

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2024-3052359
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	:	
Office of Consumer Advocate	:	C-2025-3053076
Office of Small Business Advocate	:	C-2025-3053075
Deborah Rutt	:	C-2025-3052967
Charles Gillinder	:	C-2025-3053396
James Romeo	:	C-2025-3053400
v.	:	
	:	
Pike County Light & Power Company (Electric):	:	

**RECOMMENDED DECISION**

Before  
Marta Guhl  
Alphonso Arnold III  
Administrative Law Judges

## TABLE OF CONTENTS

I.	INTRODUCTION .....	1
II.	HISTORY OF THE PROCEEDINGS .....	1
III.	PUBLIC INPUT HEARINGS .....	5
IV.	FINDINGS OF FACT .....	13
V.	TERMS AND CONDITIONS OF THE NON-UNANIMOUS SETTLEMENT... 17	
	A. Revenue Requirement Increase .....	18
	B. Stay Out .....	18
	C. Rate Design .....	18
	D. Distribution System Improvement Charge (“DSIC”) Recovery .....	22
	E. Deferred Tax Cuts and Jobs Act (“TCJA”) Deferred Income Tax Balances... 22	
	F. Storm Cost Amortization .....	23
	G. Next Base Rate Proceeding .....	23
	H. Reliability Reporting Improvement.....	23
	I. Smart Meter Relocation.....	23
VI.	LEGAL STANDARDS .....	24
	A. General Rate Increase Proceedings .....	24
	B. Legal Standards for Settlements .....	26
VII.	DISCUSSION OF NON-UNANIMOUS SETTLEMENT .....	28
	1. Revenue Requirement.....	28
	2. Stay-Out.....	31
	3. Rate Design .....	31
	4. Distribution System Improvement Charge (DSIC) Recovery .....	33
	5. Deferred Tax Cuts and Jobs Act (TCJA) Deferred Income Tax Balances 34	
	6. Storm Cost Amortization .....	35
	7. Next Base Rate Case Proceeding .....	37
	8. Reliability Reporting Improvement .....	38
	9. Smart Meter Relocation.....	39
VIII.	DISCUSSION OF OPPOSITION TO THE JOINT PETITION FOR SETTLEMENT .....	40
IX.	RECOMMENDATION .....	47
X.	CONCLUSIONS OF LAW .....	49
XI.	ORDER.....	51

## I. INTRODUCTION

This Decision recommends approval of the Joint Petition for Non-Unanimous Settlement. The Office of Small Business Advocate and Complainant James Romeo object to the terms of the proposed settlement. The Joint Petition will permit Pike County Light & Power Company-Electric Division to increase its annual revenue by \$1,590,000. Under the terms of the Settlement, the total bill for a residential customer using 674 kWh would increase by \$8.28 per month, or 5.7%, from \$146.31 to \$154.59. The suspension date is October 15, 2025. The last reasonable public meeting date before the end of the suspension period is September 25, 2025.

## II. HISTORY OF THE PROCEEDINGS

On January 14, 2025, Pike County Light & Power (“PCLP,” “Pike” or “Company”) filed Supplement No. 105 to Tariff Electric – Pa. P.U.C. No. 8 (“Supplement No. 105”), with the Commission, to become effective on March 15, 2025. The Company filed to increase rates to produce additional operating revenues of \$1,874,600 per year above existing rates. PCLP additionally proposes to roll into distribution rates its Distribution System Improvement Charge (“DSIC”) balance of \$269,300. The actual distribution revenue increase in this case as proposed by PCLP is \$2,143,900 or 29.1% based upon a future test year ending September 30, 2025.

On January 17, 2025, the Commission’s Bureau of Investigation and Enforcement (“I&E”) filed a Notice of Appearance. On January 17, 2025, the Office of Small Business Advocate (“OSBA”) filed a Notice of Appearance.

On January 24, 2025, the Office of Consumer Advocate (“OCA”) filed a Formal Complaint, Public Statement and Notice of Appearance related to the proceeding

to protect the interests of consumers in the Company's service territory and to ensure that the Company is permitted to implement only a level of rates that is just and reasonable and in accordance with sound ratemaking principles. On January 24, 2025, OSBA filed a Formal Complaint.

On February 7, 2025, the Commission issued an Order that initiated an investigation into the lawfulness, justness, and reasonableness of the proposed rate increase in the electric filing in addition to the Company's existing rates, rules, and regulations, assigned this matter to the Office of Administrative Law Judge ("OALJ") for further proceedings as appropriate, and suspended the effective date of Supplement No. 105 until October 15, 2025.

Pursuant to the Prehearing Conference Notice issued on February 7, 2025, a telephonic Prehearing conference was scheduled for February 14, 2025, at 10:00 a.m. before Administrative Law Judges ("ALJs") Marta Guhl and Alphonso Arnold III. A Prehearing Conference Order was issued directing the filing of Prehearing Conference Memorandums in advance of the Prehearing conference.

On February 7, 2025, PCLP filed a Motion to Consolidate this base rate proceeding and a similar base rate proceeding filed for PCLP's gas utilities. On February 14, 2025, the undersigned ALJs granted this Motion, while agreeing to issue separate Recommended Decisions for the gas and electric base rate proceedings respectively.

OSBA, OCA, PCLP, and I&E all filed Prehearing Conference Memorandums. The Prehearing conference was held telephonically as scheduled on February 14, 2025. During this conference, the parties requested, and we agreed to two in-person Public Input Hearings scheduled on March 18, 2025, at 1:00 p.m. and 6:00 p.m.

and two telephonic Public Input Hearings scheduled on March 19, 2025, at 1:00 p.m. and 6:00 p.m.

On March 18, 2025, two in-person Public Input Hearings were held at the Milford Township Building in Milford, Pennsylvania. On March 19, 2025, two telephonic Public Input Hearings were held.

Also on March 18, 2025, OCA filed an Application for Subpoena pursuant to 52 Pa. Code § 5.421 to obtain workpapers from the Pennsylvania Public Utility Commission's Bureau of Technical Utility Services ("TUS") from its Quarterly Earnings Reports ("QERs") ("Application").

On March 26, 2025, the Commission issued the Order of the undersigned presiding officers granting the March 18 Application.

On March 26, 2025, Call-In Telephonic Evidentiary Hearing Notice was issued and the matter was set for evidentiary hearings on May 21-23, 2025, starting at 10:00 a.m. each day.

On March 28, 2025, TUS, through the Commission's Law Bureau ("Law Bureau"), filed Objections to the Application for Subpoena ("Objections").

On March 31, 2025, OCA filed Affidavit of Subpoena, indicating that it served the subpoena on TUS on March 26, 2025.

Also on March 31, 2025, TUS, through the Law Bureau, filed Petition for Interlocutory Review ("Petition").

On April 1, 2025, Status Conference Notices were issued to the parties scheduling a status conference for April 1, 2025, at 1:00 p.m. The parties were informed through email that the purpose of the status conference was to hear arguments regarding the Applications and Objections thereto. The status conference was held as scheduled. Attorneys representing PCLP, OCA, Law Bureau, and I&E were present. PCLP and I&E did not take any position on the Applications, Objections, or the Petitions.

On April 2, 2025, the ALJs issued an Order denying TUS's March 31 Petition for Interlocutory Review on the grounds that it was procedurally deficient.

On April 10, 2025, TUS filed another Petition for Interlocutory Review and Answer to Material Questions.

On April 18, 2025, OCA filed a Brief in Opposition to TUS's April 10 Petition for Interlocutory Review.

On April 21, 2025, TUS filed a Brief in Support of their Petition for Interlocutory Review and Answer to Material Questions.

On May 8, 2025, a Joint Motion of Chairman Stephen DeFrank and Commissioner Kathryn Zerfuss was entered, directing the ALJs to grant TUS's April 10 Petition and rescind their March 26 Order granting the Applications of OCA for the Issuance of Subpoenas at Docket No. R-2024-3052359. On May 9, 2025, the Public Utility Commission entered an Opinion and Order granting the Joint Motion.

On May 13, 2025, a Briefing Order was issued, setting deadlines and parameters for the parties' Main Briefs and Reply Briefs. The deadline for the Main Briefs was June 9, 2025; the deadline for any Reply Briefs was June 23, 2025.

On May 19, 2025, the parties informed us that they had reached a full settlement in the case that was non-unanimous.

On May 20, 2025, a Cancellation Notice was issued which cancelled all of the evidentiary hearing dates scheduled in this matter.

On May 23, 2025, a Joint Stipulation for Admission of Evidence was filed by PCLP, I&E, OCA, and OSBA. On May 29, 2025, an Order was issued granting the admission of such evidence.

On May 27, 2025, we issued an Interim Order regarding Settlement Documents which provided the parties with the procedures for filing the settlement and supporting documents, as well as any opposition.

On June 9, 2025, PCLP, I&E and OCA filed a Joint Petition for Non-Unanimous for Settlement. PCLP, OCA and I&E filed Statements in Support. OCA also filed its Main Brief.

On June 23, 2025, OSBA and James Romeo filed Opposition to the Joint Petition for Non-Unanimous Settlement.

The record closed on June 24, 2025, in accordance with the Interim Order dated May 27, 2025.

### III. PUBLIC INPUT HEARINGS

At the time of the prehearing conference, there were several Formal Complaints that had been filed in this base rate proceeding. There were also multiple protests filed with the Secretary's Bureau and the Office of Consumer Advocate indicated

that there was public interest in the case. Based on the above, we determined there was sufficient public interest in PCLP’s proposed rate increase for electric utilities. Accordingly, four public input hearings were held. Two were held in-person and two were held telephonically. In total, 26 people offered testimony<sup>1</sup>:

<u><b>Date/Time</b></u>	<u><b>Witnesses Testifying</b></u>
<u>Tuesday, March 18, 2025</u>	
<i>Milford Twp. Bldg.</i>	11
<i>Milford, PA</i>	
<i>1:00 p.m.</i>	
<u>Tuesday, March 18, 2025</u>	9
<i>Milford Twp. Bldg.</i>	
<i>Milford, PA</i>	
<i>6:00 p.m.</i>	
<u>Wednesday, March 19, 2025</u>	4
<i>Telephonic</i>	
<i>1:00 p.m.</i>	
<u>Wednesday, March 19, 2025</u>	2
<i>Telephonic</i>	
<i>6:00 p.m.</i>	

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<sup>1</sup> There was one person who offered an off-the-record statement.

