

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2024-3052357
Office of Consumer Advocate	:	C-2025-3052853
Office of Small Business Advocate	:	C-2025-3052972
Deborah Rutt	:	C-2025-3052965
Charles Gillinder	:	C-2025-3053398
James Romeo	:	C-2025-3053399
Allison Millstein	:	C-2025-3053776
	:	
v.	:	
	:	
Pike County Light & Power Company (Gas)	:	

**RECOMMENDED DECISION**

Before  
Marta Guhl  
Alphonso Arnold III  
Administrative Law Judges

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## I. INTRODUCTION

This proceeding was initiated on December 30, 2024, when Pike County Light & Power Company (“Pike” or “the Company”) filed a tariff with the Pennsylvania Public Utility Commission (“Commission”) designed to produce \$905,900 in additional annual gas distribution operating revenues. Formal Complaints were filed against Pike’s filing by the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), and a number of customers of Pike, as identified in the caption above. Additionally, the Commission’s Bureau of Investigation and Enforcement (“I&E”) filed a Notice of Appearance in this proceeding.

On June 9, 2025, a Joint Petition for Non-Unanimous Full Settlement (“Settlement” or “Joint Petition”) was filed by Pike, OCA, and I&E. The Settlement resolves all issues between Pike, OCA, and I&E. The Settlement provides for an increase in rates designed to produce an overall increase in annual gas distribution operating revenues of \$825,000 in two phases: \$495,000 in phase 1, effective October 15, 2025, and \$330,000 in phase 2, effective October 15, 2026. The Settlement was opposed by OSBA and two consumer Complainants. OSBA opposed the revenue allocation proposed by the Settlement, arguing that it unjustly burdened commercial customers.

This Recommended Decision recommends approval of the Settlement without modification, as approval of the Settlement is in the public interest and is supported by substantial evidence.

The last reasonable Public Meeting before the end of the suspension period (October 15, 2025) is September 25, 2025.

## II. HISTORY OF THE PROCEEDING

On December 30, 2024, Pike filed Supplement No. 127 to Tariff Gas – Pa.P.U.C. No. 6 (“Supplement No. 127”) with the Commission with a proposed effective date of February 28, 2025. Supplement No. 127 contained changes in gas rates, rules, and regulations calculated to produce \$905,900, or 35.8%, in additional annual revenues.

On January 8, 2025, OCA filed its Notice of Appearance and a Formal Complaint and Public Statement.

On January 10, 2025, OSBA filed its Notice of Appearance. That same day, I&E filed its Notice of Appearance.

On January 16, 2025, OSBA filed a Formal Complaint and Public Statement.

Four Pike consumers, Deborah Rutt, Charles Gillinder, James Romeo, and Allison Millstein, filed Formal Complaints.

On January 17, 2025, Pike filed Supplement No. 128 to Tariff Gas – Pa.P.U.C. No. 6 voluntarily postponing the effective date of the proposed rate increase until March 15, 2025.

On January 23, 2025, the Commission entered an Order pursuant to Section 1308(d) of the Public Utility Code, 66 Pa.C.S. § 1308(d), suspending Supplement No. 127 until October 15, 2025, and opening an investigation into the lawfulness, justness, and reasonableness of the proposed rates, rules, and regulations contained therein. The case was assigned to the Office of Administrative Law Judge (“OALJ”) for the prompt

scheduling of such hearings as may be necessary culminating in the issuance of a Recommended Decision.

Also on January 23, 2025, an Initial Telephonic Prehearing Conference Notice was issued, scheduling a prehearing conference for February 14, 2025, and assigning the matter to the undersigned Administrative Law Judges (“ALJs”).

On January 24, 2025, a Corrected Initial Telephonic Prehearing Conference Notice was issued. This Notice corrected information regarding the ALJs’ legal assistant.

On February 5, 2025, a Prehearing Conference Order was issued.

On February 7, 2025, Pike filed Supplement No. 129 to Tariff Gas – Pa.P.U.C. No. 6, suspending the effective date of Supplement No. 127 until October 15, 2025, pursuant to the Commission’s January 23, 2025, Order.

Also on February 7, 2025, Pike filed a Motion to Consolidate. In its Motion, Pike sought consolidation, for scheduling purposes, the gas and electric base rate proceedings.<sup>1</sup>

On February 12, 2025, prehearing memorandums were filed by Pike, OCA, OSBA, and I&E in accordance with the February 5, 2025, Prehearing Conference Order.

On February 14, 2025, the prehearing conference was held as scheduled. Pike, OCA, OSBA, and I&E appeared represented by counsel. One consumer Complainant, Deborah Rutt, was also present for the conference. At the conference, no

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<sup>1</sup> On January 14, 2025, Pike filed a tariff proposing to increase rates to produce an increase in annual electric distribution revenues. The docket for the electric proceeding is R-2024-3052359.

party objected to Pike’s Motion to Consolidate. The parties also agreed on a number of procedural matters, including modifications to the Commission’s discovery regulations and a litigation schedule.

On February 26, 2025, a Prehearing Order was issued. Amongst other things, the Prehearing Order adopted the modifications to the Commission’s discovery regulations and litigation schedule agreed to by the parties at the prehearing conference and granted Pike’s Motion to Consolidate.<sup>2</sup>

Also on February 26, 2025, an In-Person and Telephonic Public Input Hearings Notice was issued. The Notice scheduled in-person public input hearings for 1:00 p.m. and 6:00 p.m. on March 18, 2025, in Milford, Pennsylvania and telephonic public input hearings for 1:00 p.m. and 6:00 p.m. on March 19, 2025. *See* Section III of this decision (Public Input Hearings) for details and a summary of the testimony provided by the witnesses at these public input hearings.

On March 14, 2025, a Corrected Prehearing Order was issued, which corrected and replaced the February 26, 2025, Prehearing Order. Specifically, direction regarding the service of documents was corrected.

On March 18, OCA filed an Application for Subpoena (“Subpoena Application”) pursuant to 52 Pa. Code § 5.421 to obtain certain workpapers from the Commission’s Bureau of Technical Utility Services (“TUS”).

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<sup>2</sup> Pike’s gas and electric base rate proceedings were consolidated for the purposes of the procedural schedule and any hearings. This Recommended Decision addresses the gas proceeding and a separate Recommended Decision will be issued addressing the electric proceeding.

On March 26, 2025, our Order Granting Application for Subpoena (“Subpoena Order”) was issued.

Also on March 26, 2025, a Telephonic Evidentiary Hearings Notice was issued scheduling evidentiary hearings in this matter for May 21-23, 2025.

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

On March 31, 2025, OCA filed an Affidavit of Service of Subpoena.

Also on March 31, 2025, TUS filed a Petition for Interlocutory Review, pursuant to Section 5.304, of the Commission’s regulations 52 Pa. Code § 5.304. In its Petition, TUS sought interlocutory review of our Subpoena Order.

On April 1, 2025, a Telephonic Status Conference Notice was issued, scheduling a status conference for the same day, at 10:00 a.m.<sup>3</sup>

Therefore, on April 1, 2025, the status conference was held as scheduled. Pike, OCA, and I&E appeared represented by counsel. Counsel from the Commission’s Law Bureau, representing TUS, also appeared for the conference. Arguments regarding the Subpoena Application, Subpoena Order, and Subpoena Objections, were presented by OCA and TUS during the conference.

On April 2, 2025, our Order Denying Petition for Interlocutory Review was issued.

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<sup>3</sup> On March 31, 2025, the parties, TUS, and the Law Bureau were informed that a status conference would be held on April 1, 2025, to hear arguments regarding the Subpoena Application and Order.

On April 7, 2025, OCA filed a Consolidated Brief of the Office of Consumer Advocate Opposing Certification of Interlocutory Relief.

On April 10, 2025, TUS filed a Petition for Interlocutory Review, pursuant to Section 5.302 of the Commission's regulations 52 Pa. Code § 5.302. In its Petition, TUS sought interlocutory review of our Subpoena Order, this time pursuant to 52 Pa. Code § 5.302.

On April 18, 2025, OCA filed a Consolidated Brief of the Office of Consumer Advocate in Opposition to Interlocutory Relief.

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

On May 9, 2025, the Commission entered an Opinion and Order granting the April 10, 2025, Petition for Interlocutory Review, answering its Material Question in the affirmative, rescinding the Subpoena Order, and returning this proceeding to the OALJ.

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

On May 19, 2025, Pike advised the undersigned ALJs that Pike, OCA, OSBA, and I&E waived cross examination of all witnesses and requested that the hearings be cancelled, and evidence be admitted by written joint stipulation to be submitted by May 23, 2025. Pike further advised that Pike, OCA, and I&E reached full

settlement of all issues including final design of rates in this proceeding. Pike advised that OSBA objected to the settlement.

On May 20, 2025, a Cancellation Notice was issued cancelling the evidentiary hearings scheduled for May 21-23, 2025, in this proceeding.

On May 23, 2025, a Joint Stipulation for Admission of Pre-Served Testimony and Exhibits into the Evidentiary Record was filed by Pike, OCA, OSBA, and I&E.

