue to reduce rate base in future proceedings until the balance is fully returned to ratepayers. I&E supports this term because reflecting the proper increases or decreases to rate base for remaining protected and unprotected balances of excess deferred income taxes allows for the reflection of accurate rate base balances until the credits are fully extinguished, as such this term is within the public interest.

F. Deferred TCJA “Non-Protected” Balances (Joint Petition ¶18(h.))

In addition to the TCJA Protected Balances, the Settlement requires Pike to amortize over five-years the Non-Protected TCJA negative balance of \$73,270⁷ as a charge to expense at the rate of \$14,654 per annum. This negative balance is reflected as a rate base adjustment and the unamortized balance will continue to increase rate base in future proceedings until the balance is fully collected from ratepayers. I&E supports this

⁶ Balance as of June 30, 2021.

⁷ Balance as of June 30, 2021.

term because reflecting the proper increases or decreases to rate base for remaining protected and unprotected balances of excess deferred income taxes allows for the reflection of accurate rate base balances until the balances are fully extinguished, as such this term is within the public interest.

G. DSIC Surcharge (Joint Petition, ¶18(i.))

The Settlement accounts for the Company's DSIC surcharge. Pike's long term infrastructure improvement plan ("LTIP") projects approved in the Company's most recent LTIP proceeding will not include plant claimed in this rate case for the July 1, 2021 through December 31, 2021 period of \$275,000 and all plant placed in service prior to June 30, 2021. Pike is also permitted to include the Civil portion of the 34.5 Kv underground project in the DSIC after that project is placed into service. This term ensures the DSIC only recovers the return dollars and depreciation expense of eligible plant not previously recovered in base rates.

In addition, for purposes of calculating its DSIC, Pike agreed to use the equity return rate for gas utilities contained in the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities. I&E supports this term as it is important for utilities to rely on the most current information available. The Commission's Quarterly Reports are also unique to each utility type, Pike's use of this information to calculate its DSIC is reasonable and in the public interest.

III. TESTIMONY FROM THE PUBLIC INPUT HEARINGS

I&E participated in the public input hearings held in this proceeding on February 8, 2021 at 1:00 p.m. and 6:00 p.m. During the public input hearings customers raised

concerns over the potential rate increase and service interruptions. I&E believes that this Settlement satisfies those concerns while allowing the Company an adequate increase to maintain safe and reliable service.

IV. CONCLUSION

25. The Settlement is conditioned upon the Commission's approval of all terms without modification. Should the Commission fail to grant such approval or otherwise modify the terms and conditions of the Settlement, it may be withdrawn by Pike, I&E, or any other Joint Petitioner.

26. I&E's agreement to settle this case is made without any admission or prejudice to any position that I&E might adopt during subsequent litigation in the event that the Settlement is rejected by the Commission or otherwise properly withdrawn by any other Parties to the Settlement.

27. If the ALJ recommends that the Commission adopt the Settlement as proposed, I&E agrees to waive the filing of Exceptions as to the issues contained in this Settlement. I&E does not waive its right to file Exceptions related to the litigated revenue allocation issues. Further, I&E does not waive its right to file Replies to Exceptions with respect to any modification to the terms and conditions of the Settlement or any additional matters that may be proposed by the ALJ in the Recommended Decision. I&E also does not waive the right to file Replies in the event any party files Exceptions.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement represents that it supports the Joint Petition for Settlement as being in the public interest and respectfully request that Administrative Law Judge Mary D. Long recommend, and the Commission approve, the terms and conditions contained in the Settlement.

Respectfully submitted,



Erika L. McLain
Prosecutor
PA Attorney ID No. 320526

Carrie B. Wright
Prosecutor
PA Attorney ID No. 208185

Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
Commonwealth Keystone Building
400 North Street
Harrisburg, Pennsylvania 17120

Dated: April 9, 2021

APPENDIX D

OCA STATEMENT IN SUPPORT

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,	:	
	:	
v.	:	Docket No. R-2020-3022135
	:	
Pike County Light & Power Company	:	
(Electric)	:	

**OFFICE OF CONSUMER ADVOCATE’S STATEMENT IN SUPPORT
OF JOINT PETITION FOR PARTIAL SETTLEMENT OF RATE INVESTIGATION**

The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Partial Settlement of Rate Investigation (Settlement), finds the terms and conditions of the Settlement to be in the public interest for the following reasons:

I. INTRODUCTION

On October 26, 2020, Pike County Light & Power Company Electric Division (Pike or Company) filed Supplement No. 82 to Tariff Electric - Pa. P.U.C. No. 8, to become effective December 28, 2020. The Company, by filing this tariff supplement, sought Commission approval to make changes to Pike Electric’s rates, rules, and regulations.