Mr. Joseph Dooley testified that a 29 percent increase in rates for electric utilities would be too high. Mr. Dooley stated that, while he understands there are currently multiple areas where infrastructure needs to be fixed, the rate increase would negatively impact the community.<sup>2</sup>

Mr. Robert DiLorenzo, a Township Supervisor, testifying on behalf of his constituents of Milford Township, testified against the proposed rate increases. Mr. DiLorenzo stated that the cost of housing in Milford Township is going up. He stated that, with the increase in housing and other costs, seniors and young people are going to be harmed by a rate increase.<sup>3</sup> Mr. DiLorenzo later testified that there are many retired individuals in Milford, and that a proposed 21 percent increase in electric utility rates would seriously impact their ability to pay. Mr. DiLorenzo also testified that small businesses would be harmed by the proposed rate increases.<sup>4</sup>

Mr. Clive Blest also testified against the proposed rate increase. Mr. Blest testified that he is on Social Security disability, and that the current rates only allow him to afford to keep the thermostat at 50 degrees in the winter. He states that the new proposed rates would most likely force him to shut off his utilities entirely.<sup>5</sup>

Mr. Greg Yetter testified against the proposed electric rate increase. Mr. Yetter stated PCLP has the highest distribution rate in the state at over nine cents a kilowatt. He continued by stating that PCLP's rates are much higher compared to the rates of other companies.<sup>6</sup>

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<sup>2</sup> Tr. 45-46.

<sup>3</sup> Tr. 51-52.

<sup>4</sup> Tr. 112-113.

<sup>5</sup> Tr. 54-55.

<sup>6</sup> Tr. 59-61.

Mr. Fred Weber testified that Pike County's number one industry is tourism. Mr. Weber stated that if rates increase, then costs will be passed on to consumers. He ended by stating that the proposed increase in rates could destroy the local economy.<sup>7</sup>

Mr. Dan Connelly, testifying on behalf of Solar Bear Energy, stated that he had been working with PCLP since Solar Bear Energy was established in 2016. Mr. Connelly stated that, since 2016, PCLP has increased their charges from 15-16 cents per kilowatt hour to over 20 cents per kilowatt hour. In addition to this increase in charges, Mr. Connelly testified that PCLP has been charging his customers for unnecessary upgrades to their electrical systems when they want to install solar panels.<sup>8</sup>

Mr. Dan Bradley testified against the proposed rate increase for both gas and electric utilities. Mr. Bradley stated that an 11 percent increase did not align with the three percent inflation rate in the United States. He testified that a rate increase this high would be difficult for him to afford as a retired person.<sup>9</sup>

Ms. Nancy Stasyshyn also testified against the proposed rate increase for electricity. Ms. Stasyshyn testified that when she worked at a corporation, she was responsible for projecting what she was going to spend for the year. She stated she would not have been allowed to present a budget that was 20 percent higher than the previous year. She stated that the proposed rate increase shows a lack of planning on the part of PCLP. Ms. Stasyshyn continued, testifying that PCLP is asking for a rate increase to pay for repairs that they have neglected to notice or budget for previously.<sup>10</sup>

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<sup>7</sup> Tr. 63-64.

<sup>8</sup> Tr. 66-73.

<sup>9</sup> Tr. 75-76.

<sup>10</sup> Tr. 78-83.

Mr. John Messer testified against the proposed rate increase next. Mr. Messer testified that he and his wife had just opened a bed and breakfast in Milford. He stated that raising the rates would put them in a position where they would have to determine whether they can stay open during the winter. Mr. Messer testified that, if they were to keep the rooms at 72 degrees throughout the winter, their electric bills would total over \$2,000 per month. Additionally, Mr. Messer stated that electric utility services in Milford are not reliable.<sup>11</sup>

Mr. Charlie Gillinder<sup>12</sup> testified against the rate increase for both gas and electric. Regarding electric, Mr. Gillinder commended PCLP for improving their systems. He stated that reliability has improved where he lives. However, he stated that PCLP is tied to New York State through the Climate Leadership and Community Protection Act. Mr. Gillinder stated that this Act forces Pennsylvania residents and PCLP to pay for policies made in New York State. Mr. Gillinder urged the Company to disconnect from New York State.<sup>13</sup>

Mr. Michael Sullivan, testifying on behalf of Pike County Economic Development Authority, testified against both the proposed rate increases for gas and electric utilities. Mr. Sullivan testified that the increase in rates will affect residents, local businesses, and economic development. He stated that currently, energy provided to Pike County is produced in New York and subject to New York regulations. Mr. Sullivan argued that the regulations in New York have a negative impact on costs for Pennsylvania residents. He stated that rates could increase by as much as 300 percent due to this. Mr. Sullivan stated that PCLP should separate itself from New York so that it

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<sup>11</sup> Tr. 85-87.

<sup>12</sup> Mr. Gillinder filed a Formal Complaint in this case.

<sup>13</sup> Tr. 118-120.

does not have to follow New York regulations. He ended by stating that residents of Milford are placed in a difficult position due to increasing rates of both gas and electric.<sup>14</sup>

Ms. Sara Vargas began her testimony by explaining that she is a long-time resident of Matamoros and is retired. Ms. Vargas testified that, with the proposed rate increase, she would be unable to pay her bills.<sup>15</sup>

Ms. Jennifer Lemin testified next. Ms. Lemin testified that she is a resident of Matamoros, and that, since her husband passed away, she has been struggling to pay her bills. She testified that she has been ineligible for assistance, and her electric and gas bills have reached as high as \$600. Ms. Lemin stated that the proposed rate increases would force her to sell her home.<sup>16</sup>

Ms. Rachel Hendricks, a Township Supervisor, testifying on behalf of the constituents of Milford Township, testified against the proposed rate increase electric utilities. Ms. Hendricks stated that Milford Township had asked PCLP to convert the streetlights to LED several years ago to reduce expenses. She stated that the company told her the bulbs were backordered, but today there are still 12 bulbs left unchanged. Ms. Hendricks stated that an increase in electric utility rates will require the town to increase taxes, forcing the residents to bear the burden of the additional expenses. She testified that, while PCLP has improved outage issues, the Commission should reject a rate increase this high.<sup>17</sup>

Mr. Howard Vobis testified that, with an increase in rates, taxes, costs to consumers, and costs to businesses will go up. He stated that many senior citizens live in

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<sup>14</sup> Tr. 122-124.

<sup>15</sup> Tr. 126-127.

<sup>16</sup> Tr. 129-132.

<sup>17</sup> Tr. 136-139.

the area on a fixed income, and they will have a harder time paying for utilities in the event of a rate increase. Mr. Vobis stated that the rate increase is over two times the rate of inflation, and that a sharp increase in rates is not the answer. He also expressed his concern over future rate increases, pointing to uncertainty over when the next price rise will come.<sup>18</sup>

Ms. Jan Hurwitz testified that, if the proposed rate increases go into effect, her business will be harmed. She stated that, as a small business owner, she cannot just pass on all of these costs to her customers. Ms. Hurwitz expressed that she would like to see PCLP disconnect from New York and that any further rate increases be spread over several years.<sup>19</sup>

Ms. Flora Connelly stated that she owns an Airbnb with her husband, and that her bill was \$700 a month to heat it over the winter. She testified that she is forced to pay these bills or otherwise be disconnected from the grid. Ms. Connelly further testified that the rate increases would not allow her and her husband's business to survive. Ms. Connelly expressed frustration that they do not have a choice when faced with paying their utilities.<sup>20</sup>

The Honorable Cory Homer, Mayor of Matamoras, testified that he has spoken to several residents that are struggling to pay their current utility bills. He stated that just one rate increase would harm both individuals and businesses and require the town to increase taxes. Mr. Homer testified that phasing in the rate increase over a period of years would make the rising costs much more manageable for the town and its residents.<sup>21</sup>

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<sup>18</sup> Tr. 143-147.

<sup>19</sup> Tr. 151-153.

<sup>20</sup> Tr. 156-159.

<sup>21</sup> Tr. 179-182.

Ms. Christina Pfaeffle testified that her rates were already increased in December of 2024, and that she strongly opposes any additional rate increases. She stated that she currently experiences an excessive number of outages lasting around 12 hours. Ms. Pfaeffle also testified that it was unfair to increase rates when there is no improvement to the service.<sup>22</sup>

Ms. Deborah Rutt<sup>23</sup> stated that the increased costs would be far too high. Ms. Rutt expressed concern over an 11 percent rate increase for electric utilities, testifying that senior citizens on Social Security would be unable to pay for it.<sup>24</sup>

Ms. Jo Ann Donnelly, testifying on behalf of the Center for Developmental Disabilities, testified that the Center in Milford provides services to children in need. She stated that if an increase in rates this high were to proceed, it would be detrimental to that service.<sup>25</sup>

The Honorable Christa Caceres, testifying on behalf of the Pike County residents as a Pike County Commissioner, testified against the proposed rate increase for both gas and electric utilities. In her testimony, Ms. Caceres expressed her appreciation for PCLP's upgrades and high-quality service to their customers. However, Ms. Caceres testified that increasing rates to the level specified would create hardship for residents. She stated that she hopes the Commission and PCLP come to a reasonable decision that does not raise rates as high as proposed.<sup>26</sup>

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<sup>22</sup> Tr. 185-186.

<sup>23</sup> Deborah Rutt filed a Formal Complaint in this matter.

<sup>24</sup> Tr. 195-196.

<sup>25</sup> Tr. 198-199.

<sup>26</sup> Tr. 217-219.

