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February 19, 2021

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

RE: Petition of Pike County Light & Power for Approval of Its Default Service Plan and Waiver of Commission Regulations and *Nunc Pro Tunc* Treatment for the Period June 1, 2021 through May 31, 2024; Docket No. P-2020-3022988; **JOINT STIPULATION FOR ADMISSION OF TESTIMONY AND EXHIBITS INTO THE EVIDENTIARY RECORD**

Dear Secretary Chiavetta:

Enclosed you will find the Joint Stipulation for Admission of Testimony and Exhibits into the Evidentiary Record in the above-referenced matter. Included with the Joint Stipulation are the Public Versions of the Testimony and Exhibits and testimony verifications in this matter. The parties will file the Highly Confidential versions of their testimony and exhibits under separate covers with the Commission. Copies have been served in accordance with the attached Certificate of Service.

This Joint Petition is served electronically pursuant to the COVID-19 Suspension Emergency Order dated March 20, 2020 and ratified March 26, 2020.

If you have any questions regarding this filing, please do not hesitate to contact me.

Very truly yours,

/s/ Whitney E. Snyder

Thomas J. Sniscak
Whitney E. Snyder
Counsel to Pike County Light & Power Company

WES/das
Enclosure
cc: Honorable Eranda Vero (via email)
Per Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the parties, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

BY ELECTRONIC MAIL ONLY

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/s/ Whitney E. Snyder
Thomas J. Sniscak
Whitney E. Snyder

Dated this 19th day of February, 2021

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

JOINT STIPULATION FOR ADMISSION OF TESTIMONY AND EXHIBITS INTO THE EVIDENTIARY RECORD

TO THE HONORABLE ERANDA VERO:

This Joint Stipulation for Admission of Testimony and Exhibits into the Evidentiary Record ("Joint Stipulation") is entered into by Pike County Light & Power Company ("Pike" or "Company"); the Office of Consumer Advocate ("OCA"); and the Office of Small Business Advocate ("OSBA") (hereinafter collectively referred to as the "Joint Petitioners"), by their respective counsel, in connection with the above-captioned matter. The Joint Petitioners respectfully request that Administrative Law Judge Eranda Vero admit into the evidentiary record of this proceeding the previously distributed written testimony and exhibits prepared by Pike, OCA, and OSBA's witnesses as identified below. In support of this request, the Joint Petitioners aver and state as follows:

1. On November 23, 2020, Pike County Light & Power filed a Petition for Approval of its Default Service Plan at Docket No. P-2020-3022988. The Petition was filed pursuant to Section 2807(e) of the Public Utility Code and 52 Pa. Code 54.181-54.190.

2. The Petition was published in the *Pennsylvania Bulletin* on December 12, 2020, with an Answer/Protest date of December 29, 2020.

3. In its Petition, Pike admits that it should have filed this Petition by June 1, 2020, and that the nine-month time frame for Commission decision in this proceeding would run after the date of expiration of Pike's current DSP Plan. Consequently, Pike is requesting *nunc pro tunc* treatment of its filing as well as an expedited proceeding to allow the Commission to decide this matter at its May 20, 2021 public meeting.

4. The proceeding was assigned to Administrative Law Judge Eranda Vero ("ALJ Vero") for hearings and issuance of a Recommended Decision.

5. On December 15, 2020, ALJ Vero issued an Order at the above referenced docket requiring Pike to file a written explanation of the reasons that led to the late filing, as well as the grounds on which the filing should be granted *nunc pro tunc* and expedited treatment with the Secretary's Bureau by no later than December 21, 2020. In compliance with this order, Pike filed the required written explanation of the late filing on December 21, 2020.

6. ALJ Vero's December 15, 2020 Order also required Pike to file its pre-filed written Direct Testimony by no later than December 24, 2020, at 11:00 am.

7. On December 24, 2020, Pike served PCLP Statement No. 1, the direct testimony of Russell Miller in both Highly Confidential and Public format with the following exhibits: RM-1 (Public); RM-2 (Highly Confidential); RM-3 (Highly Confidential); and RM-4 (Highly Confidential). Also, on December 24, 2020, Pike served PCLP Statement No. 2, the direct testimony of Noel Chesser in Public format with the following exhibits: NPC-1 (Public) and NPC-2 (Highly Confidential).

8. On January 5, 2021, an Initial Prehearing Conference was held, establishing the litigation schedule for this proceeding. All parties were in attendance.

9. On January 25, 2021, the OCA served OCA Statement 1, the direct testimony of Serhan Ogur in Public format containing an Appendix A (Public). Also, on January 25, 2021, the OSBA served OSBA Statement No. 1, the direct testimony of Robert Knecht in both Highly Confidential and Public format with the following exhibits: IEc-1 (public) and IEC-2 (Highly Confidential).

10. On February 1, 2021, Pike served PCLP Statement No. 1R, the Rebuttal Testimony of Russel Miller in public format.

11. Following the service of Pike's Rebuttal testimony, negotiations took place among the parties seeking to achieve a full settlement of the proceeding.

12. As a result of the afore-mentioned negotiations, the parties were able to agree to resolve all issues in the case, resulting in a comprehensive settlement ("Settlement").

13. On February 5, 2021, Pike informed Judge Vero that the parties had reached a settlement in full and requested that the parties submit the joint petition for settlement with statements in support by February 19, 2021. As a result of the settlement, Judge Vero further suspended the litigation schedule and canceled the evidentiary hearing scheduled for February 10, 2021 by the cancellation notice issued on February 9, 2021.

14. In support of the Settlement, each Joint Petitioner will submit, as an appendix to the Joint Petition, individual Statements in Support of the Settlement. If Administrative Law Judge Vero and the Commission approve the terms and conditions set forth in the Joint Petition without modification, this matter will be deemed to be fully resolved and no hearings will be held in connection with the Pike's Default Service Plan.

15. In order to further support the Settlement, the Joint Petitioners hereby stipulate to the admission of the following into the evidentiary record:

A. PCLP Statement No. 1, the Direct Testimony of Russell Miller in both Highly Confidential and Public format with Exhibits RM-1 (Public), RM-2 (Highly Confidential), RM-3 (Highly Confidential), and RM-4 (Highly Confidential);

B. PCLP Statement No. 2, the Direct Testimony of Noel Chesser Pike in Public format with Exhibits NPC-1 (Public) and NPC-2 (Highly Confidential);

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

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

E. PCLP Statement No. 1R, The Rebuttal Testimony of Russell Miller in public format.

F. OCA Statement No. 1-R, the Rebuttal Testimony of Serhan Ogurn in Public format.

16. Copies of the public versions of Testimonies and Exhibits, along with witness verifications, are attached hereto for filing with the Commission. Copies of highly confidential materials will be filed under separate cover by each party sponsoring such materials.

NOW, THEREFORE, desiring to enter into this Joint Stipulation and intending to be bound hereby, the Joint Petitioners agree and stipulate to the following with respect to this proceeding:

A. That, upon the issuance of a separate Order or the inclusion of a provision in the Recommended Decision to be issued by Administrative Law Judge Eranda Vero in the above-captioned matter approving the Settlement, PCLP Statement No. 1, the Direct Testimony of Russell Miller in both Highly Confidential and Public format with Exhibits RM-1 (Public), RM-2 (Highly Confidential), RM-3 (Highly Confidential), and RM-4 (Highly Confidential); PCLP Statement No. 2, the Direct Testimony of Noel Chesser in Public format with Exhibits NPC-1 (Public) and NPC-2 (Highly Confidential); OCA Statement No. 1, the Direct Testimony of Serhan Ogur in Public format containing Appendix A; OSBA Statement No. 1, the Direct Testimony of Robert Knecht in both Highly Confidential and Public format with Exhibits IEc-1 (public) and IEc-2 (Highly Confidential); PCLP Statement No. 1R, the Rebuttal Testimony of Russell Miller in Public format; and OCA Statement No. 1-R the Rebuttal Testimony of Serhan Ogur in Public format, shall be deemed to be made a part of the official evidentiary record of this proceeding and may be used for all proper and legal purposes in support of the Settlement and Joint Petition as if hearings had been conducted in this matter; and

B. By entering into this Joint Stipulation, no Joint Petitioner makes any precedential concession or admission as to the correctness or sufficiency of the law, facts, positions or assumptions upon which the other Joint Petitioners' testimony statements, exhibits or positions in this matter may be based. In addition, the Joint Petitioners agree that this Joint Stipulation may not be cited as precedent in any future proceeding, except to the extent required to implement and enforce the Joint Stipulation.

By their signatures below, the Joint Petitioners agree to the terms of this Joint Stipulation and represent that they are authorized to execute this Joint Stipulation on behalf of their respective clients/offices.

Respectfully submitted,

/s/ Whitney E. Snyder (Dated) February 19, 2021

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Counsel for
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____________________________ (Dated) ____________________________

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____________________________ (Dated) ____________________________

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Counsel for
Pike County Light and Power Company

David T. Evard (Dated) FEB 19, 2021

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/s/ Sharon E. Webb__________________ (Dated) February 19, 2021

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PCLP Testimony Verifications of

Russell Miller
Noel Chesser

P-2020-3022988

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

PIKE COUNTY LIGHT AND POWER COMPANY'S
TESTIMONY VERIFICATION OF
RUSSELL MILLER

I, Russell Miller, hereby certify that I am the Vice President of Energy Supply & Business Development for Pike County Light and Power Company, and that, in such capacity, I provided testimony and exhibits as a witness in the above-captioned matter.

I hereby verify that I have provided the following written testimony and exhibits for admission into the record and that these documents were prepared by me and under my supervision:

- Direct Testimony of Russell Miller (PCLP Statement No. 1) in both Highly Confidential and Public format with exhibits RM-1 (Public), RM-2 (Highly Confidential), RM-3 (Highly Confidential), and RM-4 (Highly Confidential); and
- Rebuttal Testimony of Russell Miller (PCLP Statement No. 1R), with no exhibits.