The Company’s filing was the first general rate increase sought by the Company since its 2014 base rate proceeding. The proposed tariff contained changes in rates calculated to recover an estimated annual increase in base rate revenues of \$1,933,600. Under Pike’s proposal, the base rates for an average customer 674 kWh per month would increase from \$104.90 to \$121.90, or by 17.3%. The Company serves approximately 4,800 residential and

commercial customers in Westfall Township, Milford Borough and Township, Dingmans Township, and Matamoras Borough, in Pike County, Pennsylvania.

On November 16, 2020, the OCA filed a Formal Complaint and Public Statement against the proposed increase in rates and a Notice of Appearance. The Office of Small Business Advocate (OSBA) filed a Formal Complaint and Public Statement on November 13, 2020. The Bureau of Investigation and Enforcement (I&E) filed a notice of appearance on November 3, 2020. By Order entered on December 17, 2020, the Commission initiated an investigation into the lawfulness, justness and reasonableness of the proposed rates of Supplement No. 82 to Tariff Electric - Pa. P.U.C. No. 8, and suspended the effective date until July 28, 2021 by operation of law.

The parties had a series of discussions related to resolving the rate increase filing. As a result of the discussions, the signatory parties were able to reach an agreement in principle to resolve several issues, resulting in the settlement terms and conditions set forth herein. As discussed below, the OCA submits that the Settlement is in the best interest of Pike's ratepayers, is in the public interest and should be adopted.

II. SETTLEMENT TERMS AND CONDITIONS

A. Revenue Increase (§16-19)

The proposed Settlement provides for an overall increase in annual revenues of approximately \$1.4 million, an overall increase of 13.8% in electric revenues. This compromise represents an approximately 28% reduction from Pike's original rate increase request. It is important to note that the Company's initial filing did not contain testimony from a cost of capital witness and the initial revenue request was calculated using a 9.75% return on common equity consistent with fully litigated outcomes.

Under the proposed Settlement, the rate increase will become effective on one day's notice for service rendered no sooner than July 28, 2021. The rate increase for residential customers is dependent on the revenue allocation of the increase that is ordered in this proceeding. Additionally, Pike will not file for a Distribution System Improvement Charge (DSIC) with an effective date that is prior to July 1, 2022.

Based on the OCA's analysis of the Company's filing, and discovery responses, the amount of the rate increase under the proposed Settlement represents a result that is within the range of likely outcomes in the event of full litigation of the case. The Settlement as a whole yields a result that is reasonable and in the public interest. This increase further represents a difficult but reasonable compromise given the extraordinary circumstances resulting from the COVID-19 pandemic, in conjunction with the period since Pike's last base rate proceeding.

B. Revenue Allocation (§19.b)

The Joint Petitioners have not reached an agreement as to the distribution of revenue among customer classes in this Settlement.

C. Other Tariff Charges (§19.d)

The Company introduced eight new LED light and two LED flood light luminaries and the associated charges for SC-3, Municipal Street Lights. In doing so, the Company eliminated Induction Street light and Incandescent flood light luminaries and associated charges for SC-3, Municipal Street Lights. The Company also introduced four new LED lighting and two LED flood lighting luminaries and the associated charges for SC-4 Private Lighting. In doing so, the Company eliminated mercury vapor lighting luminaries and the associated charges for SC-4, Private Lighting. The OCA did not present testimony concerning these issues, however the

modifications to the lighting tariffs are reasonable updates that recognize technological changes to lighting that are in the public interest.

D. Residential Customer Charge (¶19.c)

The Company's current residential customer charge is \$8.50. The Company proposed to increase this charge to \$11.70. OCA witness Karl Pavlovic testified that the customer charge should not be increased in this proceeding. OCA St. 2 at 24.

Under the Settlement the petitioners have agreed to a residential customer charge of \$8.80, an increase of thirty cents. This is a reduction of \$2.90 from Pike Electric's originally filed Customer Charge of \$11.70, which is approximately a 25% reduction from the filing. The OCA submits that this is a reasonable outcome in this proceeding, and should be adopted.

