COMMONWEALTH OF PENNSYLVANIA

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July 9, 2026

Via Electronic Filing
Matthew L. Homsher, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: Petition of Pike County Light and Power Company for Approval of Its Default Service Program for the Period June 1, 2027, to May 30, 2030
Docket No. P-2026-3062915

Dear Secretary Homsher:

Attached for electronic filing please find the Office of Consumer Advocate's Answer to Pike County Light & Power Company's Petition for Approval of a Default Service Plan in the above-referenced proceeding.

Copies have been served on the parties as indicated on the enclosed Certificate of Service.

Respectfully submitted,

<u>/s/ Crystal M. Zook</u>
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Enclosures
cc: The Honorable Gail M. Chiodo (**email only:** gchiodo@pa.gov)
The Honorable Emily A. Farren (**email only:** efarren@pa.gov)
Certificate of Service

CERTIFICATE OF SERVICE

Petition of Pike County Light and Power Company for Approval of Its Default Service Program for the Period June 1, 2027, to May 30, 2030	: : : : :	Docket No. P-2026-3062915

I hereby certify that I have this day filed electronically on the Commission's electronic filing system and served a true copy of the following document, the Office of Consumer Advocate's Answer to Pike County Light & Power Company's Petition for Approval of a Default Service Plan, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant), in the manner and upon the persons listed below.

Dated this 9th day of July 2026.

SERVICE BY E-MAIL ONLY

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Dated: July 9, 2026

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Pike County Light and Power Company for Approval of Default Service Plan for the Period June 1, 2027, to May 31, 2030, Advanced Metering Infrastructure Surcharge, and Waiver of Commission Regulations	: : : :	Docket No. P-2026-3062915

ANSWER OF THE
OFFICE OF CONSUMER ADVOCATE

I. INTRODUCTION

On June 1, 2026, Pike County Light & Power Company (Pike or Company) filed a Petition for Approval of a Default Service Plan (Pike DSP Petition) with the Pennsylvania Public Utility Commission (Commission) designed to provide generation service to the Company's default service customers for the period of June 1, 2027, through May 31, 2030.[1] Pike serves 5,379 customers in Pike County, Pennsylvania.[2] This filing has been made pursuant to the requirements of 66 Pa. C.S. Section 2807(e), 52 Pa. Code Sections 54.181–54.190, the Commission's Default Service Regulations, the Commission's Policy Statement on Default Service, and related Commission Orders. The Office of Consumer Advocate (OCA) files this Answer to the Company's Petition to help ensure that a reasonable default service plan is approved that fully complies with the Commission's Regulations.

Pursuant to Pennsylvania law, Pike must acquire generation resources for customers who do not receive service from an Electric Generation Supplier or whose generation supplier fails to

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[1] *Pike DSP Petition* at 1.
[2] *Id.* at 4.

deliver supply. 66 Pa. C.S. § 2807(e). Prior to 2018, Pike procured energy for its default service customers solely from the New York Independent System Operator's (NYISO) wholesale "spot" market at spot, or day-ahead, market prices. However, in 2018, after working cooperatively with the OCA, Pike first proposed a financial hedging strategy through which a portion of the Company's default supply would be fixed through swap hedges. With the benefit of continued study and consultation, Pike's hedging strategy evolved, culminating in the Commission's approval of its current procurement practices, whereby Pike purchased financial hedges as a means of mitigating the volatility of the NYISO spot market purchases. Pike did this for a portion of its default service supply, and OCA both recommended and supported Pike's continued implementation of a financial hedging strategy as part of its current DSP, which is operative for the period of June 1, 2024, through May 31, 2027.

The hedging program as utilized by Pike employs energy swaps where Pike pays a counterparty a fixed price for a set quantity of energy.[3] In return, Pike receives the applicable day-ahead market price for that energy.[4] Through this arrangement, when day-ahead market prices are lower than the set contract price, Pike pays more than the market prices, but when market prices exceed the contracted price, Pike pays the lower fixed cost.[5] The hedged portion of Pike's supply helps mitigate volatility that could otherwise result from price fluctuations.[6]

For its part, the OCA has been a strong proponent of the inclusion of fixed-price hedges in Pike's default supply portfolio. The OCA has supported, and it continues to support, the Company's efforts to bring a reliable and stable default service price to consumers. In this case, Pike is again proposing to employ a financial hedging strategy as part of its procurement of

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[3] *Id.* at 7.
[4] *Id.*
[5] *Id.*
[6] *Id.*

default service supply for its proposed DSP.[7]

In its Petition, Pike is proposing modifications to its procurement process. Pike currently procures its default supply from Orange and Rockland Utilities under a Commission-approved Energy Supply Agreement (ESA II). The ESA II was approved by the Commission in 2021, and could extended annually through August 2026.[8] Pike filed a Petition to Modify its current DSP on January 30, 2026, because of the ESA II expiring before the conclusion of Pike's 2024-2027 DSP Plan.[9] Pike's Petition to Modify was approved by the Commission on June 4, 2026,[10] after its current Petition for Approval was filed.[11]