Ms. Kathleen Ketcham testified against both of the proposed rate increase for electric utilities. Ms. Ketcham stated that she has been a resident of Pike County for over 30 years. She stated that an increase in rates as high as the ones proposed would require her to have to work until she turns 90 years old. Ms. Ketcham stated that her income is limited, as she is on Social Security. She expressed her concern over her ability to manage costs if the proposed rate increases came into effect.<sup>27</sup>

#### IV. FINDINGS OF FACT<sup>28</sup>

1. Pike County Light and Power Company (electric) is a certificated Pennsylvania public utility providing electricity distribution service to approximately 5,348 people in Pike County, Pennsylvania which include Matamoras Borough, Westfall Township, Milford Borough, Milford Township and Dingmans Township. Data Responses to 52 Pa. Code Sections 53.52.

2. I&E was created by the Commission pursuant to 66 Pa.C.S. § 308.2(a)(7) as the prosecutory bureau for purposes of, *inter alia*, representing the public interest in ratemaking matters before the Office of Administrative Law Judge. *Implementation of Act 129 of 2008; Organization of Bureaus and Offices*, Docket No. M-2008-2071852, at 4-5 (Order entered Aug. 11, 2011).

3. OCA is empowered to represent the interests of Pennsylvania consumers before the Commission, pursuant to Act 1976-161 of the General Assembly, as amended, 71 Pa.C.S. § 3-901 *et seq.*

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<sup>27</sup> Tr. 222-223.

<sup>28</sup> The parties to the Joint Petition for Non-Unanimous Settlement included proposed findings of fact as Appendix A of the Joint Petition. They are adopted with revisions.

4. OSBA is authorized by the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 – 399.50, to represent the interests of small business consumers of utility services in matters before the Commission.

5. Pike’s original base rate filing (“Electric Base Rate Filing”) requested an increase in electric rates of \$1,874,600 or 29.1% over present rates. Pike proposed an increase of \$2.00 to the residential customer charge, approximately \$4.00 for SC-2 small commercial customers, and approximately \$2.40 for SC-2 large commercial customers. Exh. E-8.

6. The last rate increase for Pike approved by the Commission went into effect on July 28, 2021. Pike St. No. 2 at 4.

7. The bill impacts of Pike’s Electric Base Rate Filing on monthly bills are set forth in Exh. E-8.

8. Pike’s Electric Base Rate Filing was based on a Future Test Year (FTY) ending September 30, 2025.

9. Pike proposed implementing smart meters as part of its infrastructure to be installed in the FTY.

10. OCA, I&E, and OSBA each made different proposals regarding, among other things, the Company’s proposed revenue increase, and the proposed rate design. The OCA and I&E proposed various adjustments to Pike’s operating expenses. The OCA and I&E also proposed lower rates of return than what Pike proposed.

11. At the public input hearings, some customers expressed concerns regarding ability to pay bills and afford increased rates. Pike reached out to customers

that raised specific concerns to assist these customers with their accounts including offering budget billing. Pike St. No. 5-R.

12. At the public input hearings, various customers testified in support of the Company's service to customers. N.T. 118:21-25 (“[PCLP] has done a very good job in system improvements. Reliability has seemed to improve, and I think we all appreciate that.”); 137:19-23 (“since our last round of rate increases, we have had shorter outages with better response times and better - more timely outage communications. We do appreciate that.”); 143:18-21 (“PCLP has done a stellar job in trying to improve the infrastructure that they acquire, and I commend them for that.”); 151:16-21 (“And I want to reiterate, the previous owner of Pike County Light and Power, the difference with the new company ownership is night and day. So, I'm happy with the ownership”); 152:19-20 (“We now have new ownership, very happy with that.”); 199:21-24 (“And it's just, you know, I have no problem with Pike County Light and Power. I think they're great, their customer services, we've never had any issues with them.”). Several customers also raised concerns regarding the reliability of Pike's electric distribution system. Tr. 45-46, 86-89, 185-91.

13. In the *2023 Pennsylvania Electric Reliability Report*, Pike reported that the second highest cause of electrical outages and customer minutes interrupted (CMI) on its distribution system was classified as “Unknown-Other,” at 20% and 32%, respectively. *2023 Pennsylvania Electric Reliability Report* (Published Sept. 3, 2024)<sup>29</sup> at 62. In response, the Commission stated that Pike should direct more management attention “at reducing the number of causes attributed to Unknown-Other as that categorization does not lend itself to providing substantive analysis of those events from a reliability perspective.” *Id.*

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<sup>29</sup> Available at: [https://www.puc.pa.gov/media/3123/draft-2024-electric-reliability-report-8-2024\\_final.pdf](https://www.puc.pa.gov/media/3123/draft-2024-electric-reliability-report-8-2024_final.pdf).

14. The customer bill impacts resulting from the Settlement are attached as Appendix D.

15. The Settlement rates include a \$0.75 increase to the customer charge, as opposed to the \$2.00-\$4.00 increases Pike proposed. Joint Petition ¶ 9.

16. The Settlement includes a term that will require the Company to improve its reporting for the causes of outages and customer minutes interrupted by directing management attention to reporting fewer of the same as “Unknown-Other.” Joint Petition ¶ 20.

17. The Settlement includes a term that will allow customers to request that their smart meter be installed at a location away from their home instead of maintaining an analog meter and paying a monthly meter reading fee. Customers will have the option to have the Nighthawk AMI smart meter installed at a location of their choosing which complies with the requirements of the Company’s tariff and the requirements of Tariff Rule 6.7. Joint Petition ¶ 21.

18. The Settlement was achieved only after a comprehensive investigation of Pike’s proposals set forth in its Electric Base Rate Filing. In addition to formal and informal discovery, the active parties submitted several rounds of testimony, including the Company’s direct testimony, other parties’ direct testimony, rebuttal testimony, and surrebuttal testimony.

19. The agreed upon revenue requirement is a “black box” settlement, under which the parties do not specifically identify or resolve all of the individual rate base, revenue, expenses, and rate of return issues.

20. The Company claimed that its current rates do not provide it with a reasonable opportunity to earn a fair rate of return on its investments made to serve the public in the provision of safe and reliable electric distribution service. Pike St. No. 2 at 4-6.

21. Through negotiations, the Joint Petitioners were able to compromise their competing litigation positions and arrive at the Settlement increase. The Settlement revenue increase is less than Pikes's overall requested increase, and more than I&E and OCA's final litigation positions, respectively.

22. Pike relied upon a cost-of-service study to allocate its proposed total revenue and costs to each of the customer classes. Pike St. No. 1; Exhs. E-6, E-7, E-8.

23. Pike, I&E, OCA, and OSBA took differing position on revenue allocation. Pike St. No. 1; Exhs. E-6, E-7, E-8; Pike St. No. 1-R; I&E St. No. 3; Exh. 3; OCA St. No 3; Exhs. KRP-2, KRP-3; OSBA St. No 1.

24. Appendix C to the Settlement sets forth the proof of revenues, which reflects the agreed-upon revenue allocation.

## V. TERMS AND CONDITIONS OF THE NON-UNANIMOUS SETTLEMENT

A Joint Petition for Approval of Non-Unanimous Settlement (Joint Petition) was filed on June 9, 2025. The Joint Petition included the agreement of PCLP, I&E, and OCA (Joint Petitioners) to resolve the issues raised in litigation by those parties. The Joint Petition includes:

APPENDIX A PROCEDURAL HISTORY, PROPOSED FINDINGS OF FACT, PROPOSED CONCLUSIONS OF LAW, AND PROPOSED ORDERING PARAGRAPHS

APPENDIX B	PRO FORMA TARIFF SUPPLEMENTS
APPENDIX C	PROOF OF REVENUES
APPENDIX D	CUSTOMER BILL IMPACTS
APPENDIX E	PIKE STATEMENT IN SUPPORT
APPENDIX F	OCA STATEMENT IN SUPPORT
APPENDIX G	I&E STATEMENT IN SUPPORT

The Joint Petitioners have agreed to the settlement terms as set forth below.

These terms are stated verbatim and for ease of reference retain the same paragraph numbers as they appear in the Settlement.

A. Revenue Requirement Increase

4. Upon the Commission’s approval of this Settlement, Pike will be permitted to establish rates which will produce an overall increase in annual electric distribution operating revenues of approximately \$1,590,000, effective October 15, 2025, as set forth in the proposed pro forma Tariff Supplement attached hereto as **Appendix B** (“Settlement Rates”), to become effective upon one day’s notice.

5. Upon Commission approval of this Settlement, the Company will be permitted to charge rates for electric service as set forth in the proposed pro forma Electric Tariff Supplement attached hereto as **Appendix B** (“Electric Settlement Rates”), to become effective upon one day’s notice. Instead of the \$1,874,600 increase requested in the filing, the Electric Settlement Rates are designed to produce an increase of annual electric distribution revenue of \$1,590,000 as shown in greater detail on the Proof of Revenues attached hereto as **Appendix C**.

6. The Joint Petitioners agree to the implementation of the Electric Settlement Rates on October 15, 2025.

B. Stay Out

7. The Company will not file another general base rate increase prior to October 31, 2027.

C. Rate Design

8. The Joint Petitioners agree to the distribution of revenue among customer classes and the rate design reflected in the attached proof of revenues (**Appendix C**) and tariff supplement (**Appendix B**).