E. Settlement Accounting Provisions (¶19.d-e)

In addition to the above revenue and rate design provisions, the Settlement contains accounting terms to address the future treatment of specified costs. With regard to deferred storm expenses, \$977,630 will be amortized over five years at the rate of \$195,526 per year. Also, the Company will pass back deferred tax (TCJA) credits of approximately \$180,700 at June 30, 2021, using the current TCJA temporary surcharge credit mechanism over a period of six-months with interest using the residential mortgage lending rate specified by the Secretary of Banking in accordance with the Loan Interest Protection Law (41. P.S. §§ 101, et seq.). The Protected TCJA credit balance of \$110,645 as of June 30, 2021 is reflected as a rate base deduction and the unamortized balance will continue to reduce rate base in future proceedings until the balance is fully returned to ratepayers. The Company will amortize the Protected TCJA balance over forty-years as a credit to expense at the rate of \$2,766 per annum.

The Non-Protected TCJA credit balance of \$73,270 as of June 30, 2021 is reflected as a rate base deduction and the unamortized balance will continue to reduce rate base in future proceedings until the balance is fully returned to ratepayers. The Company will amortize the Non-Protected TCJA balance over five-years as a credit to expense at the rate of \$14,654 per annum. The OCA submits that the approval of these provisions is reasonable to ensure the reasonable and stable treatment of these costs in this and future proceedings.

F. DSIC Surcharge (§ 19.h)

Under the Settlement, LTIIP Projects approved by the PAPUC in Docket No. P-2020-3022285 will not include plant claimed in this rate case for the July 1, 2021 through December 31, 2021 period of \$275,000 and all plant placed in service prior to June 30, 2021. The Company will be permitted to include the civil portion of the 34.5 Kv underground project estimated at \$450,000 in the DSIC after that project is placed into service. For purposes of calculating its DSIC, Pike shall use the equity return rate for electric utilities contained in the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities as updated each quarter consistent with any changes to the equity return rate for electric utilities contained in the most recent Quarterly Earnings Report, consistent with 66 Pa. C.S. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa. C.S. § 1358(b)(1). This provision helps ensure the appropriate calculation of any future DSIC filings.

III. CONCLUSION

The terms and conditions of the proposed Settlement of this rate proceeding represent a fair and reasonable resolution of the issues and claims arising in this proceeding. If approved, the proposed Settlement would provide for an increase of approximately \$1.4 million in annual revenues. This amount is reduced from the \$1,933,600 annual increase proposed in Pike's filing.

In addition, the Settlement provides for a modest increase in the residential customer charge of thirty cents, a 3.5% increase as compared to the initially proposed increase of 37.6%. While this increase is substantial, it is within the range of anticipated outcomes in this proceeding, the first rate case the Company has filed since 2014. Additionally, the Commission and all parties would benefit from the reduction in rate case expense and the conservation of resources made possible by adoption of the Settlement in lieu of full litigation.

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

Respectfully Submitted,

/s/Aron Beatty

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DATED: April 9, 2021
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APPENDIX E

OSBA STATEMENT IN SUPPORT

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY
COMMISSION**

v.

**PIKE COUNTY LIGHT AND
POWER COMPANY (ELECTRIC)**

:
:
:
:
:
:
:
:

DOCKET NO. R-2020-3022135

**STATEMENT OF THE OFFICE OF SMALL BUSINESS ADVOCATE
IN SUPPORT OF THE JOINT PETITION FOR PARTIAL 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 November 13, 2021, the Office of Small Business Advocate (“OSBA”) filed a complaint in the above-captioned proceeding against the October 26, 2020, filing by Pike County Light & Power Company (“PCL&P” or the “Company”) of Supplement No. 82 to Tariff Electric-Pa.P.U.C. No. 8. Through Supplement No. 82, PCL&P requested an annual increase in distribution revenues of approximately \$1,92 million 36.9 percent for the forecast test year ending June 2021.¹ Subsequently, the OSBA filed the direct, rebuttal and surrebuttal testimony of its witness, Robert D. Knecht. The OSBA also actively

¹ OSBA Statement No. 1 at 2.

participated in the negotiations that led to the Joint Petition for Partial Settlement of Rate Investigation (“Partial Settlement”) and is a signatory to the Settlement.

The OSBA submits this statement in support of the Settlement.