I certify that the facts set forth in the testimony are true and correct to the best of my knowledge, information and belief; that if I were asked the questions contained therein today that my answers would remain the same. I understand that the statements made in my testimony are subject to the penalties at 18 Pa C.S. § 4909 related to the unsworn falsification to authorities.

Date: 2/19/21

Russell Miller
VP of Energy Supply & Business Development
Pike County Light and Power Company

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

PIKE COUNTY LIGHT AND POWER COMPANY'S
TESTIMONY VERIFICATION OF
NOEL CHESSER

I, Noel Chesser, hereby certify that I am employed by Enel X as the Principal Energy Advisor in the Global Supply Advisory Service Group and that, in such capacity, I have been retained by the Pike County Light and Power Company ("Pike") as an expert witness in the above-captioned matter for the purposes of providing testimony and exhibits on Pike's behalf.

I hereby verify that I have provided the following written testimony and exhibits for admission into the record and that these documents were prepared by me and under my supervision:

- Direct Testimony of Noel Chesser (PCLP Statement No. 2) in Public format with exhibits NPC-1 (Public) and NPC-2 (Highly Confidential).

I certify that the facts set forth in the testimony are true and correct to the best of my knowledge, information and belief; that if I were asked the questions contained therein today that my answers would remain the same. I understand that the statements made in my testimony are subject to the penalties at 18 Pa C.S. § 4909 related to the unsworn falsification to authorities.

Date: February 19, 2021

Noel Chesser
Enel X – Principal Energy Advisor

Public Testimony of
Russell Miller

PCLP Statement No. 1 with public exhibits

PCLP Statement No. 1R

PCLP Statement No. 1

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Pike County Light & Power Company for Approval of Its Default Service Plan and Waiver of Commission Regulations and *Nunc Pro Tunc* Treatment for the Period June 1, 2021 through May 31, 2024	: : : :	Docket No. P-2020-3022988

PUBLIC VERSION

DIRECT TESTIMONY

OF

RUSSELL MILLER,

VICE PRESIDENT OF ENERGY SUPPLY & BUSINESS DEVELOPMENT

ON BEHALF OF

PIKE COUNTY LIGHT & POWER COMPANY

Dated: December 24, 2020

I. WITNESS BACKGROUND

Q. What is your name, position, and business address.

A. Russell Miller, Vice President of Energy Supply & Business Development, Pike County Light & Power Company (Pike). My business address is Corning Natural Gas Holding Corporation, 330 West William St., Corning, NY 14830.

Q. What are your responsibilities as the Vice President of Energy Supply & Business Development at Pike?

A. As Vice President of Energy Supply and Business Development, I am responsible for gas & electric supply procurement, Pennsylvania Alternative Energy Portfolio Standards compliance, Electric Generation Supply (EGS) interface, New York Independent System Operator (NYISO) and PJM Generation Attribute System (PJM GATS) reporting. Additional responsibilities include development of future alternate gas and electric supply alternatives, franchise expansions and continued development of the Default Service Plan. I also manage the Information Technology Department for Pike.

Q. Please describe your educational and employment history.

A. I have over 25 years of experience in the natural gas industry and strong management experience. I began my career with the United States Navy, where I served as a Missile Technician onboard a nuclear submarine. I have a B.S. in Telecommunications from Empire State College and training in electrical and mechanical engineering from Rochester Institute of Technology. From 1987 through 2004, I was employed by Corning Natural Gas Corporation ("CNG"), where I began as a draftsman, transitioned to a gas supply manager and then served as Vice President of operations. From 2004 through 2006, I was employed as an industrial account manager for Sprague Energy Corp. located in Portsmouth, New Hampshire. From 2006 until June 2008, I was employed by IBM, as energy distribution manager where I managed a team of energy buyers. I rejoined CNG as its director of gas supply and marketing in June 2008, and was appointed its Vice President – gas supply and marketing in December 2009. I was appointed Vice President – energy supply and business development of Corning Natural Gas Holding Company (CNGHC) in April 2014. I have served as Managing Director of Leatherstocking Gas since November 2010. I also serve as a Vice President of Corning Natural Gas Appliance Corporation, and as a director on the boards of Leatherstocking Gas and Leatherstocking Pipeline Company, LLC and Pike County Light & Power.

II. Purpose of Testimony

Q. Could you please summarize your testimony?

A. The testimony I have developed describes Pike's plan to continue to integrate a financial hedge option for a portion of its electric supply portfolio. The financial hedge will be utilized as a tool to dampen the price volatility that could affect Pike's customers. Pike is proposing a nearly identical financial hedging strategy to its prior DSP Plan, which was the result of a settlement of all of the parties to Pike's prior DSP case that the Commission approved without modification.

III. Pike Background

Q. Could you please generally describe Pike's electric division?

A. Pike is a jurisdictional electric distribution company (EDC) serving approximately 4,851 residential and commercial customers in Pike County, Pennsylvania. For calendar year

2019, the electric requirements of customers in the Company's service territory were 77,072 MWh, with a peak demand of approximately 17.5 MW. Pike provides transmission and distribution services, and electric generation suppliers (EGS) provide generation services to approximately 27 percent of Pike's customers. Pike is a wholly-owned subsidiary of CNGHC and receives all of its electricity through two 34.5 kV radial circuits that cross the Delaware River from Port Jervis, New York. Pike is distinctive among Pennsylvania EDCs as it is part of the NYISO control area, not the PJM Interconnection, LLC (PJM).

Q. Is Pike unique compared to other Pennsylvania EDCs?

A. Yes, Pike is unique compared to other Pennsylvania EDCs especially concerning circumstances regarding its default supply because of its modest customer and load size as described above, a history of a significant amount of its customer receiving generation supply from electric generation suppliers (approximately 27%), and Pike's connection to the NYISO instead of PJM. In addition, Pike is not at this time a Load Serving Entity (LSE) in the NYISO. An LSE is an entity authorized by the NYISO to supply Energy, Capacity and/or Ancillary Services to retail customers, including an entity that takes service directly from the ISO to supply its own load. Pike would need to become a LSE before it could fully participate in the NYISO market.

Q. When did CNGHC acquire Pike?

A. CNGHC acquired Pike in 2016 from Orange and Rockland Utilities, Inc. (O&R) pursuant to an August 11, 2016 Commission Order at Docket Nos. A-2015-2517036 *et al.* (Acquisition Order). That Order approved a settlement between the parties, including the Office of Consumer Advocate and the Office of Small Business Advocate. The

Acquisition Order, *inter alia*, approved an Electric Supply Agreement (ESA) between Pike and O&R and, as a term of the settlement, required Pike to conduct an alternative supply study (Study), which was completed and submitted to the Commission, the OCA, and the OSBA on February 28, 2018. The ESA is included as Exhibit RM-1 to my testimony and relevant portions of the Study[1] are included as Exhibit RM-2 (Highly Confidential) to my testimony. This is Pike's second default service plan proceeding under CNGHC's ownership.

Q. Could you please describe Pike's past default supply procurement?

A. In the past and prior to its last DSP case, Pike, under O&R's ownership, determined that the best default supply procurement strategy for Pike's default supply customers was to procure supply solely from the spot market, without any longer-term contracts or financial hedging strategy. Both the Commission and the Commonwealth Court approved this strategy over the objections of the OCA, which had recommended either longer-term contracts for some portion of Pike's supply or using a financial product for some degree of hedging to protect default customers from the volatility of pricing in the NYISO spot market.

Q. What happened in Pike's last DSP proceeding?

A. In its last DSP proceeding, Pike decided to propose a financial hedging strategy as part of its default service procurement. The parties eventually reached a settlement that set out the terms of a financial hedging strategy. The Commission approved the settlement without modification.

[1] The Study also considered alternatives for gas supply, which contained Confidential Security Information. Those portions of the Study are not relevant here and are not included in the exhibit.

IV. Pike's Proposed Default Supply Procurement Strategy

Q. In this proceeding, how does Pike propose to procure default supply?

A. Pike proposes to continue to acquire electric supply through the NYISO spot market pursuant to the terms of the Commission-approved ESA (Exhibit RM-1). Pike also proposes to engage in a financial hedging strategy substantially similar to the strategy the parties agreed to in the prior DSP proceeding and the Commission approved. The financial hedging provides a degree of pricing stability for its default supply customers.

Q. What are the terms of the ESA?

A. The ESA, which the Commission approved as part of CNGHC's acquisition of PIKE, allows Pike to procure electric supply from O&R. The ESA's initial term ended on August 31, 2019, with an option for three (3) one (1) year extensions upon 30 days written notice to O&R. Pike renewed the ESA through 2022. The electric supply service charges under the agreement are determined based on the following:

(i) Supply cost - based on Pike's load-based allocated portion of O&R's monthly NYISO charges for energy, capacity and all other NYISO charges for the applicable month subject to subsequent NYISO true-ups.

(ii) Carrying cost - to reflect O&R's cost of maintaining and operating the physical infrastructure of O&R required to deliver electric supply to Pike. The monthly charge is $48,973 for the first year, and then escalates annually thereafter at 5%.

(iii) Service Fee – monthly service fee of $2,250 for the first year, and then escalates annually thereafter at 5%.

Q. What will Pike do when the current ESA expires?

A. Pike is currently negotiating a new ESA with Orange & Rockland. Pike intends and believes that it will execute a new ESA in mid-January 2021. As soon as the new ESA is executed, Pike will update its testimony to provide the contract as an exhibit and explain the terms so the Commission can approve it as part of this proceeding. Pike believes the new contract will have substantially similar terms as the current ESA.

Q. Why did Pike propose to change its past practice and implement financial hedging?

A. The Acquisition Proceeding brought to light OCA's ongoing concern with price volatility for residential customers. Pike's current management, after considering the Study results and ongoing discussions with OCA and its consultant EnerNOC (subsequently renamed Enel X), was persuaded that adding a financial hedge to promote pricing stability is best for its default customers and meets the Commission's standards for default supply procurement. The Study stated:

> The volatility of day ahead market prices, even averaged to produce a quarterly standard offer price, are not well suited for residential and small commercial customer budgets who generally seek stable prices.
>
> These customer classes do not have the budget flexibility that larger commercial and institutional organizations have.