On May 27, 2025, our Interim Order Regarding Settlement Documents was issued. Amongst other things, our Interim Order directed that the Joint Petition for Settlement and Statements in Support be filed no later than June 9, 2025, and that Comments and Statements in Opposition to the Settlement be filed no later than June 23, 2025. The Interim Order also directed that Pike provide the consumer Complainants in this matter with copies of the Joint Petition for Settlement and inform them that any Comments, Statements in Support or Statements in Opposition are due no later than June 23, 2025.

On May 29, 2025, our Order Granting Joint Stipulation and Admitting Evidence was issued.

On June 9, 2025, a Main Brief was filed by OCA. No other party filed a Main Brief.

Also on June 9, 2025, the Settlement was filed by Pike, OCA, and I&E (“Settling Parties” or “Joint Petitioners”). Further, pursuant to the directives of the undersigned ALJs, Pike sent a letter to the consumer Complainants providing instructions concerning their opportunity to address the proposed Settlement, informing the

Complainants that they had until June 23, 2025, to file Comments, Statements in Support, or Statements in Opposition to the settlement.<sup>4</sup>

On June 16, 2025, the Commission received the Objection to Settlement of Charles Gillinder, dated June 11, 2025. On June 25, 2025, the Commission received the Objection to Settlement of James Romeo, dated June 18, 2025.

On June 23, 2025, OSBA filed a Brief in Opposition to the Joint Petition for Non-Unanimous Full Settlement of Gas Base Rate Proceedings.

No party filed a Reply Brief by June 23, 2025.

On June 24, 2025, the record was closed in this proceeding.<sup>5</sup>

### III. PUBLIC INPUT HEARINGS

Public input hearings were held in light of significant public interest in this proceeding. On March 18, 2025, two in-person public input hearings were held in Pike's service territory in Milford, Pennsylvania. On March 19, 2025, two public input hearings were held telephonically. In total, 26 people offered testimony as follows<sup>6</sup>:

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<sup>4</sup> See Settlement, ¶ 22.

<sup>5</sup> See our Interim Order Regarding Settlement Documents, Ordering paragraph 14, which provides that the record will close without further order on June 24, 2025.

<sup>6</sup> There was one person who offered an off-the-record statement.

<u>Date/Time</u>	<u>Witnesses Testifying</u>
<u>Tuesday, March 18, 2025</u> <i>1:00 p.m.</i>	11
<u>Tuesday, March 18, 2025</u> <i>6:00 p.m.</i>	9
<u>Wednesday, March 19, 2025</u> <i>1:01 p.m.</i>	4
<u>Wednesday, March 19, 2025</u> <i>6:00 p.m.</i>	2

Witnesses provided testimony regarding the gas proposal, the electric proposal, or both. The testimony of the individuals who provided testimony regarding the gas proposal will be summarized below. Every witness who testified regarding the gas proposal opposed the proposed gas rate increase. Pike customers raised concern regarding their ability to pay their gas bill and to afford the increased rate.

Joseph Dooley testified on behalf of the Borough of Milford as its council president. Mr. Dooley testified that a 36% increase in rates for gas would be excessive. Mr. Dooley stated that, while he understands the need for better infrastructure, the rate increase would negatively impact the small Milford community.<sup>7</sup>

Eric Kudrich testified on behalf of the Borough of Matamoras as its council president. Mr. Kudrich testified that Matamoras is a small community with a large elderly population that would be negatively impacted by the proposed gas rate increase. Mr. Kudrich stated that there is not a lot of growth in Matamoras, and that the

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<sup>7</sup> Tr. 44-46.

increase in rates would force them to raise taxes which would financially harm those in the borough.<sup>8</sup>

Robert DiLorenzo, Milford Township supervisor, testified on behalf of his constituents. Mr. DiLorenzo testified that the Township's young population will be harmed because this population already has to contend with high housing costs when moving to the Township,<sup>9</sup> and that the Township's senior population will be harmed because they will be unable to afford the proposed gas increase. Mr. DiLorenzo explained that the average cost of living increase for people on Social Security from 2.5% to 3.5% will render them unable to cover the increase in rates. Mr. DiLorenzo further testified that small businesses in the Township will be negatively impacted by the rate increase, because if they cannot afford to live then they will be unable to afford to pay their employees.<sup>10</sup>

Clive Blest testified on his behalf as a customer of Pike. Mr. Blest testified that he is on Social Security disability, and that if the proposed gas rate increase is authorized he will not have the income to afford to pay his gas bills.<sup>11</sup>

Fred Weber testified on his behalf as a customer of Pike. Mr. Weber testified that Pike County's number one industry is tourism and reasoned that if the rates increase businesses will have to pass along those costs to consumers or to tourists visiting the area, destroying the local economy.<sup>12</sup>

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<sup>8</sup> Tr. 48-49.

<sup>9</sup> Tr. 50-52.

<sup>10</sup> Tr. 112-114.

<sup>11</sup> Tr. 54-55.

<sup>12</sup> Tr. 62-64.

Dan Bradley testified on his behalf as a customer of Pike. Mr. Bradley testified that the proposed gas increase percentage did not align with the inflation rate in the United States, which is at 3%. Mr. Bradley testified that it would be difficult for him to afford the proposed gas rate increased as a retiree.<sup>13</sup>

Charlie Gillinder<sup>14</sup> testified on his behalf as a customer of Pike. Mr. Gillinder testified that Pike has a deadline for a pipe replacement project, and that they are seeking an increase in rates to fund the project. However, Mr. Gillinder testified that the rate increase is too much for the customers to absorb at one time and asked that the rate increase be spread out over a longer period of time. Mr. Gillinder further asked for assurances from the Commission that Pike reduce its rates once the project is completed, and that the Commission look into safety or reliability grants that could potentially soften the cost impact to customers.<sup>15</sup>

Michael Sullivan testified on behalf of the Pike County Economic Development Authority as its executive director. Mr. Sullivan testified that the increase in rates will negatively impact Pike County residents, local businesses, and economic development. In support of his position, Mr. Sullivan testified that 25% of the Pike County community are senior citizens, that 39% of Pike County families earn less than \$75,000 a year, and that 50% of people who live in Pike County spend more than 30% of their income on rent.<sup>16</sup>

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<sup>13</sup> Tr. 74-76.

<sup>14</sup> Mr. Gillinder filed a Formal Complaint in this proceeding.

<sup>15</sup> Tr. 115-117.

<sup>16</sup> Tr. 121-124.

Sara Vargas testified on her behalf as a customer of Pike. Ms. Vargas testified that she is a long-time resident of Matamoros, who is now retired, and that she would be unable to pay her gas bill if the proposed rate increase was authorized.<sup>17</sup>

Jennifer Lemin testified on her behalf as a customer of Pike. Ms. Lemin testified that she has been struggling to pay her bills after the passing of her husband, and that the proposed rate increase would force her to sell her home.<sup>18</sup>

Howard Vobis testified on his behalf as a customer of Pike. Mr. 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 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>19</sup>

Jan Hurwitz testified on her behalf as a customer of Pike. Ms. Hurwitz testified that, if the proposed gas rate increase is approved, she will be paying an additional \$111 a month for gas. She stated that, as a small business owner, she cannot just pass on all of these costs to her customers.<sup>20</sup>

Cory Homer testified on his own behalf as a Pike customer and on behalf of the citizens of Matamoros as its mayor. Mr. Homer testified that he has spoken to several residents that are struggling to pay their current utility bills, and stated that just one rate increase would harm both individuals and businesses and require the town to increase

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<sup>17</sup> Tr. 126-127.

<sup>18</sup> Tr. 129-132.

<sup>19</sup> Tr. 143-147.

<sup>20</sup> Tr. 151-153.

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>

Deborah Rutt<sup>22</sup> testified on her own behalf as a Pike customer. Ms. Rutt testified that the proposed gas rate increase is too high and that senior citizens on Social Security would be unable to pay their bills if the increase is authorized.<sup>23</sup>

Jo Ann Donnelly testified on behalf of the Center for Developmental Disabilities as its executive director. The Center is a nonprofit organization that provides early learning educational and behavioral support to children in Milford. Ms. Donnelly testified that the Center receives federal and state aid, and that the rate increases would be detrimental to the Center's ability to the services that they provide to the children.<sup>24</sup>

Christa Caceres testified on behalf of her constituents as a Pike County Commissioner. Ms. Caceres expressed her appreciation for Pike's upgrades and high-quality service to their customers. However, Ms. Caceres testified that increasing rates to the level proposed by Pike would create hardship for residents. Ms. Caceres stated that she hopes that the Commission and Pike can come to a reasonable decision that does not raise rates as high as proposed.<sup>25</sup>

Kathleen Ketcham testified on her own behalf as a Pike customer. Ms. Ketcham testified that she has been a resident of Pike County for over 30 years, and 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

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

<sup>22</sup> Ms. Rutt filed a Formal Complaint in this proceeding.

<sup>23</sup> Tr. 195-196.

<sup>24</sup> Tr. 198-199.

<sup>25</sup> Tr. 217-219.