Settlement Issues

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

Rate Design

Regarding Rate SC2-S rate design, Mr. Knecht explained that the Company’s proposed to apply a modestly higher rate increase to the load-factor energy charges than to the customer and demand charges. As Mr. Knecht further explained, that proposal would result in a relatively narrow range of increases within the class, from about 41.1 percent for small low load factor customers to 46.3 percent for large high load customers.² The specific proposed changes, as reflected in Mr. Knecht’s testimony in Table IEc-7 below are set forth below.³

² See OSBA Statement No. 1 at 28

³ *Id.*

Table IEC-7			
PCL&P Proposed Rate Design: Rate SC2-S			
	Current	Proposed	Percent
Customer Charge (\$/mo.)	\$13.60	\$18.73	37.7%
First 100 kWh/kW (cents/kWh)	5.7964	8.5328	47.2%
Next 100 kWh/kW (cents/kWh)	4.7998	7.0657	47.2%
Over 200 kWh/kW (cents/kWh)	4.7100	6.9335	47.2%
Demand First 5 kW (\$/kW)	\$0.95	\$1.31	37.9%
Demand Over 5 kW (\$/kW)	\$3.69	\$5.09	37.9%
FTY Class Average (cents/kWh)	6.5097	9.4518	45.2%
Note: The energy charges for non-demand metered customers and space heating would also increase by 47.2 percent. Source: RDK WP3 "PoR FTY" worksheet.			

As further explained by Mr. Knecht, PCP&L's tariff design for the SC2-S class is significantly more complex than that of other Pennsylvania electric distribution companies ("EDCs").

The Partial Settlement addresses only one aspect of rate design for the SC2-S class, namely that of the magnitude of the monthly customer charge. Issues involving the load factor block ("Wright") tariff charges, the blocked demand charges, the discounted space heating

charge and all other aspects of rate design have been reserved for litigation. With respect to the customer charge, Mr. Knecht concluded in that the Company's proposal was not unreasonable in light of the practices of other Pennsylvania EDCs and the customer-related costs in electric cost of service study ("ECOSS") models. Mr. Knecht further recommended that the increase to the customer charge be scaled back in the event that the overall rate increase is reduced.⁴

The Partial Settlement includes a customer charge of \$17.26 for Rate SC2-S. This provision is consistent with Mr. Knecht's recommendations, as it reflects a scale-back of the Company's proposal to reflect reduced overall revenue requirement specified in the Partial Settlement. The OSBA therefore concludes that the proposed customer charge for Rate SC2-S is reasonable.

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.

⁴ *Id.*, at 30.

Conclusion

As one of 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,

/s/ Sharon E. Webb

Sharon E. Webb
Assistant Small Business Advocate
Attorney ID No. 73995

For:
John R. Evans.
Small Business Advocate

Date: April 9, 2021

APPENDIX F

PROPOSED FINDINGS OF FACTS, CONCLUSIONS OF LAW, AND ORDERING PARAGRAPHS

**APPENDIX F – PROPOSED FINDINGS OF FACTS, CONCLUSIONS OF LAW, AND
ORDERING PARAGRAPHS**

Finding of Facts

1. Pike County Light and Power Company (electric) (“Pike”) provides electric distribution service to approximately 4,860 customers in five municipalities in Pike County, Pennsylvania which include Matamoras Borough, Westfall Township, Milford Borough, Milford Township and Dingmans Township.¹

2. Pike is regulated by the Commission.

3. The last base rate increase for Pike approved by the Commission was in 2014 at R-2013-2397237.

4. I&E is the prosecutory bureau of the Commission for purposes of representing the public interest in ratemaking and service matters before the Office of Administrative Law Judge and for enforcing compliance laws and regulations.²

5. Complainant OCA is authorized to represent the interests of consumers before the Commission.³

6. Complainant OSBA is authorized and directed to represent the interests of small business consumers of utility service in Pennsylvania under the provisions of the Small Business Advocate Act.⁴

7. Nine consumer complaints were filed by Complainants Saul at Docket No. C-2020-3022921, Yennie at Docket No. C-2020-3023035, Gillinder at Docket No. C-2020-

¹ See Pike Statement No. 3 at 2 and Pike Statement No. 2, Exhibit E-5, Schedule 6.

² Implementation of Act 129 of 2008 Organization of Bureau and Offices, Docket No. M-2008-2071852 (Order entered August 11, 2011).

³ Act 161 of 1976, 71 P.S. § 309-2.

⁴ Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50.