Q. What did the Study conclude in terms of alternatives?

A. The Study examined various alternate supply options, but at this time the only viable option for Pike is a financial hedge. The Study first considered whether it would be prudent for Pike to interconnect with PJM given the historically lower prices in the PJM market. The Study concluded this is not an economic option given the significant costs of interconnection and the decreasing delta between PJM and NYISO prices. The Study then examined how other Pennsylvania EDCs procure default supply, indicating that other EDCs use laddered full requirements fixed rate contracts for a portion of their supply. However, given that Pike is only interconnected to the NYISO through O&R, and is not currently a load-serving entity on the NYISO, Pike cannot procure its own energy supply contracts. As the Study suggested, Pike explored the potential of longer-term supply contracts with O&R, but was unsuccessful in this effort. Pike also has explored becoming an LSE in the NYISO, but has been unable to implement this process to date. Finally, the Study suggested that Pike consider financial instruments to promote pricing stability.

Q. What are the details of Pike's proposed financial hedging strategy?

A. The hedging strategy provides both flexibility and gradualism. Essentially, Pike is buying a financial product that acts as a fixed rate for a portion of its supply, ie., the hedge will convert portions of the energy purchased from spot market rates to fixed rates. The specifics of the hedging strategy are described in more detail by Mr. Noel Chesser, Pike's consultant at Enel X (formerly EnerNOC). The differences between the proposed plan and the 2019-2021 plan are:

- The 2021-2024 plan is proposed for three years instead of two, resulting in lower legal and regulatory costs and efficiency.
- The 2021-2024 plan modifies dates of hedging for PY 2022 and 2023 to ensure Commission approval prior to hedge date execution.
- The 2021-2024 plan removes optional hedging of additional quantities that is dependent upon more granular usage and load shape data that Pike is unable to obtain.

Q. How will Pike implement this strategy?

A. Pike will work with its consultant, Enel X, to implement hedges. Enel X assisted Pike with implementing its hedging strategy approved in the last DSP proceeding.

Q. Does Pike believe this hedging strategy is good for default supply customers?

A. Yes, at this time, Pike believes default supply customers benefit from increased pricing stability by essentially fixing the price of a portion of Pike's supply. Under the ESA, energy prices are passed through based on hourly rates which are subject to volatility driven by market conditions. While hourly rates have, for the most part, been lower than forward market rates (fixed rates for future delivery periods) over the last three years, in January 2018 hourly rates were very high which resulted in a spike in rates for Pike's default service customers. The bulk of Pike's default service customers are residential, where stable electric prices are better suited for household budgets. Hourly prices over time do not provide the level of price stability preferred by household budgets. While it is impossible to predict spot market prices in the future (and thus impossible to determine in any default supply scenario whether a fixed-rate will be the lowest cost for customers over time or whether the volatile spot market will over time be the lowest cost) the Commission also considers a degree of stability important in default supply pricing. Pike believes its strategy will bring the benefit of stability while still being market responsive since it will not hedge the full portion of its default supply and will retain flexibility to monitor the market and execute hedges when and in the amount in which it appears prudent to do so. Pike will also rely on the expertise of its consultant Enel X.

Q. What counterparties are available to Pike for its hedging strategy?

A. [**BEGIN HIGHLY CONFIDENTIAL]** [redacted] [**END HIGHLY CONFIDENTIAL]** Pike executes an International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement with each counter-party. This Agreement does not bind Pike to actually enter into any transactions with a counter-party nor does it bind Pike to only engaging in hedging transactions with a counter-party. Pike will continue to consider and seek additional counterparties.

Q. Did Pike implement any hedges during the course of the 2019-2021 Plan?

A. Yes. Pike implemented one hedge. The financial hedge is an energy swap, whereby Pike pays its counterparties a set price based on forward market pricing (within the limits set forth in the confidential portions of the Settlement) for a set quantity of energy. In return, the counter-party pays Pike the spot price of the energy. Thus, if the spot market price of energy is lower than forward market prices, Pike pays more for its energy than spot market prices. If spot market prices are greater than the contract price, Pike still pays the contract price instead of the higher spot market prices it would otherwise receive. Thus, as spot market prices fluctuate, Pike's price for a subset of its default energy supply is constant, resulting in price stability. The settlement amounts of that hedge are included as Exhibit RM-3 (Highly Confidential) to my testimony. I have included as Exhibit RM-4 (Highly Confidential) the report on this hedge that Pike submitted to the Commission and other parties to Pike's last DSP Proceeding.

Q. What is the time-period of Pike's proposed default supply plan?

A. Pike is proposing a three-year plan (June 2021 – May 2024). I note that the OSBA, in its prehearing memorandum in the prior DSP proceeding, suggested that Pike consider implementing its plan for a longer time-period to decrease costs to customers of submission and approval of plans. Pike agrees. Pike has explored other options such as long-term contracting and becoming an LSE, but those have not yet come to fruition. The small size of Pike's load makes it difficult to obtain counterparties for long-term contracts.

V. Alternative Energy Portfolio Standards (AEPS) Credits

Q. How does Pike currently obtain AEPS credits?

A. Pike's current plan allows Pike to meet its AEPS requirements via a competitive solicitation process, the timing of which is dictated by market conditions. Pike recovers costs related to AEPS compliance from its default service customers through its default service recovery mechanism.

Q. What are Pike's requirements under AEPS?

A. Pike's requirements under AEPS are that qualifying renewable energy credits (RECs) must be purchased in quantities determined by AEPS designated percentages of Pike's DSP actual load for each AEPS fiscal year (June 1 through May 31). There are separate percentage requirements for Tier 1 non solar, Tier 2 and solar. The Renewable Energy Credits (RECs) purchased must be recorded and retired against the fiscal year obligation in PJM's GATS. Failure to meet the reporting requirement will trigger an alternative compliance payment, which historically has been higher than the cost of complying via REC purchases.

Q. How does Pike propose to obtain AEPS credits for its 2021 DSP Plan?

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

VI. Rate Design

Q. What is Pike's current default supply customer rate design?

A. Pike's current market priced default service mechanism is based on flat rates per kWh for each of its default service classes. The default service rates are comprised of two components: (1) the Market Price of Electric Supply, and (2) the Electric Supply Adjustment Charge. The Market Price of Electric Supply is determined quarterly based on the Company's forecast of the wholesale supply costs for the quarter, and reflects the Company's expected procurement costs from the NYISO. Annually, service classification specific factors are developed to reflect each service classification's load characteristics, capacity obligation, forecast sales and applicable losses. These factors are applied to the quarterly forecast of the Company's default service cost per kWh to determine class-specific Market Prices of Electric Supply. Each Market Price of Electric Supply is then increased to permit the recovery of the Pennsylvania Gross Receipts Tax.

Q. How is the Electric Supply Adjustment Charge calculated?

A. The Electric Supply Adjustment Charge is calculated quarterly to reconcile the monthly over- or under-collections of the prior three months to be reconciled. After each month, Pike compares its actual default service costs for the month against default service revenues. Default service costs include all actual costs related to the procurement of energy, capacity, and ancillary services, including any prior period reconciliation costs. Default service revenues include recoveries of the Market Price of Electric Supply and the prior period Electric Supply Adjustment Charge.

For each month, actual default service costs are divided by the total actual default service sales for the month being reconciled to determine the overall average rate that would have made the Company whole for the month, on an aggregate basis. The resulting average rate is then utilized to estimate the over- or under-collection applicable to each service classification. The resulting service classification-specific over- or under-collections will be added together for the three months being reconciled and are divided by estimated service classification-specific default service sales for the quarter in which the Electric Supply Adjustment Charges will be billed. The resulting service classification-specific Electric Supply Adjustment Charges are then increased to permit recovery of Pennsylvania Gross Receipts Tax.

Q. Are there price limitations for the Electric Supply Adjustment Charge?

A. Yes. For any given quarter, the Electric Supply Adjustment Charges, including Gross Receipts Tax, shall not exceed a charge or a credit of 2.0 cents per kWh. In the event the 2.0 cents per kWh cap is reached, any remaining over- or under-collection balance is included in the subsequent quarter's Electric Supply Adjustment Charges to the extent possible within the 2.0 cents per kWh cap. Interest on under-collections is determined at the legal rate of interest pursuant to Pennsylvania law. Interest on over-collections is determined at the legal rate of interest plus two percent.

Q. Did the terms of the last DSP proceeding settlement place any limitation on recovery of Pike's costs?

A. Yes. Pike was permitted to recover up to $48,000 per plan year for outside consulting costs related to the hedging program in its default service tariff charges.

Q. What is Pike's proposed default customer rate design?

A. Pike proposes to implement the same customer rate design.

VII. Additional Waivers Requested

Q. What other waivers has Pike requested?

A. 52 Pa. Code § 54.185(g), provides that: "For DSPs with less than 50,000 retail customers, the Commission will grant waivers to the extent necessary to reduce the regulatory, financial or technical burden on the DSP or to the extent otherwise in the public interest." In the past, the Commission has found waivers of the regulations Pike requests here to meet this standard. Pike requests waivers related to two issues: (1) schedules and technical requirements for bid solicitations, spot market purchases, agreements and forms; and (2) procurement plan standards.

Q. What are the requested waivers related to schedules and technical requirements for bid solicitations, spot market purchases, agreements and forms?

A. Sections 54.185(e)(2) (referring to § 54.186), 54.185(e)(6), and Section 69.1807(3). These provisions require detailed schedules and technical requirements for competitive bid solicitations and documents that would be unduly burdensome and expensive for Pike to create and use. Pike has described the competitive process it will implement in my testimony and in greater detail in Mr. Chesser's testimony. Pike believes its plan meets the spirit of these regulations without imposing the unduly burdensome and expensive technical requirements of the letter of the regulations and as such waiver is in the public interest.