Security. Ms. Ketcham further expressed her concern over her ability to manage costs if the proposed rate increases came into effect.<sup>26</sup>

#### IV. FINDINGS OF FACT<sup>27</sup>

1. Pike County Light and Power Company (gas) is a certificated Pennsylvania public utility providing natural gas distribution service to approximately 1,366 residential and commercial gas customers in the Matamoras Borough and Westfall township, Pike County, Pennsylvania. Data Responses to 52 Pa. Code § 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; Org. of Bureaus and Offices*, Docket No. M-2008-2071852 (Order entered Aug. 11, 2011).

3. The 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 – 3-907.

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.

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<sup>26</sup> Tr. 222-223.

<sup>27</sup> These Findings of Fact are adopted from the Settling Parties' Proposed Findings of Fact, found in Appendix A to the Settlement, with the exception of Proposed Findings of Fact Numbers 17, 19, 23, and 28.

5. Pike's original base rate filing ("Gas Base Rate Filing") requested an increase in gas rates of 905,900 or 95.7% over present rates. Pike proposed an increase of \$1.50 to the residential customer charge and \$2.00 to the commercial customer charge. Pike Exh. G-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 Gas Base Rate Filing on monthly bills are set forth in Pike Exh. G-8.

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

9. Pike proposed implementing a Weather Normalization Adjustment as part of its initial filing.

10. The 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. The OCA and I&E opposed Pike's proposed Weather Normalization Adjustment.

12. 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.

13. At the public input hearings, various customers testified in support of the Company's service to customers. Tr. 118:21-25 ("[Pike] has done a very good job in system improvements. Reliability has seemed to improve and I think we all appreciate that."); Tr. 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."); Tr. 143:18-21 ("Pike has done a stellar job in trying to improve the infrastructure that they acquire, and I commend them for that."); Tr. 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"); Tr. 152:19-20 ("We now have new ownership, very happy with that."); Tr. 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.").

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 \$1.50 and \$2.00 increases Pike proposed.

16. The Settlement withdraws Pike's proposal to implement a Weather Normalization Adjustment.

17. The Settlement was achieved only after a comprehensive investigation of Pike's proposals set forth in its Gas 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.

18. 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.

19. 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 gas distribution service. Pike St. No. 2 at 4-6.

20. 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.

21. 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. G-6, G-7, G-8.

22. Pike, I&E, OCA, and OSBA took differing position on revenue allocation. Pike St. No. 1; Exhs. G-6, G-7, G-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.

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

24. The Settlement increases rates “across the board” to all customers, meaning each rate class is receiving an equal percentage increase.

## V. TERMS AND CONDITIONS OF THE SETTLEMENT

The Joint Petition includes the terms agreed upon by the Joint Petitioners as well as proposed Findings of Fact, Conclusions of Law, and Ordering Paragraphs (Appendix A); Pro Forma Tariff Supplements (Appendix B); Proof of Revenues (Appendix C); Customer Bill Impacts (Appendix D); and the Statements in Support of each party (Appendix E-G).

The Joint Petitioners agreed to the following terms<sup>28</sup>:

### A. Revenue Requirement Increase and Phase In

4. Upon the Commission's approval of this Settlement, Pike will be permitted to establish rates which will produce an overall increase in annual gas distribution operating revenues of approximately \$825,000 in two phases. Phase I increase of \$495,000 in year 1, effective October 15, 2025, and Phase II increase of \$330,000 in year 2, effective October 15, 2026, 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 gas service as set forth in the proposed pro forma Gas Tariff Supplement attached hereto as **Appendix B** ("Gas Settlement Rates"), to become effective upon one day's notice. Instead of the \$905,900 increase requested in the filing, the Gas Settlement Rates are designed to produce an increase of annual natural gas distribution revenue of \$825,000 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 Gas Settlement Rates on October 15, 2025 (Phase I) and October 15, 2026 (Phase II).

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<sup>28</sup> These terms are stated verbatim and for ease of reference retain the same numbers as they appear in the Settlement.

B. Rate Design

7. 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**).

8. The table below reflects the increase in delivery revenues by class from present rates as proposed by the Joint Petitioners in Phases 1 and 2:

**Phase 1 Monthly Bill Impacts – Delivery Revenues**

<u>Customer Charge</u>	<u>Present Rates</u>	<u>As Filed</u>		<u>Phase 1 Proposed Settlement</u>	
		<u>Amount</u>	<u>% Increase</u>	<u>Amount</u>	<u>% Increase</u>
SC1 - Residential	\$8.00	\$9.50	18.8%	\$8.75	9.4%
SC- Commercial	\$12.23	\$14.25	16.5%	\$14.25	16.5%

Average Customer Bill

Delivery Revenues – Phase 1\*

SC1 - Residential Heating (80 CCF)	\$65.94	\$126.24	91.4%	\$91.85	39.3%
SC1 Residential Non-Heating (50 CCF)	\$44.21	\$82.47	86.5%	\$60.69	37.3%
SC2 Commercial Gen'l Service (623 CCF)	\$327.53	\$390.48	19.2%	\$445.82	36.1%
SC2 - Commercial					

Heating (250 CCF)	\$158.87	\$187.70	18.1%	\$213.23	34.2%
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\* Bill comparison Present Rate revenues include the DSIC charge of \$0.07767 per CCF. The revenues as filed and proposed have the DSIC charge rolled into base rates.

**Phase 2 Monthly Bill Impacts – Delivery Revenues**

<u>Customer Charge</u>	<u>Phase 1 Rates</u>	<u>As Filed</u>		<u>Phase 2 Proposed Settlement</u>	
		<u>Amount</u>	<u>% Increase</u>	<u>Amount</u>	<u>% Increase</u>
SC1 - Residential	\$8.75	\$9.50	18.8%	\$8.75	0%
SC- Commercial	\$14.25	\$14.25	16.5%	\$14.25	0%

Average Customer Bill  
Delivery Revenues – Phase 2\*

SC1 - Residential Heating (80 CCF)	\$91.85	\$126.24	91.4%	\$111.29	21.2%
SC1 Residential Non-Heating (50 CCF)	\$60.69	\$82.47	86.5%	\$72.84	20.0%
SC2 Commercial Gen'l Service (623 CCF)	\$445.82	\$390.48	19.2%	\$540.73	21.3%
SC2 - Commercial Heating (250 CCF)	\$213.23	\$187.70	18.1%	\$256.98	20.5%

\* The revenues for Phase 1, as filed and proposed have the DSIC charge rolled into base rates.

9. 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:

**Phase 1 Monthly Bill Impacts – Total Bill**

<u>Customer Charge</u>	<u>Present Rates</u>	<u>As Filed</u>		<u>Phase 1 Proposed Settlement</u>	
		<u>Amount</u>	<u>% Increase</u>	<u>Amount</u>	<u>% Increase</u>
SC1 - Residential	\$8.00	\$9.50	18.8%	\$8.75	9.4%
SC- Commercial	\$12.23	\$14.25	16.5%	\$14.25	16.5%

Average Customer Bill

Total Revenues – Phase 1\*

SC1 - Residential Heating (80 CCF)	\$127.00	\$196.08	44.4%	\$152.91	20.4%
SC1 Residential Non-Heating (50 CCF)	\$82.37	\$126.11	43.5%	\$98.85	20.0%
SC2 Commercial Gen'l Service (623 CCF)	\$803.02	\$934.34	7.2%	\$921.30	14.7%
SC2 - Commercial Heating (250 CCF)	\$349.68	\$405.94	7.6%	\$404.03	15.5%

\* Bill comparison based on Gas Cost Rate (GCR) of \$0.76322 per CCF currently in effect. Company's initial filing reflected prior GCR rate of \$0.87297 that expired October 31, 2024.

**Phase 2 Monthly Bill Impacts – Total Bill**

<u>Customer Charge</u>	<u>Phase 1 Rates</u>	<u>As Filed</u>		<u>Phase 2 Proposed Settlement</u>	
		<u>Amount</u>	<u>% Increase</u>	<u>Amount</u>	<u>% Increase</u>
SC1 - Residential	\$8.75	\$9.50	18.8%	\$8.75	0%
SC- Commercial	\$14.25	\$14.25	16.5%	\$14.25	0%

Average Customer Bill  
Total Revenues – Phase 2\*

SC1 - Residential Heating (80 CCF)	\$152.91	\$196.08	44.4%	\$172.35	12.7%
SC1 Residential Non-Heating (50 CCF)	\$98.85	\$126.11	43.5%	\$111.00	12.3%
SC2 Commercial Gen'l Service (623 CCF)	\$921.30	\$934.34	7.2%	\$1,016.21	10.3%
SC2 - Commercial Heating (250 CCF)	\$404.03	\$405.94	7.6%	\$447.78	10.8%

\* Bill comparison based on Gas Cost Rate (GCR) of \$0.76322 per CCF currently in effect. Company's initial filing reflected prior GCR rate of \$0.87297 that expired October 31, 2024.

10. 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 a black box revenue requirement of \$1,911,334.

C. Weather Normalization Adjustment (“WNA”)  
Withdrawn

11. The WNA is withdrawn in this proceeding; however, nothing shall preclude Pike from making a similar request in any future proceedings.

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

12. The DSIC shall be established at 0% of billed revenues effective 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 Gas’ net plant in service (original investment less accumulated depreciation, customer advances and customer contributions) exceeds the levels projected by Pike Gas as of September 30, 2025 (i.e., the end of the FTY) per Company Exhibit G-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 a FTY filing.