3023416, Metzger at Docket No. C-2020-3022987, Pinkala at Docket No. C-2020-3023020, Dalton at Docket No. C-2020-3023239, Losee at Docket No. C-2020-3023152, Hulse at Docket No. C-2020-3023418, and Howard at Docket No. C-2020-3023490. Each of these complainants averred they were customers of Pike, and some offered testimony at the public input hearings.

8. The parties engaged in extensive discovery.

9. In this base rate case, Pike originally sought an increase of total annual operating revenue for electric service by \$1,933,600 per year, an increase of approximately 19.4% in overall electric revenues (including an estimate of electric supply costs for full service and retail access customers), or 37.0% in electric distribution revenues based on the twelve months ended June 30, 2021.

10. Under the terms of the Joint Petition for Partial Settlement (“Joint Petition” or “Partial Settlement”), following Commission approval and no earlier than July 28, 2021, upon one day’s notice, Pike will be permitted to implement a \$1,400,000 increase, an increase in 13.8% in overall electric revenues, or 26.9% over current electric distribution revenues.

11. Under the Settlement, the Joint Petitioners agreed to the Customer Charges of: SC1 – Residential Heating & Non-Heating: \$8.80; SC2 – Small Commercial & Industrial (Secondary): \$17.26; SC2 - Large Commercial & Industrial (Primary): \$140.00. The comparison of Pike Electric’s present, as-filed, and settlement Customer Charges provides:

Pike County Light & Power Company					
Electric Rate Case Filing					
Docket No. R-2020-3022135					
	Present	As Filed		Proposed Settlement	
Customer Charge	Rates	Amount	% Increase	Amount	% Increase
SC1 - Residential Heating & Non-Heating	\$8.50	\$11.70	37.6%	\$8.80	3.5%
SC2- Small Commercial & Industrial (Secondary)	\$13.60	\$18.73	37.7%	\$17.26	26.9%
SC2- Large Commercial & Industrial (Primary)	\$110.90	\$152.00	37.1%	\$140.00	26.2%

Conclusions of Law

1. The Commission has jurisdiction over the subject matter and the parties to this proceeding. 66 Pa. C.S § 1308(d).

2. Every rate made, demanded, or received by any public utility shall be just and reasonable. 66 Pa.C.S. § 1301.

3. Despite the policy favoring settlements, the Commission does not simply rubber stamp settlements without further inquiry. In order to accept a rate case settlement such as that proposed here, 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 October 4, 2004); *Pa. Pub. Util. Comm’n v. C S. Water & Sewer Assocs.*, 74 Pa. P.U.C. 767(1991).

4. The Commission has historically permitted the use of “black box” settlements as a means of promoting settlement among the parties in contentious base rate proceedings. See, *Pa. Pub. Util. Comm’n v. Wellsboro Elec. Co.*, Docket No. R-2010-2172662 (Final Order entered

January 13, 2011); *Pa. Pub. Util. Comm'n v. Citizens' Elec. Co. of Lewisburg*, Docket No. R-2010-2172665 (Final Order entered January 13, 2011).

5. There must be sufficient information provided in a settlement in order for the Commission to determine that a revenue requirement calculation and accompanying tariffs are in the public interest and properly balance the interests of ratepayers and utility stockholders. See *Pa. Pub. Util. Comm'n v. Pa. Power Co.*, 55 Pa. P.U.C. 552, 579 (1982); *Pa. Pub. Util. Comm'n v. Nat'l Fuel Gas Dist. Corp.*, 73 Pa. P.U.C. 552, 603-605 (1990).

6. The burden of proof in a ratemaking proceeding is on the public utility. See 66 Pa.C.S. § 315(a); *Lower Frederick Twp. v. Pa. Pub. Util. Comm'n*, 48 Pa. Commw. 222, 226-27, 409 A.2d 505, 507 (1980) (citations omitted). See also, *Brockway Glass v. Pa. Pub. Util. Comm'n*, 63 Pa. Commw. 238, 437 A.2d 1067 (1981).

7. A party proposing an adjustment to a ratemaking claim bears the burden of presenting some evidence or analysis tending to demonstrate the reasonableness of the adjustment. *Pa. Pub. Util. Comm'n v. PECO Energy Co.*, Docket No. R-891364, 1990 Pa. PUC 34 LEXIS 155 (Order entered May 16, 1990); *Pa. Pub. Util. Comm'n v. Breezewood Tel. Co.*, Docket No. R-901666, 1991 Pa. PUC LEXIS 45 (Order entered January 31, 1991).