Q. What are the requested waivers related to procurement plan standards?

A. Sections 69.1805. 69.1805(1), 69.1805(2) and 69.1805(3). These provisions relate to the "prudent mix" standard for supply procurement and breaks down the procurement by customer class. As discussed above, at this time Pike's best option for its default customers is to continue to procure spot market energy, while implementing a financial hedging strategy. Due to Pike's small load, this would be applied across all customer classes. As the Commission has previously found, due to Pike's unique characteristics discussed above, waiver of these regulations is in the public interest and Pike's spot market purchasing fulfills the prudent mix standard.

Q. Does that conclude your testimony at this time?

A. At this time, yes. I reserve the right to provide additional testimony if that becomes necessary at a later time.

Exhibits

Exhibit RM-1	Electric Supply Agreement (ESA)
Exhibit RM-2	Alternative Supply Study (HC)
Exhibit RM-3	Executed Hedge Settlements (HC)
Exhibit RM-4	Hedge Report (HC)

Exhibit RM-1

Electric Supply Agreement

ELECTRIC SUPPLY AGREEMENT

ELECTRIC SUPPLY AGREEMENT, dated as of August 31, 2016 (this "Agreement"), between Orange and Rockland Utilities, Inc., a New York corporation ("O&R"), and Pike County Light & Power Company, a Pennsylvania corporation ("PCL&P") (O&R and PCL&P are sometimes referred to herein individually as a "Party" and collectively as the "Parties").

WHEREAS, O&R and Corning Natural Gas Holding Corporation ("Corning") have entered into a Stock Purchase Agreement, dated as of October 13, 2015 (the "SPA"), pursuant to which O&R agreed to sell to Corning and Corning agreed to purchase from O&R all of the issued and outstanding shares of PCL&P, all as more particularly set forth in the SPA (capitalized terms used and not otherwise defined herein have the meanings ascribed to them in the SPA; provided, however, that when reference is made in this Agreement to any Section or Exhibit, such reference is to a Section or Exhibit of this Agreement unless otherwise indicated); and

WHEREAS, from and after the Closing, O&R is willing to provide, or cause to be provided, the transitional electric supply requirements of PCL&P on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual agreements and covenants hereinafter set forth, O&R and PCL&P hereby agree as follows:

1. Provision of Transition Services; Term; Payment

(a) O&R agrees to provide, or to cause its Affiliates and/or third-party contractors, subcontractors or other service providers or suppliers (collectively, the "Contractors") to provide, to PCL&P the electric supply for PCL&P to serve its electric customers (the "Electric Supply Service") for a period (the "Term") commencing on the Closing and ending on the date that is thirty-six (36) months after the Closing, subject to extending the Term in accordance with Section 1(b) and to earlier termination in accordance with Section 5.

(b) Within thirty (30) days after the first annual anniversary date of this Agreement, PCL&P may elect, by written notice to O&R, to extend the Term for an additional twelve (12) months. If PCL&P elects this first optional extension, PCL&P may then elect, within thirty (30) days after the second annual anniversary date of this Agreement, to extend the extended Term for an additional twelve (12) months. If PCL&P elects this second optional extension, PCL&P may then elect, within thirty (30) days after the third annual anniversary date of this Agreement, to extend the extended Term for an additional twelve (12) months.

(c) O&R shall provide, or shall cause its Affiliates and/or the Contractors to provide, the Electric Supply Service pursuant to this Agreement in a manner consistent with, and with a level of care no less than, the manner and level of care with which such Electric Supply Service was previously provided by O&R, its Affiliates and the Contractors to PCL&P during the twelve (12) month period immediately prior to the Closing.

(d) The Parties acknowledge the transitional nature of O&R providing the Electric Supply Service and agree to cooperate in good faith to effectuate a smooth transition to PCL&P of the Electric Supply Service furnished hereunder; <u>provided</u>, <u>however</u>, that O&R, its Affiliates and the Contractors shall have no obligation to incur any expense, including, without limitation, in connection with constructing, installing, replacing, modifying, operating, or maintaining any facilities or infrastructure, in connection with such transition (it being understood that this proviso does not affect O&R's obligations, during the Term, to operate and maintain O&R facilities or O&R infrastructure in a manner sufficient to provide the Electric Supply Service pursuant to the terms and conditions hereof).

(e) PCL&P shall pay O&R an amount for the Electric Supply Services that is calculated in accordance with the methodology set forth in the Exhibit A attached hereto. Each written invoice (each, an "<u>Invoice</u>") that O&R prepares with respect to the Electric Supply Service provided during the Term shall specify the amount and price of the Electric Supply Service and the period during which it was provided (it being understood and agreed that the "Supply Cost" portion, as described in Exhibit A attached hereto, of each Invoice shall be subject to subsequent invoices for additional amounts (or credits) reflecting subsequent NYISO true-ups relating to the period at issue). PCL&P shall pay each Invoice, by the method specified in the Invoice, no later than ten (10) days after PCL&P's receipt of the Invoice. All Invoices sent by O&R hereunder shall be sent to the following address:

Pike County Light & Power Company
c/o Corning Natural Gas Holding Corporation
330 West William Street
Corning, New York 14830
Attention: Michael I. German
Fax: (607) 962-2844

2. <u>Limitation of Liability; Release; Waiver; Indemnification; Insurance</u>

(a) To the fullest extent permitted by law, PCL&P hereby releases and discharges O&R, its Affiliates, the Contractors, and O&R's, its Affiliates' and the Contractors' respective directors, trustees, officers, employees, agents, successors, and assigns, (collectively, the "<u>O&R Protected Parties</u>") from, waives against the O&R Protected Parties, and agrees to defend, indemnify and hold the O&R Protected Parties harmless from and against, any and all suits, actions, causes of action, claims, liabilities, losses, damages, costs, and expenses (including court costs and reasonable attorney's fees) arising from or relating to providing the Electric Supply Service or any failure to provide or delay in providing the Electric Supply Service, except to the extent that such suits, actions, causes of action, claims, liabilities, losses, damages, costs and expenses arise from the willful misconduct of the O&R Protected Parties.

(b) Without limiting the provisions of Section 2(a), to the fullest extent permitted by law, PCL&P hereby releases and discharges the O&R Protected Parties from, waives against the O&R Protected Parties, and agrees to defend, indemnify and hold the O&R Protected Parties harmless from and against, any and all suits, actions, causes of action, claims, and liabilities for (and court costs and reasonable attorney's fees in connection with) any and all special, indirect, incidental, consequential and punitive damages, including but not limited to damage, loss, liability, costs, and expenses resulting from loss of use, loss of business or business opportunities, loss of profits or revenue, costs of capital, loss of goodwill, cost of purchased or replacement power, and like items of special, indirect, incidental, or consequential loss and damage, arising from or relating to providing the Electric Supply Service or any failure to provide or delay in providing the Electric Supply Service.

(c) Subject to the other limitation of liability provisions in this Agreement, in no event shall the cumulative liability of the O&R Protected Parties relating to or arising from providing any Electric Supply Service exceed the payment received by O&R hereunder with respect to such Electric Supply Service.

(d) PCL&P shall procure and maintain (or cause its parent corporation, Corning Natural Gas Holding Corporation, to procure and maintain for the benefit of PCL&P) the following insurance during the Term and until any and all Electric Supply Service has been fully and completely performed: Comprehensive (also called Commercial) General Liability Insurance, including Contractual Liability coverage, with limits of at least $5,000,000 per occurrence for bodily injury or death and $1,000,000 per occurrence for property damage or a combined single limit of at least $5,000,000 (such insurance shall contain an "occurrence" and not a "claims made" determinant of coverage, shall name the O&R Protected Parties as additional insureds and contain a waiver of subrogation claims against the O&R Protected Parties, and shall not contain an exclusion for claims by PCL&P's or its contractor's or subcontractor's employees against the O&R Protected Parties or any of them based on injury to or the death of such employees). Such insurance requirements may be satisfied through the combination of a primary or underlying policy and an excess policy and it is understood and agreed that, so long as PCL&P complies at all times with the minimum per occurrence amounts and other insurance requirements specified above in this Agreement, in Section 2(d) of the Gas Supply and Gas Transportation Agreement of even date herewith between O&R and PCL&P (the "Gas Agreement"), and in Section 2(d) of the of the Transition Services Agreement of even date herewith between O&R and PCL&P (the "Transition Services Agreement"), PCL&P need not procure and maintain (or cause its parent Company, Corning Natural Gas Holding Corporation, to procure and maintain for the benefit of PCL&P) (i) separate insurance policies for each of this Agreement, the Gas Agreement, and the Transition Services Agreement or (ii) insurance policies with per occurrence limits that equal or exceed the sum of (A) the minimum per occurrence amounts specified above in this Agreement, ***plus*** (B) the minimum per occurrence amounts specified in Section 2(d) of the Gas Agreement and/or (C) the minimum per occurrence amounts specified in Section 2(d) of the Transition Services Agreement.

3. Confidentiality

Each Party hereby acknowledges that the terms of this Agreement (the "Information") are confidential. Each Party agrees to, and shall cause its agents, representatives, Affiliates, employees, officers, directors and trustees to: (i) treat and hold as confidential (and not disclose or provide access to any Person to) the Information, (ii) in the event that a Party or any of its agents, representatives, Affiliates, employees, officers, directors or trustees becomes legally required to disclose any of the Information, provide such other Party (the "Non-Compelled Party") with prompt written notice of such requirement so that the Non-Compelled Party may seek a protective order or other remedy or waive compliance with this Section 3, and (iii) in the event that such protective order or other remedy is not sought or obtained, or the Non-Compelled Party waives compliance with this Section 3, furnish only those portions of the Information which are legally required to be provided and exercise commercially reasonable efforts to obtain assurances that confidential treatment will be accorded such Information. This Section 3 shall not apply to Information that, at the time of disclosure, is available publicly and was not disclosed in breach of this Agreement.