13. For purposes of calculating its DSIC, Pike Gas shall use the equity return rate for gas 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 gas 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 \$13,188 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 fifty 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 \$288 per annum.

15. Deferred TCJA Deferred Income Tax “Non-Protected” Balance. The remaining Non-Protected TCJA credit balance of \$7,159 as of September 30, 2025, 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 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 charge to expense at the rate of \$8,591 per annum.

F. Next Base Rate Proceeding

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

17. 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.

Settlement at 3-9.

Additionally, the Settlement is conditioned upon the common conditions found in most settlements filed before the Commission. For example, the Settling Parties agree to waive their individual rights to file exceptions with regard to the Settlement if the Settlement is approved by the ALJs without modification. The Settling Parties reserve their rights to file replies to any exceptions that may be filed, provided that such replies support the Settlement. Should the Commission disapprove of the Settlement or

modify the terms, the Settling Parties reserve the right to withdraw the Settlement. Furthermore, the Settlement is made without any admission against or prejudice to any position which any petitioner may adopt in the event of any subsequent litigation of these proceedings or any other proceeding. Also, the Settling Parties recognize that the Settlement is a settlement of, and binding upon, only the parties signing the document. (See Settlement at 18-24 for all of the standard terms of the Settlement).

## VI. LEGAL STANDARDS

### A. General Rate Increase

At issue in this case is the Company's request for a general base rate increase, which is governed by Section 1308(d) of the Code.<sup>29</sup> Section 1308(d) 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

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<sup>29</sup> 66 Pa.C.S. § 1308(d).

<sup>30</sup> *Id.*

<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*).

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 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, 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

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<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.

<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 (Pa. 1955).

cannot be called upon to account for every action absent prior notice that such action is to be challenged.<sup>[38]</sup>

Section 523 of the Public Utility Code, also requires the Commission to “consider . . . the efficiency, effectiveness and adequacy of service of each utility when determining just and reasonable rates.”<sup>39</sup> 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>40</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>41</sup>

#### B. Legal Standards for Settlements

Commission policy promotes settlements.<sup>42</sup> Settlements lessen the time and expense the parties must expend litigating a case and at the same time conserve administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding.<sup>43</sup> By definition, a “settlement” reflects a compromise of the positions that the parties of interest have held, which arguably fosters and promotes the public interest. When active parties in a proceeding reach a settlement, the principal issue for Commission consideration is

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<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. § 523.

<sup>40</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>41</sup> 66 Pa.C.S. § 526(a).

<sup>42</sup> 52 Pa. Code § 5.231.

<sup>43</sup> 52 Pa. Code § 69.401.

whether the proposed terms and conditions are in the public interest.<sup>44</sup> Thus, the focus of inquiry for determining whether a proposed settlement should be recommended for approval is not a “burden of proof” standard, as is utilized for contested matters, but whether the public interest is served by the settlement.<sup>45</sup>

“The Commission’s standards for reviewing a non-unanimous settlement . . . are the same as those for deciding a fully contested proceeding.”<sup>46</sup>

### C. Black Box Settlement

In addition, in this case, the Joint Petitioners have reached what is referred to as a “black box” settlement, where the settlement provides for an increase in the utility’s revenues but does not indicate the specifics of how the parties calculated the increase. The Commission has permitted “black box” settlements as a means of promoting settlements in contentious base rate proceedings.<sup>47</sup> The Commission has observed that determining a utility’s revenue requirement is a calculation that involves many complex and interrelated adjustments affecting expenses, depreciation, rate base, taxes and the utility’s cost of capital. Reaching an agreement among the parties on each component can be difficult and impractical. As a result of this complexity, the Commission supports the use of “black box” settlements.<sup>48</sup>

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<sup>44</sup> *Warner v. GTE N., Inc.*, Docket No. C-00902815 (Opinion and Order entered Apr. 1, 1996); *Pa.Pub. Util. Comm’n v. CS Water & Sewer Assocs.*, 74 Pa.P.U.C. 767 (1991).

<sup>45</sup> *Pa. Pub. Util. Comm’n v. City of Lancaster – Bureau of Water*, Docket No. R-2010-2179103 (Opinion and Order entered July 14, 2011).

<sup>46</sup> *Joint App. of West Penn Power Co. d/b/a Allegheny Power, Trans-Allegheny Interstate Line Co. and FirstEnergy Corp.*, Docket No. A-2010-2176520 at 17 (Opinion and Order entered Mar. 8, 2011).

<sup>47</sup> *Pa. Pub. Util. Comm’n v. Wellsboro Elec. Co.*, Docket No. R-2010-2172662 (Order entered Jan. 13, 2011).

<sup>48</sup> *Pa. Pub. Util. Comm’n v. Peoples TWP LLC*, Docket No. R-2013-2355886 (Opinion and Order entered Dec. 19, 2013).

#### D. Substantial Evidence

Finally, a Commission decision must be supported by substantial evidence in the record.<sup>49</sup> “Substantial evidence” is such relevant evidence that a reasonable mind might accept as adequate to support a conclusion. More is required than a mere trace of evidence or a suspicion of the existence of a fact sought to be established.<sup>50</sup>

With the above legal standards in mind, the Settlement will be analyzed.

### VII. DISCUSSION OF THE JOINT PETITION

Below, we will summarize the specific Settlement provisions, the various key positions of the Settling Parties who addressed the provision at issue, and provide our recommendations. As more fully explained below, we find that the terms of the Joint Petition are just and reasonable and necessary for Pike to provide safe and adequate service to its customers and, therefore, are in the public interest.

#### A. Revenue Requirement Increase and Phase-In (Settlement ¶¶ 4-6)

##### *Position of the Parties*

Pursuant to the Settlement, Pike will be permitted to establish rates which will produce an overall increase in annual gas distribution operating revenues of

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<sup>49</sup> 2 Pa.C.S. § 704.

<sup>50</sup> *Norfolk & W. Ry. Co. v. Pa. Pub. Util. Comm'n*, 413 A.2d 1037 (Pa. 1980); *Erie Resistor Corp. v. Unemployment Comp. Bd. of Rev.*, 166 A.2d 96 (Pa. Super. 1961); *Murphy v. Comm. Dept. of Pub. Welfare, White Haven Ctr.*, 480 A.2d 382 (Pa. Cmwlth. 1984).

\$825,000 in two phases: \$495,000 in Phase I and \$330,000 in Phase II. Phase I will be effective on October 15, 2025, and Phase II will be effective on October 16, 2026.<sup>51</sup> As such, the phase-in results in 60% of the requested increase in revenue being implemented on October 15, 2025, and the remaining 40% being implemented one year later. The Joint Petition represents a “black box” approach to the revenue requirement.

As explained by Pike, the main drivers of Pike’s rate increase are to earn a return on past capital investments and continue financing future capital investments.<sup>52</sup> The revenue requirement, Pike submits, will allow the Company sufficient funds to provide safe, efficient, and reasonable natural gas distribution service.<sup>53</sup>

Regarding the phase-in, Pike explains that the phase-in is a significant benefit to the customers that can only be achieved through settlement. Pike submits that the phase-in addresses the concerns expressed by some parties and customers at the Public Input Hearings regarding the magnitude of the rate increase.<sup>54</sup>

In summary, Pike submits that the revenue requirement and phase-in is reasonable and will provide the Company with additional revenues necessary to provide reliable, safe, and reasonable service to customers while avoiding rate shock to its customers. Pike 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>55</sup>

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<sup>51</sup> Settlement ¶¶ 4-6.

<sup>52</sup> Pike St. No. 2 at 5-6.

<sup>53</sup> Pike Statement in Support, at 6.

<sup>54</sup> *Id.*

<sup>55</sup> *Id.* at 7.

OCA, noting that it recommended a revenue requirement increase of no more than \$762,400<sup>56</sup> and that I&E recommended a revenue requirement increase of no more than \$838,677,<sup>57</sup> argues that the revenue increase under the Settlement of \$825,000 represents a result that would be within the range of likely outcomes in the event of full litigation of the case.<sup>58</sup>

OCA further argues that the phase-in will allow Pike's customers to absorb the increase gradually and mitigate the effects of rate shock from the significant rate increase authorized in the Settlement. OCA notes that Pike's customers may not have had the benefits of a gradual phase-in of rates over two years had the proceeding been fully litigated, and that the phase-in helps address the concerns raised by Pike's customers at the public input hearings held in this proceeding concerning their ability to pay their gas bills if their rates were to increase.<sup>59</sup>

In summary, OCA submits 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 will be phased in to mitigate the effects of rate shock, the revenue requirement increase authorized in the Settlement is in the public interest and results in just and reasonable rates.<sup>60</sup>

I&E argues that the \$825,000 rate increase represents a compromise among the Joint Petitioners' proposals and is therefore in the public interest.<sup>61</sup> I&E submits that

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<sup>56</sup> OCA St. 2 at 3.

<sup>57</sup> I&E St. No. 1 at 3.

<sup>58</sup> OCA Statement in Support, at 9.

<sup>59</sup> OCA Statement in Support, at 10.

<sup>60</sup> *Id.* at 8.