9. The table below reflects the increase in delivery revenues by class from present rates as proposed by the Joint Petitioners:

Service Class	Type of Service	Annual Bills	Total Sales (kWh)	Delivery Revenue at:		Increase:	
				Present Rates	Proposed Rates	Rev Change	Percent Change
1	Residential Service	53,714	35,464,237	\$3,616,719	\$4,391,833	\$775,114	21.4%
2	General Secondary - Demand	9,020	35,298,187	2,913,127	3,551,492	638,365	21.9%
2	General Secondary - Non-Demand	2,675	894,992	127,775	155,777	28,002	21.9%
2	General Primary Service	108	12,289,759	541,308	653,088	111,780	20.6%
3	Municipal Street Lighting	144	328,097	112,628	137,909	25,281	22.4%
4	Private Area Lighting	<u>935</u>	<u>152,075</u>	<u>49,527</u>	<u>60,975</u>	<u>11,448</u>	<u>23.1%</u>
Total		66,596	84,427,347	\$7,361,084	\$8,951,074	\$1,589,990	21.6%

**Pike County Light & Power Company**

Electric Rate Case Filing

Docket No. R-2024-3052359

Customer Charge	Present Rates	As Filed Amount	% Increase	Proposed Settlement Amount	% Increase
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SC1 - Residential Heating & Non-Heating	\$8.80	\$10.80	22.7%	\$9.55	8.5%
SC2- Small Commercial & Industrial (Secondary)	\$17.26	\$21.50	24.6%	\$21.50	24.6%
SC- Large Commercial & Industrial (Primary)	\$140.00	\$175.00	25.0%	\$175.00	25.0%
<u>Average Customer Bill – Delivery Revenues*</u>					
SC1 - Residential (674 kWh)	\$75.03	\$90.55	20.7%	\$83.31	11.0%
SC2 - Secondary - Demand (3,308 kWh) (10kW)	\$305.27	\$352.09	15.3%	\$340.81	11.6%
SC2 Secondary - Non-Demand (532 kWh)	\$74.98	\$86.45	15.3%	\$84.48	12.7%
SC2 - Primary (105,514 kWh) (256 kW)	\$5,029.75	\$5,810.42	15.5%	\$5,545.17	10.2%
SC3 - Muni Street Lighting (All Rates)	\$118,259	\$148,711	25.8%	\$137,909	16.6%
SC4 - Private Lighting (All Rates)	\$52,003	\$65,395	25.8%	\$60,975	17.2%

\* Bill Comparison Present Rate revenues include the DSIC charge of 5% of delivery revenues. The revenues as filed and proposed have the DSIC charge rolled into base rates.

10. A comparison of the total monthly bill impact for residential and commercial rate classes, comparing present rates, as filed rates, and settlement rates is provided below:

Electric Rate Case Filing  
Docket No. R-2024-3052359

Average Customer Bill – Total Bill*	Present Rates	As Filed Amount	% Increase	Proposed Settlement Amount	% Increase
SC1 - Residential (674 kWh)	\$146.31	\$161.83	10.6%	\$154.59	5.7%
SC2 - Secondary - Demand (3,308 kWh) (10kW)	\$682.18	\$729.00	6.9%	\$717.72	5.2%
SC2 Secondary - Non- Demand (532 kWh)	\$135.60	\$147.06	8.5%	\$145.09	7.0%
SC2 - Primary (105,514 kWh) (256 kW)	\$16,879.3 7	\$17,660.0 5	4.6%	\$17,394.8 0	3.1%
SC3 - Muni Street Lighting (All Rates)	\$154,665	\$185,117	19.7%	\$17,4315	12.7%
SC4 - Private Lighting (All Rates)	\$68,877	\$82,269	19.4%	\$77,849	13.0%

\* Billing Comparison based on Electric Supply Charge and Electric Supply Adjustment Charge currently in effect as of December 1, 2024. Company's initial filing reflected prior Electric Supply Charge and an Electric Supply Adjustment charge that expired November 30, 2024.

11. The Settlement rate structure and design provides for a sound and reasonable rate structure and rate design within the range of positions within the testimony and evidence of the parties to this proceeding. The Settlement rate structure and rate design is within the range of the varying positions of the parties in this proceeding to create a rate structure under black box revenue requirement of \$8,951,074.

D. Distribution System Improvement Charge (“DSIC”)  
Recovery

12. The DSIC shall be established at 0% of billed revenues effectively with the effective date of settlement rates. The DSIC shall remain at 0% of billed revenues until the quarter following the point in time at which Pike Electric’s net plant in service (original investment less accumulated depreciation, customer advances and customer contributions) exceeds the levels projected by Pike Electric as of September 30, 2025 (i.e., the end of the FTY) per Company Exhibit E-3. The foregoing provision is included solely for purposes of calculating the DSIC and is not determinative for future ratemaking purposes of the projected additions to be included in rate base in an FTY filing.

13. 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).

E. Deferred Tax Cuts and Jobs Act (“TCJA”) Deferred Income  
Tax Balances

14. Deferred TCJA Deferred Income Tax “Protected” Balance. The remaining Protected TCJA credit balance of \$99,120 as of September 30, 2025, 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 started amortizing the total over forty years as of July 28, 2021 (the effective rate for the prior rate proceeding) and will continue to amortize the Protected TCJA balance until fully extinguished as a credit to expense at the rate of \$2,766 per annum.

15. Deferred TCJA Deferred Income Tax “Non-Protected” Balance. The remaining Non-Protected TCJA credit balance of \$12,212 as of September 30, 2025, 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 started amortizing the total over five years as of July 28, 2021, and will continue to amortize the Non-Protected TCJA balance until fully extinguished as a credit to expense at the rate of \$14,654 per annum.

16. Deferred TCJA Deferred Income Tax Write-Off. The remaining credit balance in Account 186150 of \$15,133 will be written off upon the effective date of rates in this proceeding of October 15, 2025.

F. Storm Cost Amortization

17. The remaining balance of \$346,393 as of September 30, 2025, associated with the Hurricane Riley costs approved for deferral at Docket No. P-2018-3001395 shall be amortized over the next 5 years starting with the effective date of new rates of October 15, 2025, with no remaining unamortized balance in rate base.

G. Next Base Rate Proceeding

18. In its next base rate proceeding, Pike will present expert witness direct testimony regarding its cost of equity claim.

19. In Pike’s future base rate cases, the cost-of-service study will be performed such that the revenue requirement under proposed rates is equal to those shown in the income statement at proposed rates and the proof of revenue.

H. Reliability Reporting Improvement

20. Pike will reduce the number of outage incidents and customer-minutes interrupted (CMI) reported as caused by “Unknown-Other.” Pike agrees to meet the following benchmarks:

Metric	2023 Reliability Report	By April 30, 2026	By April 30, 2027	By April 30, 2028, and on an ongoing basis
CMI	32%	20%	14%	10%
Outages	20%	15%	12%	10%

I. Smart Meter Relocation

21. Tariff Rule 6.7 applies to requests by customers to relocate a smart meter away from their home instead of maintaining an analog meter and paying a monthly meter reading fee. Customers will have the option to have the Nighthawk AMI smart meter installed at a location of their choosing which complies with the requirements of the Company’s tariff and the requirements of Tariff Rule 6.7.

## VI. LEGAL STANDARDS

### A. General Rate Increase Proceedings

At issue here is the Company's request for a general base rate increase, which is governed by Section 1308(d) of the Code. Section 1308(d) of the Code provides the procedures for changing base rates, the time limitations for the suspension of the new rates, and the time limitations on the Commission's actions.<sup>30</sup>

Section 1301(a) of the Code mandates that “[e]very rate made, demanded, or received by any public utility ... shall be just and reasonable, and in conformity with [the] regulations or orders of the [C]ommission.”<sup>31</sup> Pursuant to the just and reasonable standard, a utility may obtain “a rate that allows it to recover those expenses that are reasonably necessary to provide service to its customers[,] as well as a reasonable rate of return on its investment.”<sup>32</sup> There is no single way to arrive at just and reasonable rates, and “[t]he [Commission] has broad discretion in determining whether rates are reasonable” and “is vested with discretion to decide what factors it will consider in setting or evaluating a utility's rates.”<sup>33</sup>

The Commission is required to investigate all general rate increase filings.<sup>34</sup> According to Section 315(a) of the Public Utility Code, the burden of proof to establish the justness and reasonableness of every element of a public utility's rate increase request

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<sup>30</sup> 66 Pa.C.S. § 1308(d).

<sup>31</sup> 66 Pa.C.S. § 1301(a).

<sup>32</sup> *City of Lancaster Sewer Fund v. Pa. Pub. Util. Comm'n*, 793 A.2d 978, 982 (Pa. Cmwlth. 2002) (*City of Lancaster*).

<sup>33</sup> *Popowsky v. Pa. Pub. Util. Comm'n*, 683 A.2d 958, 961 (Pa. Cmwlth. 1996) (*Popowsky II*).

<sup>34</sup> *Id.* at 961.

rests solely upon the public utility.<sup>35</sup> The evidence necessary to meet that burden must be substantial.<sup>36</sup>

In general rate increase proceedings, the burden of proof does not shift to parties challenging a requested rate increase. Rather, the utility's burden of establishing the justness and reasonableness of every component of its rate request is an affirmative one, and that burden remains with the public utility throughout the course of the rate proceeding. There is no similar burden placed on parties to justify a proposed adjustment to the company's filing.<sup>37</sup>

However, in proving that its proposed rates are just and reasonable, a public utility need not affirmatively defend every claim it has made in its filing, even those which no other party has questioned:

While it is axiomatic that a utility has the burden of proving the justness and reasonableness of its proposed rates, it cannot be called upon to account for every action absent prior notice that such action is to be challenged.<sup>[38]</sup>

That is, Section 315(a) of the Code cannot reasonably be read to place the burden of proof on the utility with respect to an issue the utility did not include in its general rate case filing and which, frequently, the utility would oppose.<sup>39</sup> The burden of proof must be on the party who proposes a rate increase beyond that sought by the

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<sup>35</sup> 66 Pa.C.S. § 315(a).

<sup>36</sup> *Lower Frederick Twp. Water Co. v. Pa. Pub. Util. Comm'n*, 409 A.2d 505, 507 (Pa. Cmwlth. 1980).

<sup>37</sup> *Berner v. Pa. Pub. Util. Comm'n*, 116 A.2d 738, 744 (Pa. 1955).

<sup>38</sup> *Allegheny Ctr. Assocs. v. Pa. Pub. Util. Comm'n*, 570 A.2d 149, 153 (Pa. Cmwlth. 1990) (citation omitted); *see also Pa. Pub. Util. Comm'n v. Equitable Gas Co.*, 73 Pa.P.U.C. 310 (1990).