Pike is proposing here to utilize the same procurement terms as just approved by the Commission but with two additional modifications that would: (1) allow Pike at its option and upon becoming a Load-Serving Entity (LSE) in the NYISO to purchase energy directly on the NYISO market instead of utilizing an electric supplier; and (2) allow Pike at its option to continue utilizing the same supplier chosen for the period of August 2026 to May 31, 2027 without conducting a competitive solicitation, if that solicitation meets certain conditions.[12] If Pike's modifications to its procurement terms are approved as proposed, Pike would be allowed to: (1) conduct a competitive bid solicitation process to select a NYISO electricity supplier to procure its default supply; (2) become an LSE with NYISO and bring electricity procurement functions in house; or (3) continue utilizing the same supplier chosen through its competitive bid solicitation process for the remainder of its 2024-2027 DSP.[13]

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[7] *Id.*
[8] *Petition of Pike Cnty. Light & Power Co. to Modify Default Serv. Plan for the Period June 1, 2024, through May 31, 2027*, Docket No. P-2023-3039927, Order at 2 (June 4, 2026) (*Petition to Modify Order*).
[9] *Id.* at 1.
[10] *Id.* at 2.
[11] *See Pike DSP Petition* at 5.
[12] *Id.* at 5-6.
[13] *Id.* at 6-7.

With respect to the components of the default service rate mechanism, Pike proposes to make three changes to allow for more timely recovery of default service costs.[14] The first of the two components of the default service rate mechanism, the Market Price of Electric Supply, is based on the Company's forecast of wholesale supply costs, including the Company's expected procurement costs from the NYISO.[15] Each Market Price of Electricity Supply is then increased to permit the recovery of the Pennsylvania Gross Receipt Tax.[16] Pike does not propose to make any changes to this first component.

The second component of Pike's default service rate mechanism, the Electric Supply Adjustment Charge, is calculated every June 1st and December 1st.[17] The Electric Supply Adjustment is determined by comparing default service costs incurred for the month with default service revenues.[18] By way of further explanation, the default service costs include actual capacity, energy and ancillary service costs, and prior period electric supply adjustments.[19] Default service revenues include revenues billed through the Market Price of Electric Supply and the Electric Supply Adjustment Charge.[20]

Pike explains that under its current DSP, which has been in effect since 2021,[21] actual default service costs are divided by the total actual default service sales for the period being reconciled to determine the overall average rate that would have made the Company whole for the period, on an aggregate basis.[22] Next, the resulting average rate is used to estimate the over or under collection applicable to each service classification.[23] The resulting monthly service

[14] *Id.* at 10.
[15] *Id.* at 8.
[16] *Id.*
[17] *Id.*
[18] *Id.*
[19] *Id.*
[20] *Id.*
[21] *Id.*at 4-5.
[22] *Id.* at 8.
[23] *Id.*

classification-specific over or under collections is added for the six months comprising the period being reconciled, and then divided by estimated service classification-specific Default Service sales for the subsequent 12-month period.[24] As a result, over or under-collections occurring over a six-month period are collected over the subsequent 12-month period in which the Electric Supply Adjustment Charges are billed.[25] Finally, the resulting service classification-specific Electric Supply Adjustment Charges is increased to permit Pike's recovery of Gross Receipts Tax.[26] For any six-month period, the Electric Supply Adjustment Charges are limited to 2.0 cents per kWh, and any remaining over or under collection balance is included in the subsequent period, to the extent possible.[27] Interest on under collections is determined at the Legal Rate of Interest, while interest on overcollections are determined at the Legal Rate of Interest plus two percent.[28]

Pike now proposes to: (1) change the frequency of adjusting the price and reconciling the default service charge from 6 months down to every 3 months; (2) increase the cap for recovery of its Energy Supply Adjustment Charges from 2 cents per kWh to 5 cents per kWh; and (3) be allowed the ability to more frequently adjust rates if it incurs a substantial over or under collection.[29]

Pike also proposes multiple changes to its Supplier Tarriff, which has not been updated since 1999, and according to the Company, does not reflect modern practices or Commission orders regarding how Pike must interact with suppliers.[30] These proposed changes are reflected in its filing and its pro forma redline tariff supplement.[31]

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[24] *Id.* at 8-9.
[25] *Id.* at 9.
[26] *Id.*
[27] *Id.*
[28] *Id.*
[29] *Id.* at 9-10.
[30] *Id.* at 5, 11.
[31] *Id.* at 11; Exh. ML-7.