<sup>61</sup> I&E Statement in Support, at 4.

the phase-in agreed upon in the Settlement supports the concept of gradualism and will lessen rate shock and is in the public interest.<sup>62</sup>

### *Recommendation*

We find these terms in the Settlement to be reasonable and in the public interest.

As indicated, the Settlement is a “black box” agreement, which means that it does not reflect a specific resolution of every element of the revenue requirement, but rather represents the Joint Petitioners’ agreed upon final revenue increase amount based on their respective analyses of the various revenue and expense items. The fact that the Settlement is a “black box” agreement does not diminish the analysis performed by the Joint Petitioners in coming to the agreed-upon revenue requirement. The Joint Petitioners engaged in extensive discovery and other litigation-related efforts and negotiated the Joint Petition, including the revenue requirement agreed to therein which they profess to be in the public interest. Further, as noted, the Commission supports settlements and permits the use of “black box” settlements due to the complexity in determining a company’s revenue requirement. As such, use of a “black box” approach with respect to the revenue requirement in this matter is consistent with Commission precedent.

The advantages of achieving a “black box” settlement with respect to the revenue requirement in this matter are apparent. Due to the complexity in determining a company’s revenue requirement, a settlement might not have been reached in this proceeding if the Joint Petitioners had to reach a consensus with respect to every element of the Company’s revenue requirement. Further litigation of this matter would have

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<sup>62</sup> *Id.* at 5-6.

resulted in the expenditure of additional time, resources, and monies, the costs of which might have been ultimately passed on to Pike ratepayers in a future base rate proceeding. Further supporting the use of a “black box” approach here to avoid further litigation is the fact that, based on the revenue requirement litigation positions of OCA and I&E the agreed-upon revenue requirement increase appears to fall within the range of likely outcomes that would have resulted from a fully litigated proceeding.

Further, the agreed-upon revenue increase represents a reduction from the Company’s initial proposal. As such, Pike customers benefit not only from having their economic burden reduced, but also from the fact that the agreed-upon revenue increase affords the Company with revenue sufficient to cover its expenses and to continue to invest in its facilities necessary to provide safe, effective, and reliable service to them as Pike customers.

Lastly, pursuant to these Settlement terms, the agreed upon revenue increase will be phased-in over the span of two years. We agree that phasing-in the revenue increase serves to mitigate the impact of the rate increase for Pike customers, which is important to help alleviate some of the concerns expressed at the Public Input Hearings over the ability of customers to pay increased gas bills.

Consequently, we recommend that the Commission approve these Settlement terms.

B. Revenue Allocation and Rate Design (Settlement ¶¶ 7-10)

*Position of the Parties*

Pursuant to the terms of the Settlement, the Joint Petitioners agree to the distribution of revenue among customer classes and the rate design reflected in the tariff

supplement attached as Appendix B to the Joint Petition and the Proof of Revenues attached as Appendix C to the Joint Petition.<sup>63</sup>

Pike notes that the Joint Petitioners proposed varying class cost of service studies (“COSS”) and cost allocation methodologies in this proceeding, and argues that while the Settling Parties did not agree on any specific class cost of service (“COS”) 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. Thus, Pike submits that the Settlement revenue allocation is just and reasonable.<sup>64</sup>

OCA points out that, in its initial filing, the Company included a COSS based on the minimum-size method, which classified 53.93% of the costs associated with distribution mains as customer-related and the remainder as demand-related.<sup>65</sup> OCA and I&E presented significant evidence regarding how the classification of the costs associated with distribution mains as customer-related is inconsistent with the Commission’s precedent, the design and operation of Pike’s distribution system, and fundamental principles of cost causation.<sup>66</sup> As a compromise on this issue, OCA submits that the Settling Parties agreed to an across-the-board revenue allocation, whereby each of Pike’s customer classes receives the system average increase. OCA therefore contends that the revenue allocation provided in the Settlement is, as a result, much more similar to the results of the revenue allocation methods advanced by the OCA and I&E in litigation – which exclude the erroneous classification of a portion of the costs of distribution mains as customer-related – than the revenue allocation proposed by Pike in its initial

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<sup>63</sup> Settlement ¶¶ 7-10; Settlement, Appendices B, C.

<sup>64</sup> Pike Statement in Support, at 7-9.

<sup>65</sup> Pike St. No. 1 at 10.

<sup>66</sup> OCA St. 3 at 6-20; OCA St. 3R at 3-9; OCA St. 3SR at 2-11; I&E St. No. 3 at 25-33; I&E St. No. 3SR at 10-15.

filing. Thus, OCA submits that the Settlement revenue allocation is more consistent with cost of service principles than the revenue allocation proposal of Pike.<sup>67</sup>

The below table summarizes the revenue allocation positions of the parties to the proceeding, as well as the ultimate Settlement revenue allocation:

<b>Comparison of Class Percent Distribution of Revenue Requirement Increase</b>					
<b>Customer Class</b>	<b>Pike<sup>[1]</sup></b>	<b>OSBA<sup>[2]</sup></b>	<b>I&amp;E<sup>[3]</sup></b>	<b>OCA<sup>[4]</sup></b>	<b>Settlement<sup>[5]</sup></b>
<b>SC-1 Residential Space Heating</b>	91.26%	84.80%	83.59%	76.50%	79.45%
<b>SC-1 Residential Domestic</b>	2.64%	3.37%	3.72%	2.00%	2.43%
<b>SC-1 Residential Other</b>	0.38%	0.35%	0.34%	0.30%	0.33%
<b>SC-2 General Service Commercial</b>	2.47%	4.13%	2.89%	9.10%	7.63%
<b>SC-2 Commercial Space Heating</b>	3.25%	7.35%	9.46%	12.00%	10.16%
<b>Total</b>	100.00%	100.00%	100.00%	100.00%	100.00%
<sup>[1]</sup> Pike Exh. G-8 at 1-2 <sup>[2]</sup> OCA St. 3R at 6 <sup>[3]</sup> I&E St. No. 3 at 32 <sup>[4]</sup> OCA St. 3 at 19 <sup>[5]</sup> Petition at App'x C					

Regarding the fixed customer charge, presently, the customer charge for Service Classification No. 1 (“SC-1”) or residential heating customers is \$8 and is \$12.23 for Service Classification No. 2 (“SC-2”) commercial customers. In its original filing, Pike proposed a Customer Charge of \$9.50 for SC-1 and \$14.25 for SC-2. Pursuant to the Settlement, the Customer Charge for SC-1 will be set at \$8.75 and for SC-2 the charge will be \$14.25.<sup>68</sup>

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<sup>67</sup> OCA Statement in Support, at 11-12.

<sup>68</sup> Settlement, Appendix D.

Pike submits that the rate design is a benefit to customers because the Company compromised on the amount of the increase it would place into volumetric versus the fixed customer charge, giving customers greater control over their bills. The Settlement provides for a Customer Charge increase of \$.75 instead of the \$1.50 originally proposed.<sup>69</sup>

Noting that it recommended that the customer charge remains unchanged, OCA states that the compromise contained in the Settlement is reasonable, and within the results that might have been obtained through litigation considering the various positions of the Company, the OCA, and other parties. OCA submits that the \$0.75 increase for the residential customer charge, which is a reduction from the Company's original request, will continue to promote conservation efforts by customers and provide them the opportunity to have more control over their bill through their volumetric usage.<sup>70</sup>

I&E notes that its witness Cline was in agreement with Pike's original proposals to increase the residential customer charge by \$1.50 from \$8.00 per month to \$9.50 per month and increase the commercial customer charge by \$2.02 from \$12.23 per month to \$14.25 per month as reasonable.<sup>71</sup> I&E submits 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>72</sup>

### *Recommendation*

We find these terms in the Settlement to be reasonable and in the public interest.

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<sup>69</sup> Pike Statement in Support, at 10.

<sup>70</sup> OCA Statement in Support, at 13.

<sup>71</sup> I&E St. No. 3 at 38.

<sup>72</sup> I&E Statement in Support, at 6.

As noted, the Settling Parties disagreed with respect to COSS methodology to be utilized in coming to the appropriate revenue allocation in this proceeding. For the reasons we will discuss more at length in Section VIII of this Decision, we agree with the positions of OCA and I&E that it was improper for Pike to classify the costs of distribution mains as customer-related in the COSS it utilized in this proceeding. The compromising settlement position which results in an across-the-board revenue allocation, whereby each of Pike's customer classes receives the system average increase, and which includes no customer component in the classification of the cost of distribution mains, reflects sound principles, and results in rate structure consistent with the record evidence and accepted ratemaking principles.

We also note that OSBA opposed the revenue allocation proposed in the Settlement. OSBA's arguments in opposition will be rejected for the reasons we will discuss in Section VIII of this Decision.

Regarding the fixed residential customer charge, the customer charge will be increased by 9.4% from \$8.00 to \$8.75 instead of the proposed increase from \$8.00 to \$9.50, or 18.8%. Thus, the customer charge agreed upon pursuant to the Settlement results in a reduction from the Company's request in its initial filing. We agree with the parties that by placing more of a residential customer's rates in the volumetric portion of the customer's bill, instead of the portion of the customer's bill that is fixed, customers will be more incentivized to conserve gas and take control over their gas bill.