<sup>39</sup> 66 Pa.C.S. § 315(a).

utility.<sup>40</sup> The mere rejection of evidence contrary to that presented by the public utility is not an impermissible shifting of the evidentiary burden.<sup>41</sup>

Section 523 of the Public Utility Code<sup>42</sup>, also requires the Commission to “consider . . . the efficiency, effectiveness and adequacy of service of each utility when determining just and reasonable rates.” In exchange for customers paying rates for service, which include the cost of utility plant in service and a rate of return, a public utility is obligated to provide safe, adequate, and reasonable service.<sup>43</sup> Section 523 of the Public Utility Code, requires the Commission to “consider . . . the efficiency, effectiveness and adequacy of service of each utility when determining just and reasonable rates.”<sup>44</sup> As a result, the legislature has given the Commission discretionary authority to deny a proposed rate increase, in whole or in part, if the Commission finds “that the service rendered by the public utility is inadequate.”<sup>45</sup>

## B. Legal Standards for Settlements

Commission policy promotes settlements.<sup>46</sup> In most cases, settlements lessen the time and expense that the parties must expend litigating a case, and at the same time, conserve precious administrative resources. Settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding.<sup>47</sup> The Commission has

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<sup>40</sup> *Pa. Pub. Util. Comm’n v. Metro. Edison Co.*, Docket No. R-00061366, 2007 Pa. PUC LEXIS 5 (Order entered January 11, 2007).

<sup>41</sup> *U.S. Steel Corp. v. Pa. Pub. Util. Comm’n*, 456 A.2d 686 (Pa. Cmwlth. 1983).

<sup>42</sup> 66 Pa.C.S. § 523.

<sup>43</sup> *Pa. Pub. Util. Comm’n v. Pa. Gas & Water Co.*, 61 Pa.P.U.C. 409, 415-16 (1986); *see also* 66 Pa.C.S. § 1501.

<sup>44</sup> 66 Pa.C.S. § 523.

<sup>45</sup> 66 Pa.C.S. § 526(a).

<sup>46</sup> See 52 Pa. Code § 5.231.

<sup>47</sup> See 52 Pa. Code § 69.401.

explained that parties to settled cases are afforded flexibility in reaching amicable resolutions, so long as the settlement is in the public interest.<sup>48</sup> In order to accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest.<sup>49</sup> It is unusual for a proposed settlement in a general base rate case to be rejected.<sup>50</sup>

The Commission’s policy permits parties to enter “partial” or “non-unanimous” settlements.<sup>51</sup> As with full settlements, partial settlements, whether involving a partial settlement of issues or a partial settlement of the parties involved (non-unanimous), must be reasonable and in the public interest.<sup>52</sup> The Commission has approved non-unanimous settlements as being just and reasonable and in the public interest and has not rejected or disfavored settlements because they are non-unanimous.<sup>53</sup>

The standards for approving the terms of non-unanimous settlements are the same as those for deciding a fully contested case, i.e., the parties to the non-unanimous settlement must demonstrate that the proposed settlement is supported by

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<sup>48</sup> *Pa. Pub. Util. Comm’n v. MXenergy Elec. Inc.*, Docket No. M-2012-2201861 (Opinion and Order entered Dec. 5, 2013).

<sup>49</sup> *Pa. Pub. Util. Comm’n v. Windstream Pa., LLC*, Docket No. M-2012-2227108 (Opinion and Order entered Sept. 27, 2012); *Pa. Pub. Util. Comm’n v. CS Water & Sewer Assoc.*, 74 Pa.P.U.C. 767 (1991).

<sup>50</sup> *Pa. Pub. Util. Comm’n v. Cmty. Utils. of Pa., Inc. – Wastewater Div.*, Docket No. R-2021-3025206, at 10 (Opinion and Order entered Jan. 13, 2022) (reversing the presiding officer’s order recommending rejection of a joint petition for settlement of a rate case concluding that on balance, the settlement is in the public interest and should be approved).

<sup>51</sup> *See* 52 Pa. Code § 69.401; *see also* 52 Pa. Code §§ 5.232; 69.406.

<sup>52</sup> *See Pa. Pub. Util. Comm’n v. City of Bethlehem – Water Dep’t*, Docket No. R-2020-3020256 (Opinion and Order entered Apr. 15, 2021) (*City of Bethlehem Water*).

<sup>53</sup> *See, e.g. City of Bethlehem Water; Pa. Pub. Util. Comm’n v. Pike Cnty. Light & Power Co. – Elec.*, Docket No. R 2020-3022135 (Order entered June 23, 2021) (*Pike County*); *Pa. Pub. Util. Comm’n v. Pa.-Am. Water Co.*, Docket No. R-2020-3019369 (Opinion and Order entered Feb. 25, 2021) (*Pennsylvania-American Water Co.*).

substantial evidence and that the rates agreed to are just and reasonable, in the public interest, and in conformity with the Commission's orders and regulations.<sup>54</sup>

## VII. DISCUSSION OF NON-UNANIMOUS SETTLEMENT

### 1. **Revenue Requirement**

PCLP asserts that the reduced revenue requirement will allow the Company sufficient funds to provide safe, efficient, and reasonable electricity distribution service while avoiding any rate shock to customers. PCLP notes that the main drivers of the rate increase are to earn a return on past capital investments and continue financing future capital investments. PCLP states that the rate increase also rolls credit card fees currently charged to customers on an individual basis into base rates, assist the Company with its efforts to improve cybersecurity, help the Company fulfill its LTIIP commitments, and support the Company's vegetation management program, and help support the initial roll out of smart meters in the Company's territory.<sup>55</sup>

PCLP asserts that the Settlement revenue increase of \$1,590,000 is a reasonable compromise of the Joint Petitioners' positions in this proceeding. The Joint Petitioners, while supporting their revenue requirement positions for litigation purposes, recognize that the Commission likely would have accepted certain adjustments proposed by Joint Petitioners, but would not have accepted all positions set forth by an individual party.<sup>56</sup>

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<sup>54</sup> See 66 Pa.C.S. § 1301; *Pike County*; *City of Bethlehem Water*; *Pennsylvania-American Water Co.*

<sup>55</sup> PCLP SIS at 5-6.

<sup>56</sup> *Id.*

Further, PCLP maintains that the Settlement revenue requirement is a “black box” amount. Under a “black box” settlement, parties do not specifically identify revenues, expenses and return that are allowed or disallowed. Pike believes that “black box” settlements facilitate agreements, as parties are not required to identify a specific return on equity or identify specific revenues and/or expenses that are allowed or disallowed.<sup>57</sup>

Considering the Settlement in its entirety, PCLP believes that the revenue requirement is reasonable and will provide the Company with additional revenues necessary to provide reliable, safe, and reasonable service to customers. PCLP also believes the Settlement appropriately balances the need of the Company to earn a reasonable rate of return with the customers’ interest in reasonable rates.<sup>58</sup>

I&E notes that the parties have agreed upon the additional annual revenues as a “black box” settlement. A “black box” settlement does not specifically identify the resolution of any disputed issues. Instead, an overall increase to base rates is agreed to and parties retain all rights to further challenge all issues in subsequent proceedings. A “black box” settlement benefits ratepayers as it allows for the resolution of a proceeding in a timely manner while avoiding significant additional expenses.<sup>59</sup>

I&E asserts that this “black box” revenue increase balances the interests of ratepayers and the Company. Pike Electric 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 initial proposal. Further, a black box settlement negates the need for the parties in a rate case to come to an agreement on each and every element of the Company’s filing; an undertaking that would likely not be possible. Black

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<sup>57</sup> PCLP SIS at 5-6.

<sup>58</sup> *Id.*

<sup>59</sup> I&E SIS at 4-5.

box settlements are an efficient and appropriate way to resolve base rate cases. As such, I&E supports the “black box” revenue increase as being in the public interest.<sup>60</sup>

OCA contends that because the agreed-upon revenue requirement increase in the Settlement is within the range of reasonable results which may have been achieved through litigation, and the rate increase includes a stay out provision providing customers known and stable electric distribution costs for the next several years, the revenue requirement increase authorized in the Settlement is in the public interest and results in just and reasonable rates.<sup>61</sup>

OCA also notes that the Settlement represents a “black box” approach to the revenue requirement including, among other things, cost of capital issues. Black box settlements avoid the need for protracted disputes over the merits of individual revenue requirement adjustments and avoid the need for a diverse group of stakeholders to attempt to reach a consensus on each of the disputed accounting and ratemaking issues in this matter, as policy and legal positions can differ. As such, the parties have not specified a dollar amount for each issue or adjustment raised in this case. Attempting to reach agreement regarding each adjustment in this proceeding would have likely prevented any settlement from being reached.<sup>62</sup>

Based on OCA’s analysis of PCLP’s filing, discovery responses received, and testimony by all parties, the revenue increase under the Settlement represents a result that would be within the range of likely outcomes in the event of full litigation of the case. OCA also supports this Settlement as the agreed upon revenue requirement is \$284,600 less than the Company’s proposal and only 19.2% greater than OCA’s revenue requirement recommendation in testimony. The Settlement includes several terms

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<sup>60</sup> I&E SIS at 4-5.

<sup>61</sup> OCA SIS at 9.

<sup>62</sup> *Id.* at 9-10.

designed to protect consumers that might not otherwise be achieved through litigation of this proceeding. The increase is reasonable, permits PCLP to recover all costs necessary to provide safe, adequate, and reliable service while mitigating the impact to consumers of the full revenue requirement increase requested and, when combined with other important conditions in the Settlement, yields a result that is in the public interest. Therefore, it should be accepted by the Commission without modification.<sup>63</sup>

## **2. Stay-Out**

All of the parties to the Settlement agree that the provision that states that the Company will not file another general base rate increase prior to October 31, 2027, provides rate stability for customers.<sup>64</sup>

## **3. Rate Design**

PCLP asserts that the Settlement strikes a balance that is in the best interest of all of Pike's customers, and the revenue allocation and rate design Settlement terms should be approved.<sup>65</sup>

PCLP notes that the revenue allocation issues in this proceeding were contentious. Joint Petitioners proposed varying class cost of service studies and cost allocation methodologies. Although Joint Petitioners did not agree on any specific class "cost of service" in the Settlement, they were able to agree to a revenue allocation that is within the range of revenue allocations proposed by all parties to this proceeding. PCLP

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<sup>63</sup> OCA SIS at 9-10.