8. The terms of the Joint Petition promotes the public interest, subject to the resolution of issues reserved for litigation. *Pa. Pub. Util. Comm'n v. CS Water & Sewer Assocs.*, 74 Pa. PUC 767 (1991); *Pa. Pub. Util. Comm'n v. Phila. Elec. Co.*, 60 Pa. PUC 1 (1985).

9. Pike County Light and Power Company (Electric) has met its burden of establishing that the terms stated in the Joint Petition for Partial Settlement are just and reasonable, subject to resolution of the issues reserved for litigation.

10. The nine consumer complainants including Saul at Docket No. C-2020-3022921, Yennie at Docket No. C-2020-3023035, Gillinder at Docket No. C-2020-3023416, Metzger at Docket No. C-2020-3022987, Pinkala at Docket No. C-2020-3023020, Dalton at Docket No. C-2020-3023239, Losee at Docket No. C-2020-3023152, Hulse at Docket No. C-2020-3023418, and Howard at Docket No. C-2020-3023490 have not presented sufficient evidence to demonstrate the reasonableness of any proposed adjustment to the rate increase set forth in the Joint Petition. *Pa. Pub. Util. Comm'n v. PECO Energy Co.*, Docket No. R-891364, 1990 Pa. PUC LEXIS 155 (Order entered May 16, 1990); *Pa. Pub. Util. Comm'n v. Breezewood Tel. Co.*, Docket No. R-901666, 1991 Pa. PUC LEXIS 45 (Order entered January 31, 1991).

11. The settlement terms and conditions contained in the Joint Petition for Partial Settlement of Rate Investigation at Docket No. R-2020-3022135 submitted by Pike County Light & Power, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, and the Office of Small business Advocate are just, reasonable and in the public interest, subject to resolution of the issues reserved for litigation.

12. The Joint Petition for Partial Settlement Of Rate Investigation at Docket No. R-2020-3022135 submitted by Pike County Light & Power, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, and the Office of Small Business Advocate promotes the public interest and therefore should be approved as submitted, without modification, subject to the issues reserved for litigation.

Ordering paragraphs

THEREFORE,

IT IS RECOMMENDED:

1. That the Joint Petition for Partial Settlement filed on April 9, 2021 by Pike County Power and Light Company (Electric), the Commission's Bureau of Investigation and Enforcement, the Office of Consumer Advocate, and the Office of Small Business Advocate be approved in its entirety, without modification, subject to the issues reserved for litigation.

2. That Pike County Light and Power Company (Electric) not place into effect the rates, rules, and regulations contained in Supplement No. 82 to Tariff Electric - Pa. P.U.C. No. 8 Supplement No. 110, as filed.

3. That Pike County Light and Power Company (Electric) be permitted to increase annual operating revenues in the total amount of \$1,400,000.

4. That Pike County Light and Power Company (Electric) be authorized to file compliance tariffs, tariff supplements and/or tariff revisions, on at least one day's notice designed to increase annual rate revenue by \$1,400,000 no earlier than July 28, 2021, subject to the resolution of the issues reserved for litigation.

5. That Pike County Light and Power Company (Electric) be ordered to comply with the provisions of the Joint Petition for Partial Settlement filed in this matter and the Commission's resolution of the issues reserved for litigation.

6. That upon resolution of the matters reserved for litigation and acceptance and approval by the Commission of the compliance tariff supplements filed by Pike County Light and Power Company (Electric):

- a. The investigation at Docket R-2020-3022135 be dismissed and marked closed.
- b. That the Formal Complaints filed by complainants Saul at Docket No. C-2020-3022921, Yennie at Docket No. C-2020-3023035, Gillinder at Docket No. C-2020-3023416, Metzger at Docket No. C-2020-3022987, Pinkala at Docket No.

C-2020-3023020, Dalton at Docket No. C-2020-3023239, Losee at Docket No. C-2020-3023152, Hulse at Docket No. C-2020-3023418, and Howard at Docket No. C-2020-3023490 in this proceeding be dismissed and marked as closed.

- c. That the Formal Complaint filed by the Office of Consumer Advocate in this proceeding at Docket No. C-2020-3022887 be closed as satisfied.
- d. That the Formal Complaint filed by the Office of Small Business Advocate in this proceeding at Docket No. C-2020-3022858 be closed as satisfied.

Date: _____

Mary D. Long
Administrative Law Judge