Consequently, we recommend that the Commission approve these Settlement terms.

C. Weather Normalization Adjustment Withdrawn (Settlement ¶ 11)

*Position of the Parties*

In its original filing, Pike sought Commission approval for a WNA Mechanism, which would adjust a customer's bill when there are variations in rates from set rates due to deviations in weather (i.e., temperature variations or heating degree day variations) from normal weather patterns that are used to set rates. The WNA would adjust current billings on a monthly billing basis as the bill is being calculated and would be applied to residential customer bills issued for the months of October through May.<sup>73</sup> The proposed adjustment would take effect at the conclusion of the current proceeding<sup>74</sup> and would appear as a separate line item surcharge on the monthly bills received by residential customers.<sup>75</sup>

OCA and I&E recommended that the Commission reject the WNA.<sup>76</sup>

Pursuant to the Settlement, Pike withdraws its proposal for a WNA mechanism.<sup>77</sup>

*Recommendation*

We find this term in the Settlement reasonable and in the public interest. Both OCA and I&E raised concerns over the proposed WNA mechanism. OCA witness Pavlovic expressed concerns that the WNA would (1) provide no real benefit to

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<sup>73</sup> Pike St. No. 2 at 16.

<sup>74</sup> Pike response to OCA Interrogatory 2-5.

<sup>75</sup> *Id.* at 2-18.

<sup>76</sup> OCA St. 3 at 3-4; I&E St. No. 3 at 8-12.

<sup>77</sup> Settlement ¶ 11.

residential customers, (2) not meet a legitimate financial need of Pike, and (3) reduce Pike's incentive to seek efficiency savings in its operations.<sup>78</sup> I&E witness Kline expressed concerns that the introduction of a WNA would serve as a disincentive to customer efficiency and conservation efforts and that the calculation of the WNA would be too confusing for customers.<sup>79</sup> Given these concerns expressed by OCA and I&E, it is in the best interests of Pike customers for the WNA proposal to be withdrawn at this time. Pike may propose a WNA mechanism in future rate proceedings, through which the Commission and the active parties will have the opportunity to review.

Consequently, we recommend that the Commission approve this Settlement term.

D. Distribution System Improvement Charge Recovery (Settlement ¶¶ 12-13)

*Position of Parties*

In accordance with the Settlement, Pike's DSIC shall remain at 0% of billed revenues until the quarter following the point in time at which Pike's net plant in service (original investment less accumulated depreciation, customer advances and customer contributions) exceeds the levels projected by Pike as of September 30, 2025 per Company Exhibit G-3.<sup>80</sup> Pike will use the equity return rate for gas utilities contained in the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities for purposes of calculating its DSIC.<sup>81</sup>

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<sup>78</sup> OCA St. 3, at 3, 4.

<sup>79</sup> I&E St. No. 3 at 9, 11.

<sup>80</sup> Settlement ¶ 12.

<sup>81</sup> Settlement ¶ 13.

I&E submits that these Settlement terms are in the public interest and benefits both Pike and its ratepayers. First, I&E argue that Pike benefits because it will have access to DSIC funding for necessary infrastructure improvements, which will help to ensure it is able to meet its obligation to provide its customers with safe and reliable service. Second, I&E argues that customers will benefit because they will not need to fund the DSIC any earlier than the point in time at which Pike's net plant in service exceeds the levels projected by Pike as of September 30, 2025. In sum, I&E posits that ratepayers will have a defined 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>82</sup>

### *Recommendation*

We find these terms in the Settlement to be reasonable and in the public interest. These Settlement terms provide benefits to Pike customers because they will have a defined 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. Further, these Settlement terms benefit Pike because it will have access to DSIC funding for necessary infrastructure improvements which helps to ensure Pike is able to meet its obligation to provide its customers with safe and reliable service. In addition, Pike's use of the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities to calculate its DSIC is reasonable and in the public interest as Pike will be utilizing the most current information available.

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<sup>82</sup> I&E Statement in Support, at 7.

Consequently, we recommend that the Commission approve these Settlement terms.

E. Deferred Tax Cuts and Jobs Act Deferred Income Tax Balances (Settlement ¶¶ 14 15)

*Position of the Parties*

Pursuant to the terms of the Settlement, the remaining Protected TCJA credit balance of \$13,188 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 fifty 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 \$288 per annum.<sup>83</sup> Also pursuant to the terms of the Settlement, the remaining Non-Protected TCJA credit balance of \$7,159 as of September 30, 2025, 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 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 charge to expense at the rate of \$8,591 per annum.<sup>84</sup>

I&E submits that these Settlement 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>85</sup>

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<sup>83</sup> Settlement ¶ 14.

<sup>84</sup> Settlement ¶ 15.

<sup>85</sup> I&E Statement in Support, at 8.

### *Recommendation*

We find these terms in the Settlement to be reasonable and in the public interest. 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.

Consequently, we recommend that the Commission approve these Settlement terms.

F. Next Base Rate Proceedings (Settlement ¶¶ 16-17)

### *Position of the Parties*

In its filing, Pike’s proposed a return on equity (“ROE”) of 10.20% and supported this ROE by explaining that, “[f]or revenue requirement purposes, we rounded the [ROE] from the Gas DSIC Eligible Utilities Return on Equity Summary, as published for September 18, 2024. The Company is willing to accept the generic ROE return made by the [C]ommission in order to minimize rate case costs to its customers.”<sup>86</sup>

OCA witness Reno recommended that the Commission reject the proposed ROE based on the amount and methodology used to arrive at that amount.<sup>87</sup> I&E witness Keller explained 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>88</sup>

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<sup>86</sup> Pike St. No. 2 at 23.

<sup>87</sup> OCA St. 2 at 5.

<sup>88</sup> I&E St. No. 2 at 32-33.

Pursuant to the terms of the Settlement, in its next base rate proceeding, Pike will present expert witness direct testimony regarding its cost of equity claim.<sup>89</sup> Also pursuant to the terms of the Settlement, 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.<sup>90</sup>

OCA posits that 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 ROE 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. Thus, OCA argues that 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 in Pike's next rate increase request. As such, OCA submits that Pike's agreement to present direct testimony regarding its cost of equity claim should be approved as in the public interest.<sup>91</sup>

I&E submits that Pike's agreement to conduct a cost of equity analysis in its next base rate case is in the public interest.<sup>92</sup> I&E further submits that Pike's agreement to ensure the accuracy of its proposed increase in its next base rate case is in the public interest.<sup>93</sup> This is because, as stated by I&E witness Cline, the Commission should be aware of the actual increase the Company is expected to receive when making its determination of the appropriate revenue requirement for the Company.<sup>94</sup>

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<sup>89</sup> Settlement ¶ 16.

<sup>90</sup> Settlement ¶ 17.

<sup>91</sup> OCA Statement in Support, at 14, 15.

<sup>92</sup> I&E Statement in Support, at 9.

<sup>93</sup> *Id.*

<sup>94</sup> I&E St. No. 3 at 31.

### *Recommendation*

We find these terms in the Settlement to be reasonable and in the public interest. As noted, Pike utilized the Commission published DSIC ROE for its requested ROE in this base rate proceeding. Through its Subpoena Application, OCA sought certain workpapers from TUS related to the DSIC ROE that the Commission determines on a quarterly basis. As highlighted in the History of Proceedings section of this Decision, the Subpoena Application was the subject of contention between OCA and TUS. In denying OCA's request for issuance of a subpoena to produce the workpapers supporting the Commission's authorized ROE for DSIC purposes, the Commission strongly 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.<sup>95</sup>

Given that Pike did not present a ROE analysis to support its proposal in this proceeding, Pike's commitment to conducting a cost of equity analysis through an expert witness in its next base rate case is important so that the revenue requirement it presents in the next base rate case will be appropriate and based upon accurate numbers.

Consequently, we recommend that the Commission approve these Settlement terms.

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<sup>95</sup> See *Pa. Pub. Util. Comm'n v. Pike Cnty. Light & Power Co.*, Docket No. R-2024-3052357 at 28 (Order granting TUS Petition for Interlocutory Review and Answer to Material Question entered May 9, 2025).

## VIII OPPOSITION TO THE SETTLEMENT

### A. OSBA's Brief in Opposition to the Settlement

#### *Position of OSBA*

OSBA did not join in the Settlement and filed a Brief in Opposition to Settlement. OSBA opposes the revenue allocation proposed in the Settlement.

OSBA complains that, despite a reduction in the Company's proposed revenue requirement of \$117,000,<sup>96</sup> small business customers would receive a higher rate increase under the Settlement relative to the Company's original filing. That is to say, SC-2 commercial customers were originally assigned a 27.7% increase but pursuant to the Settlement are being assigned a 75.9% increase. In contrast, residential customers were originally assigned a 99.6% increase but pursuant to the Settlement are being assigned a 75.9% increase. OSBA argues that this allocation, by which the commercial class bears a significantly larger increase than the residential class, gives preferential treatment to residential customers while imposing economic shock to SC-2 commercial customers. OSBA notes that there are over 1,100 Pike residential accounts while there are only 106 SC-2 commercial customers, arguing that these commercial customers are in effect subsidizing the residential customers.<sup>97</sup>

OSBA agreed with Pike's originally proposed COSS, which utilized the peak demand method with a customer component for main classification.<sup>98</sup> According to

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<sup>96</sup> OSBA appears to base its numbers off of a proposed increase of \$942,350, instead of the proposed increase of \$905,900 reflected in Pike's income statement (Pike Exhibit G-4, Summary, at 1) and in the customer notice Pike provided to its customers on December 20, 2024.