<sup>64</sup> See PCLP SIS at 7, I&E SIS at 5; OCA SIS at 10.

<sup>65</sup> PCLP SIS at 7.

submits this revenue allocation meets the cost-of-service standards the courts and the Commission must apply.<sup>66</sup>

PCLP maintains that the revenue allocation under the Settlement represents a compromise and falls within the litigation positions and range of results presented by the Joint Petitioners. Thus, the Settlement revenue allocation is just and reasonable. PCLP notes that because of the disagreement over cost allocation studies and the “black box” nature of the Settlement, it is not possible to precisely calculate the extent to which the Settlement moves rates closer to cost of service for all Joint Petitioners.<sup>67</sup>

PCLP also asserts that the rate design is also a benefit to customers because the Company compromised on the amount of the increase it would place into volumetric versus the fixed customer charge. The Company originally proposed increasing the customer charge by \$2.00. Under the Settlement, the customer charge is only increasing \$.75. Placing more of the increase into volumetric rates allows customers greater control over their bills.<sup>68</sup>

I&E also contends that the agreed upon rate structure and rate design represents a compromise among the Joint Petitioners’ proposals and is therefore in the public interest.<sup>69</sup>

OCA submits that the Settlement reflects an adequate balance of the OCA’s interest in protecting consumers from customer charges and rate shock with the Company’s aim in earning additional revenue to continue funding investment in plant. The settled upon increases will reduce rate shock among customers and provide better

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<sup>66</sup> *Id.* at 7.

<sup>67</sup> PCLP SIS at 8.

<sup>68</sup> *Id.* at 8-9.

<sup>69</sup> I&E SIS at 6.

parity between PCLP's customer classes than what was proposed in the Company's initial rate filing.<sup>70</sup>

OCA states that rather than litigate the merits of the arguments presented by it and PCLP in this proceeding, the Joint Petitioners have all agreed that the proposed revenue allocation reasonably allocates the agreed upon revenue increase among customer classes, and designs rates to recover the amounts allocated to the customer classes. The Settlement represents a compromise, balancing the interests of the Company and consumers with respect to both revenue allocation and rate design, and falls within the range of expected outcomes from litigation. OCA requests that the Commission accept the revenue allocation and rate design included in the Settlement as just and reasonable.<sup>71</sup>

#### **4. Distribution System Improvement Charge (DSIC) Recovery**

In accordance with the Settlement, PCLP's DSIC shall remain at 0% of billed revenues until the quarter following the point in time at which its net plant in service (original investment less accumulated depreciation, customer advances and customer contributions) exceeds the levels projected by PCLP as of September 30, 2025 (i.e., the end of the FTY) per Company Exhibit E-3. I&E maintains that this is in the public interest and benefits both Pike and its ratepayers. First, PCLP benefits because it will have access to DSIC funding for necessary infrastructure improvements which helps to ensure it is able to meet its obligation to provide its customers with safe and reliable service. Second, customers will benefit because they will not need to fund the DSIC any earlier than the point in time at which PCLP's net plant in service exceeds the levels projected by PCLP as of September 30, 2025. In sum, ratepayers will have a defined

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<sup>70</sup> OCA SIS at 10.

<sup>71</sup> *Id.* at 11-12.

period of time during which they will be relieved from paying any DSIC costs; however, even when the DSIC charge becomes effective, the customers will benefit from the assurance that improved infrastructure will facilitate safe and reliable service.<sup>72</sup>

OCA maintains that this provision provides clarity with regard to the timing and implementation of a DSIC, and affords protections for ratepayers that the DSIC will not be charged until after the plant investment included in Settlement rates has been reached. Furthermore, OCA states that the Settlement is a “black box” and does not otherwise identify a specific return on equity number which is necessary for the calculation of the DSIC. The Settlement provides that for purposes of calculating the DSIC, the Company will use the equity return rate for electric in the most recent Bureau of Technical Utility Services Quarterly Earnings of Jurisdictional Utilities Report as released by the Commission and shall update it each quarter consistent with any changes for electric until such time as the DSIC is reset pursuant to Section 1358(b)(1).<sup>73</sup>

OCA asserts that such a provision is common among utilities that have reached a black box settlement and have not designated a specific rate of return in the Settlement. *See Implementation of Act 11 of 2012*, Docket No. M-2012-2293611, Tentative Implementation Order at 14-15 (May 11, 2012). The proposed terms provide clarity, are just and reasonable, and should be approved as in the public interest.<sup>74</sup>

## **5. Deferred Tax Cuts and Jobs Act (TCJA) Deferred Income Tax Balances**

I&E states that pursuant to the terms of the Settlement, the remaining Protected TCJA credit balance of \$99,120 as of September 30, 2025, is reflected as a rate

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<sup>72</sup> I&E SIS at 6.

<sup>73</sup> OCA SIS at 14.

<sup>74</sup> *Id.* at 14.

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 started amortizing the total over forty years as of July 28, 2021 (the effective rate for the prior rate proceeding) and will continue to amortize the Protected TCJA balance until fully extinguished as a credit to expense at the rate of \$2,766 per annum.<sup>75</sup>

I&E also notes that the remaining Non-Protected TCJA credit balance of \$12,212 as of September 30, 2025, 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 started amortizing the total over five years as of July 28, 2021, and will continue to amortize the Non-Protected TCJA balance until fully extinguished as a credit to expense at the rate of \$14,654 per annum. Additionally, the remaining credit balance in Account 186150 of \$15,133 will be written off upon the effective date of rates in this proceeding of October 15, 2025.<sup>76</sup>

The terms reflecting the proper increases or decreases to rate base for remaining protected and unprotected balances of excess deferred income taxes allow for the reflection of accurate rate base balances until the credits are fully extinguished, and are therefore in the public interest.<sup>77</sup>

PCLP and OCA did not address this issue in their Statements in Support.

## **6. Storm Cost Amortization**

Pursuant to the terms of the Settlement, the remaining balance of \$346,393 as of September 30, 2025, associated with the Hurricane Riley costs approved for deferral

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<sup>75</sup> I&E SIS at 7-8.

<sup>76</sup> *Id.*

<sup>77</sup> *Id.*

at Docket No. P-2018-3001395 shall be amortized over the next five years starting with the effective date of new rates of October 15, 2025, with no remaining unamortized balance in rate base.<sup>78</sup>

I&E notes that its witness Getachew Bedasa recommended in direct testimony amortization of the remaining storm expense balance of \$346,393 over five years in line with his rate case normalization period consistent with the Company's filing frequency.<sup>79</sup> Mr. Bedasa also recommended disallowance of the Company's entire \$302,100 claim for deferred debits in rate base for the unamortized storm expense balance.<sup>80</sup> PCLP's agreement to amortize the remaining storm expense balance over five years and ensure that no unamortized balance remain in rate base is in the public interest.<sup>81</sup>

Further, OCA states the provision is a positive resolution because it builds upon the Parties' agreement that these storm related costs should not be included in rate base, ensures that the Company will be able to recover these costs without enabling the Company to improperly earn a return "on" these costs. As I&E witness Bedasa testified that, "[i]ncluding storm cost deferral balances in rate base allows the Company to earn a return on and a return of storm cost expenses, which is not an acceptable ratemaking practice for an operating expense."<sup>82</sup> This provision strikes a balance by allowing the Company to recover its storm costs while protecting ratepayers by ensuring that investors are not earning a return on equity from operating expenses. As such, OCA believes this provision to be in the public interest and should be approved.<sup>83</sup>

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<sup>78</sup> I&E SIS at 8.

<sup>79</sup> I&E St. No. 1 at 23-24.

<sup>80</sup> *Id.* at 26.

<sup>81</sup> I&E SIS at 8.

<sup>82</sup> I&E St. No. 1 at 26.

<sup>83</sup> OCA SIS at 13.

## 7. Next Base Rate Case Proceeding

I&E supports that in its next base rate proceeding, PCLP will present expert witness direct testimony regarding its cost of equity claim. I&E witness D.C. Patel noted in direct testimony that the Company did not perform a detailed cost of equity analysis specific to the Company or to reflect current market conditions but instead relied on the approved return on equity (“ROE”) for DSIC purposes found in the second quarter of 2024 of the Commission’s Quarterly Earnings Summary Report.<sup>84</sup> Mr. Patel recommended that the Commission accept the Company’s 9.75% cost of common equity claim, but also recommended that the Commission require Pike Electric to present a detailed market-based cost of equity analysis in future base rate filings.<sup>85</sup> Mr. Patel discussed why the DSIC rate does not serve as a proper measurement of a subject utility’s cost of equity in a rate case proceeding.<sup>86</sup> Pike Electric’s agreement to conduct a detailed cost of equity analysis in its next base rate case is in the public interest.<sup>87</sup>

I&E notes that in future base rate cases, the PCLP’s cost of service (“COSS”) study will be performed such that the revenue requirement under proposed rates is equal to those shown in the income statement at proposed rates and the proof of revenue. I&E witness Eshyan Sakaya noted in direct testimony that the Company showed different increases under proposed rates in various parts of the filing as a result of inconsistency in the data provided in the income statement and the original COSS.<sup>88</sup> Mr. Sakaya discussed why it is necessary for the Commission to be aware of the actual increase the Company is expected to receive when making its determination of the

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<sup>84</sup> I&E St. No. 2 at 11.

<sup>85</sup> *Id.* at 12.

<sup>86</sup> *Id.* at 12-13.

<sup>87</sup> I&E SIS at 8-9.