4. <u>Security for PCL&P's Performance</u>

(a) Simultaneously with the execution of this Agreement, PCL&P, as security for PCL&P's performance of its obligations hereunder (including, but not limited to PCL&P's obligations pursuant to Section 1(e) and Section 2), shall furnish cash security (the "<u>Cash Security</u>") or cause a letter of credit (such letter of credit, as amended or replaced from time to time by a "Substitute PCL&P LC" (as defined below), the "<u>PCL&P L/C</u>") to be furnished to O&R in the amount of $1,251,390 (the "<u>Initial Amount</u>"); <u>provided</u>, <u>however</u>, that following PCL&P's receipt of the first Invoice and thereafter following PCL&P's receipt of each subsequent Invoice pursuant to Section 1(e), the Initial Amount shall be subject to increase or decrease in accordance with this Section 4(a) and Section 4(b). During the period from the execution of this Agreement to immediately before the first such increase or decrease, PCL&P shall cause the amount of the Cash Security or the PCL&P L/C, as applicable, that remains available for drawing upon by O&R to be in an amount equal to the Initial Amount and during the period from the first such increase or decrease to the "<u>Permitted Expiry</u>" (as defined below), PCL&P, subject to exercising its right pursuant to the first proviso in Section 4(e), shall cause the amount of the Cash Security or the PCL&P L/C, as applicable, that remains available for drawing upon by O&R to be in an amount that is not less than twice the amount of the most recent Invoice sent by O&R to PCL&P pursuant to Section 1(e) (the Initial Amount, subject to such increase or decrease, the "<u>Required Amount</u>"). To the extent that PCL&P fails to timely perform its obligations hereunder, O&R, in addition to and not in lieu of any other rights and remedies available to it, including termination of this Agreement pursuant to Section 5, may draw upon the Cash Security or PCL&P L/C, as applicable, to satisfy, in whole or in part, such obligations.

(b) Increases (*i.e.*, because the Required Amount has increased or the Cash Security previously has been drawn upon by O&R) in the amount of the Cash Security remaining for drawing upon by O&R that are necessary to satisfy the then applicable Required Amount shall be made by PCL&P furnishing the applicable amount of cash to O&R within five (5) Business Days after (i) PCL&P's receipt of the Invoice pursuant to Section 1(e) that results in an increase in the Required Amount (in cases where the Required Amount increases due to such Invoice), or (ii) PCL&P's receipt of written notice from O&R that O&R has drawn on the Cash Security and the amount of the Cash Security remaining for drawing upon by O&R is less than the then applicable Required Amount (in cases where O&R previously has drawn upon the Cash Security). Decreases (*i.e.*, because the Required Amount has decreased) in the amount of the Cash Security remaining for drawing upon by O&R to a level equal to the then applicable Required Amount shall be made by O&R returning the applicable amount of cash to PCL&P within five (5) Business Days after O&R's receipt of PCL&P's written request to return the amount of Cash Security that is in excess of the then applicable Required Amount. Cash furnished to O&R or PCL&P shall be by wire transfer to an account specified by the party that is to receive the cash. Increases (*i.e.*, because the Required Amount has increased or the PCL&P L/C previously has been drawn upon by O&R) in the amount of the PCL&P L/C remaining for drawing upon by O&R that are necessary to satisfy the then applicable Required Amount shall be made by PCL&P furnishing to O&R a Substitute PCL&P L/C within five (5) Business Days after (i) PCL&P's receipt of the Invoice pursuant to Section 1(e) that results in an increase in the Required Amount (in cases where the Required Amount increases due to such Invoice), or (ii) PCL&P's receipt of written notice from O&R that O&R has drawn upon the PCL&P L/C and the amount of the PCL&P L/C remaining for drawing upon is less than the then applicable Required Amount (in cases where O&R previously has drawn upon the PCL&P L/C). Decreases (i.e., because the Required Amount has decreased) in the amount of the PCL&P L/C remaining for drawing upon by O&R to a level equal to the then applicable Required Level shall be made by PCL&P furnishing to O&R a Substitute PCL&P L/C that accomplishes such decrease and O&R countersigning such Substitute PCL&P L/C.

(c) If at any time prior to the Permitted Expiry, (i) the PCL&P L/C has an expiration date that is earlier than the Permitted Expiry, PCL&P shall cause to be provided to O&R, at least twenty (20) Business Days prior to the expiration date of the PCL&P L/C, a Substitute PCL&P L/C containing an expiration date that is at least ninety (90) days later than the expiration date of the PCL&P L/C that it is amending or replacing, or (ii) the credit rating of the bank issuing the PCL&P L/C falls below the level specified in the "L/C Requirements" (as defined below) or such bank repudiates its obligations under, or fails to honor or pay against, the PCL&P L/C, PCL&P, within five (5) Business Days after receipt of written notice from O&R requesting a Substitute L/C, shall cause to be furnished to O&R a Substitute PCL&P L/C, issued by different bank, that replaces such PCL&P L/C. Promptly following O&R's receipt of a Substitute PCL&P L/C that replaces (as distinguished from one that amends) a PCL&P L/C, O&R shall return to PCL&P the PCL&P L/C that has been replaced.

(d) Should PCL&P fail to cause a Substitute PCL&P L/C to be furnished to O&R within the time specified in, and as otherwise required by, this Agreement, including under circumstances where (a) the credit rating of the bank issuing the PCL&P L/C that is to be replaced by the Substitute PCL&P L/C falls below the level specified in the L/C Requirements, (b) the bank issuing the PCL&P L/C that is to be replaced by the Substitute PCL&P L/C repudiates its obligations under, or fails to honor or pay against, the PCL&P L/C, (c) the expiration date of the PCL&P L/C to be extended by the Substitute PCL&P L/C is required to be extended, or (d) the amount of the PCL&P L/C remaining available to O&R for drawing upon is required to be increased by the Substitute PCL&P L/C, then O&R, in addition to and not in lieu of any other rights and remedies available to it, including termination of this Agreement, shall be entitled to draw upon the entire remaining amount of the PCL&P L/C. The parties agree that, for purposes of O&R making such a drawing, O&R may make any certification or statement required to be submitted in order to effectuate such drawing, including that the amount of the drawing is owed to O&R pursuant to this Agreement. Should O&R exercise its rights under this Section 4(d) to draw down the entire remaining amount of the PCL&P L/C, the cash obtained as a result of such drawing shall be deemed to be the Cash Security (the amount of which is subject to increase or decrease in accordance with this Agreement), with O&R having the right to draw upon such Cash Security as otherwise permitted by this Agreement with respect to the Cash Security.

(e) At all times during the period from the execution of this Agreement to the Permitted Expiry, any PCL&P L/C (which includes any Substitute PCL&P L/C) that PCL&P utilizes to satisfy the then applicable Required Amount must satisfy the L/C Requirements. To the fullest extent permitted by law, (i) O&R shall not be required to keep any Cash Security in a separate account, but rather, shall be entitled to use, possess, invest, commingle, assign, sell, or pledge such cash security deposit in any way it sees fit free from any claim or right of any nature whatsoever, including any right of redemption, and (ii) any interest, return on investment, or other result of O&R's use, investment, commingling, assignment, sale or pledge of such Cash Security shall be the sole property of O&R and shall not be furnished to PCL&P at any time; provided, however, that, assuming the Cash Security is then in the Required Amount and PCL&P is not then in breach of this Agreement, PCL&P shall be entitled to apply the Cash Security to payment in whole or in part of the final Invoice received by PCL&P pursuant to Section 1(e) of this Agreement and, provided, further, that promptly following the occurrence of the Permitted Expiry O&R shall return to PCL&P any balance of the Cash Security then remaining.

(f) As used in this Agreement: "L/C Requirements" means an irrevocable, transferable, standby letter of credit issued by a major U.S. commercial bank or the U.S. branch office of a foreign bank, which, in either case, has counters for presentment and payment located in the City of New York and a credit rating (i.e., the rating then assigned to such entity's unsecured, senior long-term debt obligations not supported by third party credit enhancements, or if such entity does not have a rating for its senior unsecured long-term debt, then the rating then assigned to such entity as an issuer rating) of at least (i) "A-" by Standard and Poor's Rating Group (a division of McGraw-Hill, Inc.) or its successor ("S&P") and "A3" by Moody's Investor Services, Inc. or its successor ("Moody's"), if such entity is rated by both S&P and Moody's or (ii) "A-" by S&P or "A3" by Moody's, if such entity is rated by either S&P or Moody's, but not both, and which letter of credit is in a form reasonably acceptable to O&R, including, but not limited to, drawings being permitted solely upon a statement from O&R that the amount of the drawing is owed to O&R pursuant to this Agreement; "Permitted Expiry" means the date that is six (6) months after the end of the Term referenced in Section 1(a) as such Term may be extended in accordance with Section 1(b) or earlier terminated in accordance with Section 5, provided, however, that if, as of such date, there are then outstanding, or in O&R's good faith judgment reasonable grounds then exist for any future, suits, actions, causes of action, claims, liabilities, losses, damages, costs, and expenses that are, or reasonably would be, the subject of PCL&P's defense, indemnification and hold harmless obligations pursuant to Section 2 then Permitted Expiry shall mean the later date on which such suits, actions, causes of action, claims, liabilities, losses, damages, costs, and expenses are fully and finally resolved and PCL&P's obligations pursuant to Section 2 with respect thereto are fully and finally performed;

and "Substitute PCL&P L/C" means an amendment to, or a replacement of, the PCL&P L/C or a prior Substitute PCL&P L/, as applicable.

5. Termination

Notwithstanding anything to the contrary in this Agreement, either Party may terminate this Agreement upon at least thirty (30) days written notice to the other Party of a material breach of this Agreement by such other Party that is not cured within thirty (30) days after receipt of such notice; provided, however, that O&R may terminate this Agreement upon at least five (5) days following written notice by O&R to PCL&P of its failure to make payment pursuant to Section 1(e) and PCL&P not curing such breach within five (5) days following receipt of such notice and O&R may terminate this Agreement immediately upon written notice to PCL&P of its failure to timely perform its obligations pursuant to Section 4.

6. Effective Time

This Agreement shall be effective upon the commencement of the Term.