<sup>97</sup> OSBA Brief in Opposition, at 1, 9.

<sup>98</sup> See OSBA St. No. 1; see also OSBA St. No. 1-R.

OSBA, the COS data submitted by Pike shows that SC-2 commercial customers already contribute more than their fair share of revenue relative to cost.<sup>99</sup> Specifically, OSBA points out that the Company's COSS demonstrates that SC-2 commercial customers have a current revenue-to-cost ratio exceeding 1.6, which indicates that they are already paying significantly more than the cost to serve them. SC-1 residential customers meanwhile have a revenue-to-cost ratio of 0.92, which OSBA argues indicates underearning.<sup>100</sup>

Instead of using Pike's originally proposed COSS, OSBA notes that Pike yielded to OCA in settlement negotiations. The revenue allocation result, OSBA argues, is not grounded in demonstrable cost data and instead is the result of expedient compromise.<sup>101</sup>

In conclusion, OSBA submits that the Settlement imposes unprecedented burdens on SC-2 Commercial customers, contradicts cost-of-service findings, violates principles of gradualism, and fails to deliver affirmative public benefit. OSBA therefore requests that the Commission: (1) Reject the proposed revenue allocation and SC-2 General Service Commercial and Commercial Space Heating rate increases; (2) Require a reallocation consistent with cost-causation and gradualism; (3) Direct that future filings include detailed impact analysis on all customer classes; and (4) Affirm its duty to ensure just and reasonable rates for all customer classes, especially where legislative protections are lacking.<sup>102</sup>

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<sup>99</sup> See Pike Exhibit G-6, Schedule PMN-2-G.

<sup>100</sup> OSBA Brief in Opposition, at 4-5.

<sup>101</sup> *Id.* at 7.

<sup>102</sup> *Id.* at 11.

## *Disposition*

The Commission summarized the general principles of the development of a rate structure for a utility, once the revenue requirement is determined, as follows:

When a utility files for a rate increase and the proposed increase exceeds \$1 million, the utility must include with its filing an allocated class cost-of-service study (ACCOSS or ACCOS Study) in which it assigns to each customer class a rate, based upon operating costs that it incurred in providing that service. 52 Pa. Code § 53.53; *Lloyd v. Pa. PUC*, 904 A.2d 1010, 1015 (Pa. Cmwlth. 2006) (“*Lloyd*”). Cost allocation studies require a considerable amount of judgment and are described as more of an accounting/engineering art rather than a science. *Application of Metropolitan Edison Co.*, R-00974008 (Order dated June 30, 1998); *Pa. PUC v. Pennsylvania Power & Light Co.*, 55 PUR 4th 185 (Order dated Aug. 19, 1983). Public utility rates should enable the utility to recover its cost of service and should allocate this cost among its customers. These rates are required by statute to be just and reasonable and non-discriminatory. 66 Pa.C.S. §§ 1301, 1304.<sup>[103]</sup>

The Pennsylvania Commonwealth Court in *Lloyd* did not hold that the results of a COSS is the only factor the Commission may consider in setting rates, but recognized that the Commission has broad discretion in setting rates, and that other factors may be considered in allocating a revenue increase among a utility’s rate classes.<sup>104</sup>

In its original filing, Pike utilized a minimum-system COSS methodology that classified the costs associated with distribution mains as customer-related. OSBA

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<sup>103</sup> *Pa. Pub. Util. Comm’n v. Columbia Gas of Pa., Inc.*, R-2020-3018835 at 186-87 (Opinion and Order entered Feb.19, 2021) (*Columbia*).

<sup>104</sup> *Lloyd* at 1015-1016.

supported Pike’s COSS methodology. Both OCA and I&E criticized Pike’s COSS methodology, arguing that costs for distribution mains are appropriately classified as demand-related, not customer-related.<sup>105</sup> OCA recommended that the Commission adopt Pike’s COSS without minimum-size classification as a guide for determining Pike class revenue allocation and tariff rates.<sup>106</sup> I&E recommended that distribution mains costs be allocated between the customer classes based on the peak and average methodology.<sup>107</sup> Ultimately, the Settling Parties agreed that the revenue allocation pursuant to the Settlement is the result of a compromise from the recommendations provided by OCA and I&E, is supported by Pike’s system design and operation, and is based on fundamental cost causation principles. OSBA argued Pike, through the compromise achieved through the Settlement, improperly rejected their own COSS and that the rate allocation pursuant to the Settlement unjustly discriminates against commercial customers in favor of residential customers.

We are not persuaded by OSBA’s position that the revenue allocation pursuant to the Settlement should be rejected because it represents a departure from Pike’s originally proposed COSS, which OSBA supported. In fact, substantial evidence suggests that it is not appropriate to rely on Pike’s COSS to establish rates.

Substantial evidence leads us to align with the position of OCA and I&E that costs of distribution mains should be classified as demand-related and not customer-related. As explained by OCA, costs are customer-related when they are incurred for the connection of an additional customer or are saved if a customer is removed from the system; for example, “services, meters, meter installations, and house and industrial regulators” are properly identified as customer-related.<sup>108</sup> Costs are demand-related if

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<sup>105</sup> OCA St. 3 at 7-13; I&E St. No. 3 at 27-28.

<sup>106</sup> OCA St. 3 at 15.

<sup>107</sup> I&E St. No. 3 at 28.

<sup>108</sup> OCA St. 3 at 10.

they do not vary with the addition or subtraction of an additional customer and are related to meeting maximum system requirements during short intervals, meaning that they vary more with the demand placed on the system than the number of customers. Distribution plant, including mains, which are upstream of a customer, do not incur costs in a way which varies directly with the number of customers downstream because they are meant to meet the collective peak demand of downstream customers irrespective of how many customers the portion of plant serves.<sup>109</sup> We find it dispositive on this issue that after reviewing Pike’s system planning, design, and operating standards and procedures applicable to distribution mains that OCA witness Pavlovic concluded “that the number of customers on Pike’s distribution system plays no role in the design, planning, and operation of Pike’s distribution system recorded in account 376, the account which records the costs associated with distribution mains.”<sup>110</sup> Thus, we agree with OCA that because Pike’s standards and procedures do not suggest that it incurs costs for distribution mains based on the number of customers connected to its system, it would be inappropriate to utilize a COSS methodology that classifies any portion of distribution mains cost as customer-related.<sup>111</sup> The revenue allocation contained in the Settlement should be adopted because it appropriately moves Pike’s customer classes towards their COS pursuant to the principles of *Lloyd* because it includes no customer component in the classification of the cost of distribution mains.

We further are not persuaded by OSBA’s argument that the rate allocation pursuant to the Settlement unjustly discriminates against commercial customers. If anything, Pike’s proposed COSS, if accepted, would lead to an overallocation of costs to residential customers, for the reasons discussed in the above paragraph.

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<sup>109</sup> *Id.* at 11.

<sup>110</sup> *Id.* at 8.

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

Ultimately, while the Settling Parties did not agree on any specific class COS in the Settlement, the Settling Parties agreed to an across-the-board revenue allocation, whereby each of Pike's customer classes receives the system average increase. This is a fair compromise amongst the Settling Parties on this issue.

We believe that the revenue allocation provisions of the Settlement achieve a just and reasonable rate increase among Pike's customer classes, is supported by substantial evidence of record, and is in the public interest.

#### B. Consumer Complainant objections to the Settlement

##### *Position of consumer Complainants*

Two consumer Complainants filed objections to the Settlement, Charles Gillinder and James Romeo.

Charles Gillinder specifically: (1) states that the Settlement needs to include language that the delivery charge will be reduced once the distribution line replacement project is complete; (2) claims that the stated rate increase is misleading; (3) claims that the Settlement ignores the fact that a high percentage of customers in Pike's service territory are seniors that live off of a fixed income; (4) argues that with the increase the gas rates of customers during the winter months to heat their homes will be unreasonably high; (5) claims that the increase does not include the commodity cost of gas; and (6) states that the rate structure provided in the Settlement is not sound and reasonable. Lastly, Mr. Gillinder criticizes the OCA and the Commission as not acting in the best interests of Pike consumers.

Mr. Romeo specifically: (1) claims that the phase-in terms in the Settlement are deceptive; (2) states that they will not be receiving a better product or faster delivery

as a result of the Settlement; (3) states that the Settlement does not contain a stay out provision; (4) submits that the increase in rates will lead to higher school taxes and to business increasing their prices, bankrupting the community; and (5) claims that Pike's parent company has enough funds that Pike does not need to increase rates to make improvements to its infrastructure.

### *Disposition*

The objections of Mr. Gillinder and Mr. Romeo have been considered in recommending adoption of the Settlement without modification.