<sup>88</sup> I&E St. No. 3 at 15.

appropriate revenue requirement.<sup>89</sup> Pike Electric's agreement to ensure the accuracy of its proposed increase in its next base rate case is in the public interest.<sup>90</sup>

OCA agrees that the inclusion of this provision in the Settlement, given that the Commission recently reiterated its long-standing position that the authorized ROE for DSIC purposes, is not relevant to determining an appropriate ROE for ratemaking purposes during a Section 1308(d) rate increase request proceeding, as it is a best practice for a regulated electric distribution company to conduct an independent analysis to support an ROE request that will formulate a just and reasonable rate of return for ratemaking purposes. Moreover, it is a typical and best practice before the Commission for the parties to a general rate increase request proceeding to present market-based analyses to support a company-specific return on equity recommendation for ratemaking purposes, and the comparison between different analyses and methodologies creates a more fulsome evidentiary record from which the Commission can determine the appropriate ROE to authorize. Consumers will benefit from greater evidentiary support for a Commission-authorized ROE, as presented by a cost of capital expert who makes a recommendation based on Pike's attributes, specifically, in Pike's next increase request.<sup>91</sup>

## **8. Reliability Reporting Improvement**

OCA notes that the Settlement provides for Pike to meet specific benchmarks to improve the quality of its electric reliability reporting. OCA states that PCLP has a statutory obligation to provide safe and reliable service, and Pike's commitment to improve the quality of its reporting is likely to also improve its system reliability over the coming years by better identifying the causes of outages and CMI.<sup>92</sup>

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<sup>89</sup> *Id.* at 16.

<sup>90</sup> I&E SIS at 8-9.

<sup>91</sup> OCA SIS at 15-16.

<sup>92</sup> *See* 66 Pa.C.S. § 1501.

OCA argues that this serves consumer interests in reliable service, is in the public interest, and should be approved without modification.<sup>93</sup>

PCLP and I&E do not address this issue in their Statements in Support.

## **9. Smart Meter Relocation**

PCLP asserts that the Settlement is also in the public interest because it provides greater flexibility to customers regarding smart meter placement. While smart meters have not been shown to present any danger or concern for public health or safety, PCLP is aware that some customers of other electric distribution utilities have engaged in significant and costly litigation regarding smart meters before the Commission and the courts. The Settlement provides for a term whereby a customer may request an alternate location for their smart meter consistent with Pike's Tariff Rule 6.7. This Rule allows for an alternate meter location where possible and at the expense of the customer making the request. This Settlement term is in the public interest because it provides customers with greater flexibility regarding smart meter location, should prevent future litigation regarding smart meter location, and keeps cost causation with those customers who raise concerns with smart meter location.<sup>94</sup>

OCA notes that several electric distribution companies have a similar provision in their Commission-approved tariffs which permit customers to request relocation of their smart meter.<sup>95</sup> Under the tariff rule, customers bear the expense of meter relocation, eliminating the possibility of unreasonable cross-subsidization with

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<sup>93</sup> OCA SIS at 16-17.

<sup>94</sup> PCLP SIS at 9.

<sup>95</sup> *See, e.g.*, FirstEnergy PA., Electric Pa P.U.C. No. 1 – Supp. No. 23, Original Page 40; PECO Energy Co., Tariff Electric Pa. P.U.C. No. 8 – Supp. No. 7, Original Page 11; Duquesne Light Co., Tariff Electric Pa. P.U.C. No. 25 – Supp. No. 94, Original Page 19.

other customers, but are all still given a reasonable accommodation if they do not want a smart meter and do not want to pay a monthly meter reading fee. Therefore, this term in the Settlement is in the public interest and should be accepted by the Commission.<sup>96</sup>

I&E did not take a position on this issue.

## VIII. DISCUSSION OF OPPOSITION TO THE JOINT PETITION FOR SETTLEMENT

OSBA opposes the Settlement in this matter. OSBA asserts that the Settlement imposes excessive rate increases on small commercial classes SC2-S and SC2-P—21.9% and 20.6% respectively, as confirmed on page 4 and in Appendix C of the Joint Petition. These small businesses are already contributing revenue above their cost of service, and the settlement provides no justification for maintaining or increasing this imbalance. OSBA contends that this approach directly contradicts cost causation principles and violates the statutory requirement that rates not be unduly discriminatory.<sup>97</sup>

### A. Small Businesses Subsidize Residential

OSBA notes that it agreed with Pike’s COSS methodology. (*See* OSBA St. No 1 at 3-9; OSBA St. No. 1-R at 1-3). In direct testimony, OSBA witness Mark Ewen noted that Pike’s revenue allocation proposal was directionally consistent with its cost allocation methodology. Notably, Pike defended its COSS methodology in rebuttal testimony. (*See* PCLP Statement No. 1-R, at 8-9). It is not reasonable for the Company to accept a revenue allocation proposal that is contrary to its entire cost and revenue

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<sup>96</sup> OCA SIS at 18-19.

<sup>97</sup> OSBA Brief in Opposition at 5.

allocation methodology which has guided the Company's revenue allocation and rate design in previous base rates proceedings.<sup>98</sup>

OSBA states that the Company's COSS demonstrates that SC2-S and SC2-P customers have a current revenue-to-cost ratio of 1.24, clearly indicating they are already paying significantly more than the cost to serve them. At the same time, the revenue-to-cost ratio for the SC1 Residential class is 0.84, indicating under-earning. The index rate of return metric shows the same divergence: the SC2-S and SC2-P classes have index rates of return of 1.58 and 1.57, respectively, compared to the SC1 Class's index rate of return of 0.63. (*See* Pike Electric Filing, Exhibit E-6, Schedule PMN-2-E). Commercial customers' over-recovery invalidates any justification for the SC2-S class to receive a higher rate increase than the SC1 class.<sup>99</sup>

#### **B. The Settlement Contradicts Principles of Gradualism**

OSBA also maintains that small commercial customers receive no phase-in or rate mitigation, despite being assigned the largest percentage increases. OSBA argues that this contradicts the Commission's expectation that significant rate impacts be moderated over time to avoid rate shock. The absence of mitigation for these customers is especially egregious considering the modest increase assigned to residential customers who are still under-recovering based on cost of service.<sup>100</sup>

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<sup>98</sup> OSBA Brief in Opposition at 6.

<sup>99</sup> *Id.*

<sup>100</sup> *Id.*

**C. The Settlement Ignores Economic Realities Facing Small Businesses**

OSBA further argues that the record is devoid of any analysis of how these rate increases will impact Pike County’s small businesses, many of which are struggling with inflation and post-pandemic economic recovery. OSBA notes that the Governor’s 2023 Economic Development Strategy prioritizes small business resilience and explicitly warns against cost burdens that may hinder local commerce.<sup>101</sup>

**D. Settlement Conflicts with Pennsylvania’s Small Business and Utility Policy Goals**

OSBA maintains that by disproportionately increasing electric delivery rates on small businesses, the proposed settlement undermines small business growth. OSBA asserts that approval of this Settlement would place Pike County’s small commercial employers at a structural disadvantage and contradict the Commonwealth’s broader efforts to support resilient, thriving local economies. It would also contradict these statewide priorities and place small employers at greater financial risk.<sup>102</sup>

**E. Rate Structure And Rate Design**

**1. Cost of Service Methodology and Revenue Allocation**

OSBA notes that testimony was submitted in this proceeding regarding an appropriate cost of service study methodology to use for the purposes of revenue allocation and rate design. OSBA witness Mark Ewen identified that Pike’s use of a

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<sup>101</sup> OSBA Brief in Opposition at 7.

<sup>102</sup> *Id.*

110% constraint in allocation unjustly preserved over-recovery from commercial customers. (OSBA St. No. 1 at 6–8).<sup>103</sup>

## 2. Revenue Allocation in the Settlement

OSBA contends that the revenue allocation included in the Settlement continues to disproportionately burden SC2-S and SC2-P commercial customers. Despite being above cost of service, their delivery rate increase exceeds 20%. Meanwhile, residential customers—who remain below cost of service—are subject to only a 21.4% increase. (See Joint Petition at Appendix C).<sup>104</sup>

## 3. Rate Design in the Settlement

Moreover, OSBA contends that the Settlement's rate design results in large delivery rate increases for small businesses without any phase-in or mitigation, violating principles of gradualism and fairness. This further contradicts the Commission's precedent.<sup>105</sup>

### F. Settlement Rate Design Results Are Not Just and Reasonable

Lastly, OSBA argues that the disproportionate rate impact on commercial customers is inconsistent with statutory standards and longstanding Commission precedent.<sup>106</sup>

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<sup>103</sup> OSBA Brief in Opposition at 8.

<sup>104</sup> *Id.*

<sup>105</sup> *Id.* at 9.

<sup>106</sup> *Id.*

## Romeo's Opposition to Settlement

James Romeo, who filed a Formal Complaint in this case, has also filed an Opposition to the Settlement. Mr. Romeo indicates that the revenue allowed by the Settlement is not in the public interest. He notes that the revenue allowed by the Settlement is approximately 91.5% of the amount that PCLP requested in its originally filing. He believes that PCLP should shoulder more of the burden for system improvements.

## OCA's Position

OCA notes that OSBA accepted the cost-of-service study (COSS) submitted by Pike in its initial filing without modification and utilized Pike's COSS for the purposes of its revenue allocation recommendation.<sup>107</sup> OCA disagreed with Pike and OSBA that costs for secondary distribution plant are customer-related. Rather, OCA argued in testimony that costs for secondary distribution plant are appropriately classified as demand related.<sup>108</sup>

OCA states that OSBA witness Ewen's supposition that it is "less costly per unit of demand" to service commercial customers compared to residential customers due to a higher density of commercial customers in Pike's system is unsupported by evidence and thoroughly rebutted by its witness, Dr. Pavlovic's observation that Pike's system contains both higher and lower densities of commercial *as well as* residential customers.<sup>109</sup> Because Pike's standards and procedures do not suggest that it incurs costs for secondary distribution plant based on the number of customers connected to its

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<sup>107</sup> OSBA St. 1 at 8.

<sup>108</sup> OCA Main Brief at 23-26.