In addition to the above proposals, Pike seeks approval of a Smart Meter Plan based on Act 129 and the Commission's Smart Meter Implementation Order.[32] In its filing, Pike notes that it is not an EDC subject to Act 129's mandatory smart meter planning requirements and has thus never been required to file a Commission-approved smart meter procurement and installation plan under Section 2807(e).[33] It further notes that Act 129 does not prohibit a smaller EDC from utilizing advanced metering infrastructure or from seeking Commission approval of a reasonable mechanism to recover prudently incurred deployment costs.[34] Pike anticipates that its proposed Smart Meter Plan would be implemented over four years and would involve transitioning to the Tesco AMI platform to serve as Pike's primary platform for automated meter reading.[35] As part of its plan, Pike seeks to implement a Smart Meter Surcharge Rider to recover the costs of the plan.[36]

Consistent with its existing DSP, Pike proposes to continue to meet its Alternative Energy Portfolio Standards (AEPS) Act requirements through a competitive solicitation process or market purchases based on prevailing market conditions and adjust the timing of its credit purchases to reduce costs to customers.[37] Costs of compliance are recovered through the default service rate mechanism.[38]

Regarding the term of its proposed DSP, and consistent with its existing DSP, Pike again proposes a three-year term.[39] Additionally, Pike is again requesting the waiver of the following Public Utility Code Sections, which the Commission has previously granted in prior DSP proceedings:

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[32] *Id* at 13.
[33] *Id.* at 12.
[34] *Id.* at 13.
[35] *Id.* at 13-14.
[36] *Id.* at 14.
[37] *Id.* at 15.
[38] *Id.*
[39] *Id.* at 16.

- 52 Pa. Code § 69.1805 - 52 Pa. Code §69.1805(3) (policy statement on inclusion of short term and long-term contracts in procurement mix and tailoring procurement to customer classes); and

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

OCA notes that Pike is no longer requesting a waiver of 52 Pa. Code § 54.185(e)(2) and 52 Pa. Code §54.185(e)(6), as it had done in past DSP cases. In its most recent Petition to Modify the 2024-2027 DSP, Pike requested withdrawal of the Commission's prior granted waivers of these sections, and consistent with that *Petition* and its decision to comply with the requirements, does not seek to reinstitute them here.[40]

II. ANSWER/COMMENTS

A telephonic Prehearing Conference has been scheduled for 1 p.m. on July 13, 2026, and the OCA will fully participate. The OCA has preliminarily identified the following areas in Pike's DSP for further review by the Commission. The OCA anticipates that it may raise additional issues as the proceeding progresses.

Supply Procurement

The OCA intends to examine the details of the Company's financial hedging strategy to determine whether what is proposed is reasonable, in accord with the hedging strategies employed by other Pennsylvania EDCs, and suited to provide the price stability the Company seeks. The OCA will analyze the amount of load hedged, and the increased volatility in Pike's default service price over the past couple of years. The OCA additionally intends to review Pike's proposed modifications to its procurement terms recently approved by the Commission through Pike's Petition to Modify and to assess whether those modifications would be in the best interest of customers.

[40] *Petition to Modify Order* at 5.

Rate Design

Pike proposes making several changes to the default service rate mechanism currently in place. The OCA submits that Pike's proposed changes should be reviewed to determine if the changes are justified and in the best interest of customers and whether the changes would allow for more timely cost recovery and less interest paid by customers as claimed by Pike. Further, the mechanism should be reviewed to ensure that it provides a reasonable degree of stability for default service customers and that it collects only those costs attributed to default service. In particular, the mechanism must be examined to ascertain whether it is properly accounting for the costs and revenues associated with its hedging program.

Supplier Tariff

Pike proposes changes to its Supplier Tariff. The OCA submits that the changes should be reviewed to ensure that they are in line with prior Commission orders and Pike's current practices.

Deployment of Advanced Metering Infrastructure and Surcharge

Pike proposes implementing a Smart Meter Plan as part of its new DSP to procure and install smart meter technology. Pike further proposes to recover the costs of its plan through a Surcharge. The OCA submits that Pike's proposal must be examined to determine whether Pike has justified a fully AMI deployment, whether its proposed solution is the most reasonable and cost-effective way to address the limitations of its existing meter reading system, whether Pike has adequately evaluated lower-cost alternatives, and whether the proposed surcharge mechanism and customer bill impacts are reasonable.

Alternative Energy Portfolio Standards Act (AEPSA) Compliance

Pike proposes to continue to meet its AEPSA requirements by utilizing a competitive solicitation process dictated by market conditions. The OCA submits that the AEPSA procurement process should be reviewed to ensure that it meets all compliance standards at reasonable prices.

III. CONCLUSION

For the reasons set forth above, the Office of Consumer Advocate submits that Pike County Light & Power Company's Default Service Petition, as proposed to commence on June 1, 2027, must be thoroughly reviewed to ensure that it meets the needs of default service customers and is consistent with Pennsylvania law. To that end, the OCA stands ready to work with Pike and other stakeholders to establish a default service methodology that will best serve the needs of Pike's customers and comply with all applicable standards.

Respectfully Submitted,

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