Mr. Gillinder did not provide any evidence in this proceeding to support his position that "the delivery charge should be reduced once the distribution line replacement project is complete." The rate increase proposed in this proceeding is necessary not only for Pike to continue financing capital investments, but also for Pike to earn a reasonable rate of return. The Company further cited efforts to improve cybersecurity and continuation of its Long-Term Infrastructure Improvement Plan to ensure the safety of its pipeline system as reasons for the rate increase request.<sup>112</sup> Improvements to Pike's distribution system is not the only driver of Pike's rate increase request.

We are not unsympathetic to the concerns expressed by Mr. Gillinder and Mr. Romeo that the Settlement rate increase will have a substantial impact on the customers of Pike, especially elderly Pike customers on a fixed income. However, the Company must have the ability to attract sufficient capital to ensure that Pike is able to provide safe and reliable gas service to its customers. The revenue increase provided through the Settlement is less than the increase initially proposed by Pike and still

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<sup>112</sup> Pike St. No. 2 at 4-9.

provides Pike with sufficient funds to enable Pike to continue to provide safe and reliable gas service. The Settlement provides for a phase-in of rates which will mitigate the impact of the increase on Pike customers.

Mr. Romeo is correct in that the Settlement does not include a stay out provision. Pike's last three base rate cases prior to this present base rate case were filed in 2008, 2014, and 2020.<sup>113</sup> Based upon the length of time between base rate case filings by Pike, Pike customers can reasonably expect that Pike will not be filing for another rate increase for at least another four years.

For the above reasons, we will dismiss the Formal Complaints of Mr. Gillinder and Mr. Romeo in the Ordering paragraphs below.

As far as the other consumer Complainants are concerned, they were each served with a copy of the Settlement and had the opportunity to support or to object to its terms. As their due process rights have fully been protected in this proceeding, we will dismiss their Formal Complaints in the Ordering paragraphs below.

## IX. OVERALL RECOMMENDATION

In conclusion, the Settlement provides a benefit to the ratepayers by a reduction in the overall rate increase originally sought by Pike, and by limiting the rate increase to an amount necessary for Pike to provide safe and reliable gas service to its customers. The gas rates will be phased-in in two stages, mitigating the effect of the rate

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<sup>113</sup> See *Pa. Pub. Util. Comm'n et al. v. Pike Cnty. Light & Power Co.*, Docket No. R-2008-2046520 (Order entered Feb. 26, 2009); *Pa. Pub. Util. Comm'n. et al. v. Pike Cnty. Light & Power Co.*, Docket No. R-2013-2397353 (Order entered Aug. 21, 2014); *Pa. Pub. Util. Comm'n. et al. v. Pike Cnty. Light & Power Co.*, Docket No. R-2020-3022134 (Order entered June 23, 2021).

increase on Pike customers. While we acknowledge the rate increase, rate allocation, and rate design was achieved under the terms of a “black box” settlement, which does not necessarily attribute specific factors relied upon in the specified rate increase, we expressly find that the substantial evidence of record supports the rate increase, rate allocation, and rate design agreed to under the terms the Settlement.

Additionally, we find that the Settlement will result in significant savings of time and expenses for all Parties involved by reducing or avoiding the necessity of further administrative proceedings.

For the reasons stated in this Decision and in the Settling Parties’ Statements in Support, we concur with the Settling Parties conclusion that the Settlement is supported by substantial evidence and is in the public interest. We therefore recommend approval of the Settlement without modification in the Ordering paragraphs below.

## X. CONCLUSION OF LAW

1. The Commission has jurisdiction over the subject matter and the parties to this proceeding. 66 Pa.C.S. §§ 701, 1308(d).

2. Rates charged by public utilities must be just and reasonable and cannot result in unreasonable rate discrimination. 66 Pa.C.S. § 1301.

3. 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. There is no single way to arrive at just and reasonable rates, and the 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. *City of Lancaster Sewer Fund v. Pa. Pub. Util. Comm'n*, 793 A.2d 978 (Pa. Cmwlth. 2002); *Popowsky v. Pa. Pub. Util. Comm'n*, 683 A.2d 958 (Pa. Cmwlth. 1996).

4. The Commission must “consider . . . the efficiency, effectiveness and adequacy of service of each utility when determining just and reasonable rates.” 66 Pa.C.S. § 523.

5. The burden of proof to establish the justness and reasonableness of every element of a public utility's rate increase request rests solely upon the public utility. 66 Pa.C.S. § 315(a).

6. 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. *Allegheny Ctr. Assocs. v. Pa. Pub. Util. Comm'n*, 570 A.2d 149 (Pa. Cmwlth. 1990); *see also Pa. Pub. Util. Comm'n v. Equitable Gas Co.*, 73 Pa.P.U.C. 310 (1990).

7. Commission policy promotes settlements. Settlements lessen the time and expense the parties must expend litigating a case and at the same time conserve administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa. Code § 69.401.

8. The Commission's standards for reviewing a non-unanimous settlement . . . are the same as those for deciding a fully contested proceeding.” *Joint App. of West Penn Power Co. d/b/a Allegheny Power, Trans-Allegheny Interstate Line Co. and FirstEnergy Corp.*, Docket No. A-2010-2176520 (Opinion and Order entered Mar. 8, 2011) at 17.

9. The focus of inquiry for determining whether a proposed settlement should be recommended for approval is not a “burden of proof” standard, as is utilized for contested matters, but whether the public interest is served by the settlement. *Pa. Pub. Util. Comm’n. v. City of Lancaster – Bureau of Water*, Docket No. R-2010-2179103 (Opinion and Order entered July 14, 2011).

10. The Commission supports the use of “black box” settlements, finding that determining a utility’s revenue requirement is a calculation that involves many complex and interrelated adjustments affecting expenses, depreciation, rate base, taxes and the utility’s cost of capital and reaching an agreement among the parties on each component can be difficult and impractical. *Pa. Pub. Util. Comm’n v. Peoples TWP LLC*, Docket No. R-2013-2355886 (Opinion and Order entered Dec. 19, 2013).

11. A Commission decision must be supported by substantial evidence in the record. “Substantial evidence” is such relevant evidence that a reasonable mind might accept as adequate to support a conclusion. More is required than a mere trace of evidence or a suspicion of the existence of a fact sought to be established. 2 Pa.C.S. § 704; *Norfolk & W. Ry. Co. v. Pa. Pub. Util. Comm’n*, 413 A.2d 1037 (Pa. 1980); *Erie Resistor Corp. v. Unemployment Comp. Bd. of Rev.*, 166 A.2d 96 (Pa. Super. 1961); *Murphy v. Comm. Dept. of Pub. Welfare, White Haven Ctr.*, 480 A.2d 382 (Pa. Cmwlth. 1984).

12. When a utility files for a rate increase and the proposed increase exceeds \$1 million, the utility must include with its filing an allocated class cost-of-service study in which it assigns to each customer class a rate, based upon operating costs that it incurred in providing that service. 52 Pa. Code § 53.53; *Lloyd v. Pa. Pub. Util. Comm’n*, 904 A.2d 1010 (Pa. Cmwlth. 2006).

13. Public utility rates should enable the utility to recover its cost of service and should allocate this cost among its customers. *Pa. Pub. Util. Comm'n v. Columbia Gas of Pa., Inc.*, R-2020-3018835 (Opinion and Order entered Feb. 19, 2021).

## XI. ORDER

THEREFORE,

IT IS RECOMMENDED:

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

2. That Pike County Light & Power Company be authorized to file tariffs, tariff supplements or tariff revisions containing rates, rules and regulations, consistent with the Joint Petition for Non-Unanimous Full Settlement of Gas Base Rate Proceedings, to produce a total increase of \$825,000 in annual operating revenues consistent with the rates, rules and regulations set forth in the Phase I and Phase II tariff supplements included in the Joint Petition for Non-Unanimous Full Settlement of Gas Base Rate Proceedings as Appendix B.

3. That Pike County Light & Power Company shall be permitted to file a tariff supplement in the form set forth in Appendix B to the Joint Petition for Non-Unanimous Full Settlement of Gas Base Rate Proceedings, to become effective upon at least one day's notice, for service rendered on and after October 15, 2025 for Phase I and

October 15, 2026 for Phase II, so as to produce an annual increase in revenues consistent with this Order.

4. That Pike County Light & Power Company, the Bureau of Investigation and Enforcement, and the Office of Consumer Advocate shall comply with the terms of the Joint Petition for Non-Unanimous Full Settlement of Gas Base Rate Proceeding submitted in this proceeding as though each term and condition stated therein had been the subject of an individual ordering paragraph.

5. That the Complaint of the Office of Consumer Advocate at Docket No. C-2025-3052853 be deemed satisfied and marked closed.

6. That the Complaint of the Office of Small Business Advocate Docket No. C-2025-3052972 be dismissed and marked closed.

7. That the following customer Formal Complaints at the respective docket numbers be dismissed and marked closed by the Commission's Secretary's Bureau:

Deborah Rutt	C-2025-3052965
Charles Gillinder	C-2025-3053398
James Romeo	C-2025-3053399
Allison Millstein	C-2025-3053776

8. That upon acceptance and approval by the Commission of the tariffs and allocation of proposed settlement rate increase filed by Pike County Light & Power