7. Right to Audit

For a period of twelve (12) months after PCL&P receives an Invoice from O&R for providing the Electric Supply Service, PCL&P or a nationally recognized accounting firm retained by PCL&P that is reasonably acceptable to O&R shall be provided, following O&R's receipt of reasonable advance written notice from PCL&P, reasonable access to and the right to audit (at PCL&P's cost and expense) during normal business hours, O&R's books and records principally relating to the provision of Electric Supply Service for which such Invoice was submitted; provided, however, that any such access and audit shall be subject to Section 3.

8. Notices

All notices, requests, demands, claims and other communications (including Invoices) hereunder shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by courier service, by fax or by registered or certified mail (postage prepaid, return receipt requested) to the respective Parties at the following addresses (or at such other address for a Party as shall be specified in a notice given in accordance with this Section 8):

if to O&R:

Orange and Rockland Utilities, Inc.
390 West Route 59
Spring Valley, NY 10977
Attention: Francis Peverly
Fax: (845) 577-3074

if to PCL&P:

Pike County Light & Power Company
c/o Corning Natural Gas Holding Corporation
330 West William Street
Corning, New York 14830
Attention: Michael I. German
Fax: (607) 962-2844

9. **Independent Contractor**

In providing the Electric Supply Service, O&R shall be an independent contractor, and not an agent, of PCL&P or its Affiliates and the employees or O&R, its Affiliates or the Contractors who assist or have a role in O&R providing the Electric Supply Service shall not be considered employees or contractors of PCL&P or its Affiliates.

10. **Assignment**

Neither this Agreement nor the rights or obligations of either Party hereunder may be assigned or delegated in whole or in part by either Party without the prior written consent of the other Party; provided, however, that O&R may assign its rights or delegate its obligations under this Agreement in whole or in part to any Affiliate of O&R that, in O&R's judgment, has the resources, capabilities and personnel necessary to fulfill O&R's obligations under this Agreement without the consent of PCL&P.

11. **No Third Party Beneficiaries**

This Agreement shall be binding upon and inure solely to the benefit of the Parties hereto and their successors and permitted assigns and, except for the protections and benefits extended to O&R Protected Parties pursuant to Section 2, nothing herein, express or implied, is intended to or shall confer upon any other Person, including, without limitation, any union or any employee or Contractor or former employee or Contractor of O&R or its Affiliates, any legal or equitable right, benefit or remedy of any nature whatsoever, including, without limitation, any rights of employment for any specified period, under or by reason of this Agreement.

12. **Entire Agreement**

This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, oral or written, between the Parties with respect to the subject matter hereof.

13. **Amendment**

This Agreement, including the Exhibits, may not be amended or modified except by a written instrument signed by or on behalf of each of O&R and PCL&P.

14. **Administration**

Each of O&R and PCL&P shall appoint one representative as its primary point of operational contact for the administration and operation of this Agreement (the "Contact Managers"). The Contact Managers will have overall responsibility for coordinating, on behalf of O&R or PCL&P, as applicable, actions taken with respect to providing the Electric Supply Service, including handling any disputes that may arise in connection therewith.

15. **Waiver**

Either Party may waive compliance with any of the obligations of the other Party hereunder; provided, however, that (i) any such waiver shall be valid only if set forth in an instrument in writing and signed by the Party granting the waiver, (ii) any waiver of any provision of this Agreement shall not be construed as a waiver of any subsequent breach or a subsequent waiver of the same provision, or a waiver of any other provision of this Agreement. The failure of any Party to assert any of its rights hereunder shall not constitute a waiver of any such rights.

16. **Severability**

If any provision of this Agreement is invalid, illegal or incapable of being enforced by any law or public policy, all other provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon such determination that any provision is invalid, illegal or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

17. **Counterparts**

This Agreement may be executed in one or more counterparts, and by the different Parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

18. **Specific Performance**

The Parties hereto acknowledge and agree that remedies at law would be an inadequate remedy for the breach of any provision contained herein and that in addition thereto, the Parties hereto shall be entitled to specific performance of the provisions hereof or other equitable remedies in the event of any such breach.

19. **Governing Law**

This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts executed in and to be performed in that

State, without giving effect to any conflict or choice of law provision or principle that would result in the application of another state's laws.

[signature page follows]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

ORANGE AND ROCKLAND UTILITIES, INC

By: Francis W. Peverly

Name: Francis W. Peverly

Title: Vice President, Operations

PIKE COUNTY LIGHT & POWER COMPANY

By: Michael German

Name: Michael I. German

Title: President and Chief Executive Officer

[signature page to ESA]

EXHIBIT A
TO
ELECTRIC SUPPLY AGREEMENT

The price that O&R shall charge PCL&P for the Electric Supply Service provided pursuant to this Agreement shall be calculated on a monthly basis and be comprised of the sum of the following three components:

(i) ***Supply Cost*** – PCL&P's load-based allocated portion [*i.e.*, PCL&P's load ÷ sum of O&R's (including Rockland Electric Company's) NYISO Zone G load and PCL&P's NYISO Zone G load)] of O&R's monthly NYISO charges for energy, capacity and any and all other NYISO charges for the applicable month, which shall be subject to subsequent NYISO true-ups. The supply provided to PCL&P's electric customers is measured by meters at or in the vicinity of the New York/Pennsylvania border, including through metering at or in the vicinity of O&R's Port Jervis substation. The supply to O&R's and Rockland Electric Company's customers is measured by interchange metering at all supply points that are recorded and reconciled monthly with the NYISO/PJM. (Transmission losses are allocated to each jurisdiction based on a ratio of the total system transmission losses to the energy metered for each jurisdiction); and

(ii) ***Carrying Cost*** – To reflect O&R's cost of maintaining and operating the physical infrastructure of O&R required to deliver electric supply to PCL&P, the monthly carrying cost component that shall be charged to PCL&P is as follows:

$48,973 per month for each month of the first twelve months of the Term

$51,422 per month for each month of the second twelve months of the Term

$53,993 per month for each month of the third twelve months of the Term

$56,692 per month for each month of the fourth twelve months of the Term if PCL&P so extends the Term in accordance with this Agreement

$59,527 per month for each month of the fifth twelve months of the Term if PCL&P so extends the Term in accordance with this Agreement

$62,503 per month for each month of the sixth twelve months of the Term if PCL&P so extends the Term in accordance with this Agreement; and

(iii) ***Service Fee*** –The monthly service fee component that shall be charged to PCL&P is as follows:

$2,250 per month for each month of the first twelve months of the Term

$2,363 per month for each month of the second twelve months of the Term

$2,481 per month for each month of the third twelve months of the Term

$2,606 per month for each month of the fourth twelve months of the Term if PCL&P so extends the Term in accordance with this Agreement

$2,737 per month for each month of the fifth twelve months of the Term if PCL&P so extends the Term in accordance with this Agreement

$2,874 per month for each month of the sixth twelve months of the Term if PCL&P so extends the Term in accordance with this Agreement.

Exhibit RM-2

Portion of Alternative Supply Study

HIGHLY CONFIDENTIAL

[REDACTED]

Exhibit RM-3

Executed Hedge Settlements

HIGHLY CONFIDENTIAL

[REDACTED]

Exhibit RM-4

Hedge Report

HIGHLY CONFIDENTIAL

[REDACTED]

PCLP Statement No. 1R

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Pike County Light & Power Company for Approval of Its Default Service Plan and Waiver of Commission Regulations and *Nunc Pro Tunc* Treatment for the Period June 1, 2021 through May 31, 2024	: : : : :	Docket No. P-2020-3022988

REBUTTAL TESTIMONY

OF

RUSSELL MILLER,

VICE PRESIDENT OF ENERGY SUPPLY & BUSINESS DEVELOPMENT

ON BEHALF OF

PIKE COUNTY LIGHT & POWER COMPANY

Dated: February 1, 2021

Q. What is the purpose of your Rebuttal Testimony?

A. First, I will address the recommendations that the Office of Consumer Advocate (OCA) and the Office of Small Business Advocate (OSBA) presented in their Direct Testimony. In short, Pike does not take issue with any of the recommendations and is willing to implement them in its Default Service Plan (DSP). Second, I will provide an update on negotiations of the next Electric Supply Agreement (ESA II) with Orange and Rockland (O&R).

Q. What recommendations did OCA make?

A. The OCA, via their witness Serhan Ogur, Ph.D. made three recommendations to modify Pike County Light & Power Company's (Pike) proposed DSP. He recommends:

- Pike increase the percent of its load that it hedges to target a hedge of 75%;
- Pike implement overhanging hedges, such that hedges will be procured for the June 1, 2024 – May 31, 2025 delivery period during 2023;
- Pike modify its default service charge reconciliation mechanism from a quarterly reconciliation to a six-month/twelve-month reconciliation where cost recovery of over- or under-collections occurring over a six-month period would be collected over the subsequent 12-month period.

Q. What recommendation did OSBA make?

A. The OSBA, via their witness Robert Knecht made one recommendation regarding the timing of procurement of the proposed financial hedges. He proposes that Pike procure its financial hedges for Plan Years 2 and 3 much closer to the time of delivery. Specifically, he recommends for Plan Year 2 (2023) the hedges be procured in October 2021 and April

2022. For Plan Year 3 (2024), he recommends hedges be procured in October 2022 and April 2023.

Q. Is Pike willing to implement these recommendations?

A. Yes. Pike has reviewed each of these recommendations including with its consultant Enel X. Pike takes no issue with any of these recommendations and is willing to modify its proposed DSP to implement each of them.

Q. What updates do you have regarding ESA II?

A. By way of background, Pike currently has an ESA with O&R to procure its electric supply for default service that expires in August of 2022. ESA II will have substantially similar terms to ESA I. I have been negotiating ESA II with O&R and these negotiations have taken longer than expected. Accordingly, I do not expect to be able to submit ESA II for approval in this proceeding prior to the date for issuance of a recommended decision. Instead, after consulting with counsel for Pike, I am proposing the following procedure: Pike will submit ESA II for Commission review no later than April 1, 2022 via petition that includes supporting reasons for approval of ESA II. The Petition will be served on the OSBA and OCA. To the extent either OSBA or OCA objects to ESA II within 60 days of service, the matter will be set for hearing and decision so that decision can be reached prior to August 2022. To the extent no party objects to ESA II, the matter will be decided directly by the Commission.