<sup>109</sup> OCA St. 3SR at 7-8.

system, then costs for secondary distribution plant on Pike’s system are likely demand-related.<sup>110, 111</sup>

OCA asserts that in the expert judgment of its witness, supported by his review of Pike’s distribution system design and operation documents, Pike’s secondary distribution system plant should not be classified as customer-related.<sup>112</sup> OCA witness Pavlovic recommended that the Commission reject Pike’s classification of secondary distribution plant costs as customer-related, classify those costs as 100% demand-related, and otherwise allocate Pike’s revenue increase on the basis of the COSS presented in the Company’s initial filing.<sup>113</sup>

OCA maintains that the revenue allocation and rate design provided in the Settlement are within the range of results which could be reasonably drawn from the COSSs submitted by Pike and the OCA and by the expert testimony supporting the submitted COSSs. Therefore, OSBA’s arguments in favor of a revenue allocation which is based on an unmodified version of Pike’s minimum-system COSS should be rejected, and the Commission should accept the revenue allocation proposed in the Settlement as the result of a reasonable compromise in the context of achieving a full settlement, in the public interest, and resulting in just and reasonable rates.<sup>114</sup>

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<sup>110</sup> See OCA St. 1 at 12-13 (describing how the National Association of Regulatory Utility Commissioners’ Electric Utility Cost Allocation Manual classifies distribution customer costs); see also Pike St. 1-R at 6 (“It is necessary to apply expert judgment that reflects a number of factors including the nature of services being provided, the demographics of its customers, the design of the distribution facilities and guidance from the regulatory commission concerning class revenue targets and allocation approaches.”).

<sup>111</sup> OCA Main Brief at 23-26.

<sup>112</sup> OCA St. 3 at 11-13.

<sup>113</sup> OCA Main Brief at 23-26.

<sup>114</sup> *Id.* at 26-30.

OCA also argues that the Settlement revenue allocation is informed by the joint positions of OCA and Pike based on litigation surrounding the appropriate COSS methodology to use. OCA asserts that as compared to the revenue allocation supported by OSBA, the Settlement revenue allocation more accurately reflects the particularities of Pike's distribution system design and operation as well as gradualism.<sup>115</sup>

OCA notes that by contrast, OSBA's proposed revenue allocation does not take gradualism into account in allocating revenue among Pike's customer classes. OSBA's proposal provides an increase of over 1.5 times the system average increase to SC1 Residential customers, SC3 Municipal Lighting customers, and SC4 Private Area Lighting customers.<sup>116</sup>

Further, OCA argues that the Settlement revenue allocation stabilizes the amount customers are currently contributing towards their cost of service, while considering gradualism. Moreover, because PCLP anticipates adding approximately 150 new residential customers during the FTY and approximately 30 new commercial customers during the FTY, it is likely that the cost contributory relationships between Pike's customer classes will change under new rates and these classes will make greater movement towards an RROR of 1.00 than anticipated based on Pike's historical data alone.<sup>117</sup> As a result, the revenue allocation provided in the Settlement achieves an appropriate balance between the revenue allocation positions of OCA and PCLP without moving classes further away from their cost of service, while considering gradualism.

OSBA's opposition to the Settlement revenue allocation is not supported by the design and operation of PCLP's distribution system or equitable principles such as gradualism. Therefore, OCA contends that OSBA's revenue allocation proposal should

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<sup>115</sup> OCA Main Brief at 26-30.

<sup>116</sup> OCA St. 3R at 7.

<sup>117</sup> See Pike Exh. E-8 at 22; Pike Exh. E-6, Sch. PMN-5-E at 1.

be rejected by the Commission and should accept the revenue allocation included in the Settlement because it is the result of compromise between OCA and PCLP in the interest of reaching a comprehensive settlement, within the range of reasonable results of litigation, in the public interest, resulting in just and reasonable rates.<sup>118</sup>

OCA also maintains that OSBA presented no evidence regarding the residential rate design and the Commission should accept the Settlement residential rate design without modification. OCA asserts that the rate design included in the Settlement are within the range of reasonable results from litigation and are supported by substantial evidence. The Settlement was the result of significant compromise between the Settling Parties as to the revenue requirement, revenue allocation and rate design, and other terms designed to protect consumers and is a comprehensive document where all portions were subject to the give-and-take of extensive negotiation. As a result, the Commission should, in its discretion, approve the Settlement revenue allocation and rate design.<sup>119</sup>

## IX. RECOMMENDATION

It is the role of an administrative law judge to apply the law pursuant to the Public Utility Code and the Commission's regulations and policies. Within the framework provided by that authority, we find the Joint Petition a reasonable balance of the competing needs of the stakeholders subject to the ratemaking process: residential consumers and small businesses, large industrial customers, energy suppliers and the utility investors.

We agree that the fact that parties have reached a settlement which would usually avoid litigation costs, by itself, is not a sufficient basis to support a conclusion

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<sup>118</sup> OCA Main Brief at 26-30.

<sup>119</sup> *Id.* at 30-31.

that an agreement is in the public interest. In its opposition to the Joint Petition, OSBA gives voice to many of the competing policies and social realities in this case. Specifically, OSBA asserts that the Settlement's rate design is discriminatory to small businesses in the service territory. OSBA argues that the small businesses are subsidizing the rates of residential customers. OSBA contends that the Settlement is not supported by the evidence in this case. However, OCA noted that the outcome of the Settlement is within the range presented by the parties and could have been the outcome of a fully litigated case. OCA, along with I&E, objected to OSBA's position in this case in terms of the COSS and the rate design. Further, OCA argues that the Settlement takes into consideration the unique issues facing PCLP and its system. In this matter, we agree with OCA and the other parties related to these issues. We agree that there is support in the record to support the position in the Settlement and therefore, OSBA's objections to the Settlement should be dismissed.

OSBA is requesting a number of changes to the Settlement specifically related to the rate design. However, as OCA notes, the settlement is a reasonable position that the parties have compromised to reach. Further, the rate design included in the Settlement are within the range of reasonable results from litigation and are supported by substantial evidence. The Settlement was the result of significant compromise between the Settling Parties as to the revenue requirement, revenue allocation and rate design, and other terms designed to protect consumers and is a comprehensive document where all portions were subject to the give-and-take of extensive negotiation. The Settlement takes into consideration the unique issues that are facing PCLP and its system. There is nothing from OSBA regarding the residential rate design or that the Settlement should be modified.

As to Mr. Romeo's opposition to the Settlement, while we can sympathize with his frustrations, he did not present any evidence to contradict the parties' positions

in this case. The Settlement is supported by the record in this case and his opinions are not sufficient to warrant a modification to the Settlement as it stands.

Further, we agree with the Joint Petitioners that the Joint Petition exemplifies the benefits to be derived from a negotiated approach to resolving what can appear at first blush to be irreconcilable regulatory differences. The Joint Petitioners have carefully discussed and negotiated all issues raised in this proceeding, and specifically those addressed and resolved in this Non-Unanimous Settlement. Further line-by-line identification of the ultimate resolution of the disputed issues beyond those presented in the Settlement is not necessary. The Joint Petition maintains the proper balance of the interests of all the diverse stakeholders in the ratemaking process. The compromise by the Joint Petitioners, who represented a diversity of views and positions, is reasonable. It appears that the majority of the parties are satisfied by the outcome of the Settlement, including Statutory Parties, such as I&E, and OCA. Based on the above, we agree that the Joint Petition is in the public interest. *Lloyd v. Pa. Pub. Util. Comm'n*, 904 A.2d 1010 (Pa. Cmwlth. 2006). Therefore, we recommend that the Commission approve the Joint Petition for Non-Unanimous Settlement without modification.

## X. CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the subject matter and the Parties to this proceeding. 66 Pa.C.S. §§ 1301, 1308(d).
2. A public utility's rates must be just and reasonable. 66 Pa.C.S. § 1301.
3. The Commission has broad discretion in determining whether rates are reasonable and to decide what factors it will consider in setting or evaluating a utility's rates. *Pa. Publ. Util. Comm'n v. City of Bethlehem - Water Dep't*, Docket No.

R-2020-3020256 (Opinion and Order entered Apr. 15, 2021) (citing *Popowsky v. Pa. Pub. Util. Comm'n*, 683 A.2d 958 (Pa. Cmwlth. 1996));

4. The application of science and policy to the allocation of a revenue increase is within the Commission's discretion. There is no set formula for determining proper ratios among the rates of different customer classes. What is reasonable under the circumstances, the proper difference among rate classes, is an administrative question for the Commission to decide. *Pa. Pub. Util. Comm'n v. Cmty. Utils. Inc.*, Docket R-2021-3025206 (Opinion and Order entered Jan. 13, 2022) (citations omitted).

5. Commission policy promotes settlements. 52 Pa. Code § 5.231.

6. Settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa. Code § 69.401.

7. 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. CS Water & Sewer Assoc.*, 74 Pa.P.U.C. 767 (1991).

8. The Joint Petitioners have the burden to prove that the Settlement is in the public interest. *Pa. Publ. Util. Comm'n v. City of Bethlehem - Water Dep't*, Docket No. R-2020-3020256 (Opinion and Order entered Apr. 15, 2021).

9. The Joint Petition for Non-Unanimous Settlement is in the public interest. *Lloyd v. Pa. Pub. Util. Comm'n*, 904 A.2d 1010 (Pa. Cmwlth. 2006).

XI. ORDER

THEREFORE,

IT IS RECOMMENDED:

1. That the Joint Petition for Non-Unanimous Settlement filed on June 9, 2025, and signed by Pike County Light & Power Company-Electric Division, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, be granted, and the Settlement be adopted, in full, without modification or correction.

2. That Pike County Light & Power Company-Electric Division shall be permitted to file tariffs in the form set forth in Appendix A to the Joint Petition for Non-Unanimous Settlement, to become effective upon at least one day's notice, for service rendered on and after October 15, 2025, so as to produce an annual increase in revenues consistent with this Order.

3. That the Formal Complaint of the Office of Small Business Advocate at Docket No. C-2025-3053075, in this proceeding be dismissed and marked as closed.

4. That the Formal Complaint of James Romeo at Docket No. C 2025- 3053400, in this proceeding be dismissed and marked as closed.

5. That the Formal Complaints of the Office of Consumer Advocate at Docket No. C-2025-3053076; Deborah Rutt at Docket No. C-2025-3052967; and Charles Gillinder at Docket No. C-2025-3053396 be deemed satisfied and marked closed.