Q: Does this conclude your testimony?

A: Yes.

Public Testimony of
Noel Chesser

PCLP Statement No. 2 with
public exhibit

PCLP Statement No. 2

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Pike County Light & Power Company for Approval of Its Default Service Plan and Waiver of Commission Regulations and *Nunc Pro Tunc* Treatment for the Period June 1, 2021 through May 31, 2024	:	Docket No. P-2020-3022988

PUBLIC VERSION

DIRECT TESTIMONY

OF

NOEL CHESSER

ON BEHALF OF

PIKE COUNTY LIGHT & POWER COMPANY

Dated: December 24, 2020

Q. Please state your name and business address.

A. My name is Noel P. Chesser, and my business address is 1414 Key Highway, Suite 200 M, Baltimore, MD 21230.

Q. By whom are you employed and in what capacity?

A. I am employed by Enel X, formerly EnerNOC, Inc., where I hold the position of Principal Energy Advisor in the Global Supply Advisory Services Group. In that position, I provide supply advisory and procurement services for large commercial and institutional customers. Enel X was retained by Pike to review options for their default service plan (DSP) and to support ongoing implementation of the plan once approved by the Commission. I supported the development and implementation of Pike's 2019-2021 plan.

Q. Please briefly outline your educational and business experience.

A. In 1980, I graduated from Loyola College Maryland with a Bachelor of Arts degree in Accounting, and, in 1986, earned an M.B.A. in Finance from Fordham University, New York City. During this time, I earned a CPA in Maryland and New York. Since 2003, I have been providing energy supply consulting services to commercial and institutional organizations. My work includes educating customers on energy markets including how they are structured, how they work and the options for participating in those markets. Upon completion of the initial customer education process, I work with customers to develop customized energy procurement and risk management strategies best suited to meet their business objectives. This includes developing energy purchase structures/programs, hedging strategies, tariff evaluation, leveraging client energy assets and distributed generation technologies where appropriate. Customers served include large institutional customers and consortiums who purchase up to 1.7 million MWhs and 2.5 bcf of natural gas annually. I have advised and assisted a large university in becoming its own load serving entity (LSE) behind PJM (600,000 MWhs annually) and continue to advise this customer on an ongoing basis. This engagement included helping the customer establish counterparty agreements to enable them to execute financial hedges for their energy consumption. Prior to 2003, I was engaged in managing manufacturing and recycling businesses and prior to that was in the commercial banking sector in various roles as financial analyst and balance sheet asset & liability manager. My CV is attached as Exhibit NPC-1.

Q. Have you ever previously sponsored testimony before the Pennsylvania Public Utility Commission ("Commission") or any other state utility commission?

A. Yes. I provided testimony in Pike's prior DSP proceeding at Docket No. P-2018-3002709.

Q. What is the purpose of your testimony in this proceeding?

A. I am testifying as to Pike County Light and Power Company's ("Pike") proposed Energy Price Hedge Strategy as part of its default service plan ("DSP"). I was the principal author of the strategy. My testimony is supportive of the testimony of Russell Miller.

Q. Why is Pike proposing the Energy Price Hedge Strategy?

A. The primary goal of the Energy Price Hedge Strategy is to increase price stability for its default service customers while proving the least cost to customers over time. This is consistent with Act 129 of 2008, 66 Pa. C.S. §§ 2807(e)(3.1)-(3.7), which seeks to ensure the availability to all Pennsylvanians of "adequate, reliable, affordable, efficient and environmentally sustainable electric service at the least cost, taking into account any benefits of price stability over time." Act 129 further declares that it is in the public interest to adopt "energy procurement requirements designed to ensure that electricity obtained reduces the possibility of electric price instability."

Q. Describe the proposed Energy Price Hedge Strategy.

A. The hedging strategy is substantially similar to the strategy in the Commission-approved settlement of Pike's last DSP proceeding. The overall strategy is to build price stability by reducing the amount of energy purchased on the spot market over time and avoiding single point market exposure, i.e., making a fixed price commitment for 100% of the overall target hedge percentage (%) at a single point in time. This will be accomplished by layering financial hedges, with each hedge execution date staggered. The level of fixed-price commitments will increase for each time period as its draws closer to plan year. The strategy contains the same pricing parameters as the prior proceeding. The details of the hedging strategy are confidential, and I have included them as Exhibit NPC-2 (Highly Confidential) to my testimony. This document was included with Pike's Petition as Appendix B.

Q. What is the basis for the hedge percentages?

A. Enel X reviewed average monthly spot market prices for the five (5) year calendar period, 2013 thru 2020. While the average monthly spot market prices were for the most part lower than the then forward market prices, especially over the last two years, there were periods, most notably winter months of 2013, 2014, 2015 and 2018, where spot market prices were considerably higher. To balance the benefits of lower cost spot market purchases while capping the exposure to spot market volatility a minimum hedge target of 50% was determined. The maximum hedge percentage target was established to provide the opportunity for Pike to lock in energy prices during periods of historically low forward prices. The overall mix of one and two year fixed rate hedge contracts combined with spot market purchases is consistent with Act 129 and the Commission's regulations that default service must meet. This includes a prudent mix of spot market purchases, short-term contracts and long-term purchase contracts designed to ensure adequate and reliable service at the least cost to customers over time.

Q. Regarding the hedge Pike was able to execute in its 2019-2021 DSP plan, did this provide price stability?

A. During the delivery period covered by the executed hedge (November 2019 thru September 2020), spot market prices experienced a downward trend and average monthly spot market prices for calendar years 2019 and 2020 were lowest on record since 2007. As a result, the hedge served to increase DSP prices relative to if the hedge were not executed.

Q. How are financial hedge costs incurred and accounted for?

A. As detailed in Mr. Russell Miller's testimony, Pike will enter into counterparty agreements (ISDA's) with qualified counterparties who offer financial hedge products, namely fixed rate energy swaps. Executing counterparty agreements in itself does not obligate Pike to enter into financial commitments or transactions. Entering into counterparty agreements allows Pike to execute financial hedge transactions to convert portions of energy currently purchased on the spot market to fixed rates for energy supplied to the default service customers. Under a fixed rate energy swap, Pike agrees to pay or receive payment from the counterparty the difference between the agreed upon hedge (fixed) price ($/MWh) for the quantity (MWhs) hedged (Pike pays fixed rate) and the hourly spot market price ($/MWh) (Counterparty pays spot market rate). This contract for differences arrangement is settled on a monthly basis. Within a few days after the calendar month end, each Counterparty provides Pike with a monthly settlement statement for each financial hedge transaction. The statement provides the hedge quantity by hour, the actual spot market price per hour, the hedged (fixed) price, the difference between the spot market price and the hedge price per hour (delta price), and the hourly settlement charge/credit (delta price times hedge quantity per hour). The summation of the hourly settlements for the calendar month represents the amount Pike owes the Counterparty, or the Counterparty owes Pike, for that calendar month settlement. This data for the financial hedge that Pike was able to execute for its 2019-2021 plan is included with Mr. Miller's testimony as Exhibit RM-3. As Pike's energy consultant, my Enel X colleagues and I will receive a copy of all financial hedge monthly settlements and validate all rates, quantities and calculations. Enel X will communicate its monthly validation to Pike in a timely manner prior to Pike settling with each Counterparty.

Q. Why financial versus physical hedges?

A. Pike's electric distribution system is physically interconnected with the New York based Orange and Rockland Utilities Transmission system and, therefore, is part of the New York Independent System Operator (NYISO) control area. While Enel X has assisted Pike with exploring alternative methods of purchasing physical supply, such as becoming a Load Serving Entity (LSE) behind NYISO, those efforts have not come to fruition and physical hedges are not an available option to Pike at this time.

Q. Do any changes need to be made to the current DSP rate design to accommodate the Energy Price Hedge Strategy?

A. No. As described by Russell Miller, Pike proposes to maintain the current rate design including keeping the current customer rate classes, resetting of the rates quarterly and continuing with the Electric Supply Adjustment Charge to recover the delta between billed vs. actual costs. This includes the retaining the Electric Supply Adjustment Charge limitation of 2.0 cents per kWh per quarter. The quarterly default service rates are currently calculated based on Pike's forecast of NYISO Zone G spot market prices for the upcoming quarter along with the other default service related costs (NYISO capacity and ancillary costs, Orange & Rockland Utilities (O&R) contractual costs which include cost of maintaining and operating the physical infrastructure of O&R required to deliver electric supply to Pike and O&R's service fee, and PA AEPS costs) and the Electric Supply Adjustment Charge. The monthly settlement on the hedge transactions described above is incorporated into the quarterly default service rates. This is accomplished by replacing the forecasted spot market rates for the hedge quantities with the fixed rate hedge price. The fixed rate hedge price and quantities will be known at the time the quarterly default service rates are determined for the upcoming quarter. The hedge quantities will be allocated to the rate classes based on each rate class's pro-rata load.

Q. How does the Energy Price Hedge Plan compare to other PA utility default service plans?

A. Pennsylvania utilities, including Citizens Wellsboro, Duquesne Electric, First Energy Utilities (Met-Ed, Penn Power, Penelec, West Penn), PECO Energy Company, PPL Electric Utilities and UGI Electric, deploy some combination of laddered 6-, 12- and or 24-month fixed rate energy tranches purchased at different market points (generally every six months). The purchases cover anywhere up to 100% of the utility default service load. UGI electric combines a large percentage of its load with fixed rate tranches with the balance at spot market purchases. Pike's Energy Price Hedge Plan is consistent with what the Pennsylvania Office of Consumer Advocate has wanted Pike to do, namely create a rate design to provide stability for the default service customers.

<u>Waivers and Partial Waivers Requested</u>

Q. Do you have any comments regarding Waiver on Plan identifying the schedules and technical requirements of competitive bid solicitations and spot market purchases?

A. Pike requests waiver of 52 Pa. Code § 54.185(e)(2) (plan identifying the schedules and technical requirements of competitive bid solicitations and spot market energy purchases) and 52 Pa. Code §54.185(e)(6) (copies of agreements or forms to be used in the procurement of electric generation supply for default service customers). I support this request. Given the size of Pike's default service load, I believe that compliance with the above code will cause Pike to incur additional administrative costs which is spread over a relatively small load with no additional benefit. This is likely to increase the default service cost/rates and Pike believes this is not in the best interest of its default service customers. Pike will solicit fixed rate hedge prices from all available counterparties to help ensure a competitive bid process. For spot market purchases, Pike is currently limited to purchasing through O&R given it is part of O&R's integrated transmission and distribution system, which lies in the control area of the New York Independent System Operation ("NYISO") and its corresponding electric supply agreement with O&R.

Q. Do you have any comments regarding Partial Waiver on policy statement on inclusion of short term and long-term contracts in procurement mix and tailoring procurement to customer classes?

A. Pike requests a partial waiver on 52 Pa. Code § 69.1805 on policy statement on inclusion of short-term and long-term contracts in procurement mix and tailoring procurement to customer classes. I support this request. Pike is currently engaging in the most viable option to provide pricing stability to its customers considering its small load size, interconnection with NYISO, and that it is not an LSE. This strategy was developed to increase the level of price stability while providing for spot market purchases to provide lower costs over time. Given the relatively small default service load, Pike does not believe short term and long term contracts tailored to customer rate classes is warranted. Rates by customer class reflect the differences in capacity requirements and related capacity costs and reflect the distribution system loss percentages (primary vs. secondary service).

Q. Do you have any comments regarding Partial Waiver on competitive bid solicitation process guidelines?

A. Pike requests a partial waiver on 52 Pa. Code §69.1807(3) (competitive bid solicitation process guidelines). I support this request. Pike's Energy Price Hedge Strategy lays out a general process for soliciting competitive prices from counterparties for financial hedge transactions. Since these are small transactions transacted in a time sensitive over the counter market, Pike does not believe formal bid solicitation process guidelines are necessary or warranted as they would add to the default service costs without providing any measurable benefit.

<u>Rate Design</u>

Q. Does Pike's DSP include different rates per rate class and how are they determined?

A. Yes, Pike's DSP includes separate rates by rate class. This is done to reflect the different costs associated with the unique load characteristics of each rate class. This is also consistent with other PA utilities' DSPs. Citizens Wellsboro, Duquesne Electric, First Energy Utilities (Met-Ed, Penn Power, Penelec, West Penn), PECO Energy Company, PPL Electric Utilities and UGI Electric DSPs were reviewed and compared. Pike's rate classes are residential, general service secondary (small/mid-size commercial accounts), general service primary (large commercial), municipal street lighting and private outdoor lighting. Primary accounts receive service at a higher voltage level relative to secondary accounts and, therefore, incur lower distribution system line losses. Municipal street lighting and private outdoor lighting have low to no capacity obligations and, therefore, incur little to no capacity costs. These accounts generally consume energy at night time (off peak hours) when energy prices are lower than day time (on peak hours). Thus, default service costs for these customers will differ and, thus, should feature separate rates.

Q. What costs are appropriately included in the default service rates?

A. DSP costs include all energy costs (fixed and spot market), capacity and ancillary costs charged by the Independent System Operator to the DSP accounts, prorated share of all transmission costs incurred to deliver the energy to the utility distribution system, cost of renewable energy certificates to meet State Alternative Energy Portfolio Standard (AEPS) costs, professional and administrative fees incurred to support the DSP and any true-ups of billed vs. actual DSP costs. Pike's DSP appropriately includes these costs.

Q. Is the DSP rate mechanism deployed by Pike justified?

A. Yes the DSP rates are fixed quarterly in advance to provide DSP customers with known rates for the upcoming quarter. The rates are based on forecasted costs for the quarter plus a true-up of prior quarter billed vs. actual DSP costs. Separate rates by rate class are appropriately deployed to reflect the costs of the load characteristics of each rate class.

Q. Does this conclude your testimony?

A. Yes, it does.

Exhibits

Exhibit NPC-1	CV
Exhibit NPC-2	Hedging Strategy (Highly Confidential)

Exhibit NPC-1

Noel P. Chesser

Curriculum Vitae

NOEL P. CHESSER
Principal Energy Advisor

EDUCATION

- B.A. Accounting
  Loyola University Maryland
- MBA Finance Fordham University , New York City

CERTIFICATIONS

- Certified Public Accountant Maryland and New York
- National Association of Securities Dealers (NASD) - Registered General Securities Agent (Series 7)

PUBLICATION

- Waste to Energy Power Sale Options and Strategies in Deregulated Markets

Noel Chesser is Principal Energy Advisor for EnerNOC, An Enel Group Company where he is responsible for developing strategic energy risk management and procurement plans and services for our customers. Prior to this, Mr. Chesser was Director and key contributor to the growth and prominence of South River Consulting (SRC), a leading Energy Advisory firm acquired by EnerNOC in 2008.

Mr. Chesser is a seasoned energy professional who has developed wholesale electric and natural gas portfolio procurement programs, advised on the energy markets for renewable energy projects including waste to energy, landfill gas, wind and solar projects and provided energy sales consulting for generators. Mr Chesser also has expertise and provides advice on demand response, real time energy usage monitoring, reporting and analytics and utility bill management solutions. He has been providing energy advisory consulting services since 2003.

Mr. Chesser is skilled in developing strategic procurement plans and executing those plans for government, university, manufacturer and commercial real estate customer verticals.

Prior to helping build South River Consulting's prominence, Mr. Chesser worked in the manufacturing and banking industries including Chase Manhattan Bank, and has over 25 years experience in P/L management, mergers and acquisitions, finance, treasury, strategic planning, sales and energy management. Significant career achievements include development of innovative wholesale energy portfolio risk management and procurement structures, and development of key market segments for South River.

The following is a list of representative projects directed or performed by Mr. Chesser.

REPRESENTATIVE EXPERIENCE:

Baltimore Regional Cooperative Purchasing Consortium (BRCPC) – BRCPC consists of 23 Central Maryland municipal entities including Baltimore City and surrounding County Governments and Public School Systems, Community Colleges and Towns. Collectively this group purchases 1.7 million MWh per annum in electricity for over 4,000 accounts and 2.5 bcf in natural gas for over 1,000 accounts. Mr. Chesser has served as the assistant energy advisor at client inception (2005) and lead advisor since 2010. He assisted in the development of the electric supply portfolio procurement program which includes a dedicated PJM subaccount procured for BRCPC. Under this program, BRCPC has purchased solar renewable energy certificates (SRECs) directly from BRCPC member solar projects. Mr. Chesser developed of an open solicitation for term purchases of Maryland tier 1 and solar compliance renewable energy certificates (RECs). Mr. Chesser was lead developer of the natural gas portfolio procurement program which includes separate dedicated balancing pools behind the local gas utility and the unbundling of all natural gas supply components. Mr. Chesser manages the ongoing procurement, budgeting and reporting on portfolio results and hedge strategy/positions. Mr. Chesser also provides advice on member solar projects and account management support for demand response, energy efficiency and utility bill management services. In his role as BRCPC's trusted energy advisor, Mr. Chesser makes presentations on a variety of energy related topics to various government related associations.

City of Philadelphia (COP) – Lead advisor for energy risk management and procurement services for electricity (732,000 MWhs per annum), natural gas (1 bcf per annum) and road fuels (7.5 million gallons per annum). Developed energy cost management and procurement plans for electric, natural gas and road fuels. Established a dedicated PJM subaccount electric procurement program and portfolio based procurement program for natural gas. Assisted in development of fuels market monitor report which compares established price targets with current forward market fuels pricing. Ongoing management of procurement, budgeting and reporting on portfolio results and hedge strategy/positions. Analyzed and reported on renewable PPA offers including their financial and risk management impact on the overall portfolio.

University of Pennsylvania (Penn) – As Lead Advisor assisted Penn (600,000 MWhs per annum) in establishing their own load serving entity (LSE) behind PJM. The initial engagement included identifying all available electric procurement structures and the requirements, costs, benefits and risks associated with each structure. Developed LSE implementation plan and assisted in its implementation including PJM membership, FERC power marketers' license, state license, and EDI qualification with the local utility. Identified and assisted in the establishment of ISDA/EEI counterparty agreements between Penn and major energy companies and financial institutions. Developed LSE risk management policies and LSE operating procedures. Developed LSE management and operating plan and manage ongoing LSE procurement, budgeting and reporting. Developed customized LSE portfolio reporting and weekly market monitoring reporting that incorporates adjusted price targets and comparisons to market prices for forward purchasing. Provides account management support for demand response services provided to Penn. Prepared detailed report and analysis on a 10 MW remote solar project opportunity including settlements with the LSE entity. Report included estimated financial impact to Penn under various energy price environments.

Eastern Shore of Maryland Education Consortium Energy Trust (ESMEC-ET) - ESMEC-ET consists of 30 members including public school systems, county governments, community colleges and towns located in the Eastern Shore region of Maryland. Collectively this group purchases over 165,000 MWhs per annum for over 900 accounts. Mr. Chesser served as assistant Advisor for electricity risk management and procurement services at engagement inception (2005) and Lead Advisor since 2007. Mr. Chesser assisted in the development of the electric supply portfolio procurement program which includes a dedicated PJM subaccount procured for ESMEC-ET. Manages ongoing procurement, budgeting and reporting on portfolio results and hedge strategy/positions. Mr. Chesser also provides advice on member solar projects, natural gas procurement and account management support for demand response and energy efficiency services..

Montgomery County Public Schools - MD (MCPS) – Lead advisor for energy risk management and procurement services for electricity (220,000 MWh per annum) and, natural gas (.7 bcf per annum). Developed energy cost management and procurement plan for electric and natural gas. Assisted in establishing dedicated PJM subaccount electric procurement program (732,000 MWhs annually) and oversees management of that program. Established a portfolio based procurement program for natural gas portfolio including separate dedicated balancing pool behind the local gas utility. Manage ongoing procurement, budgeting and reporting on portfolio results and hedge strategy/positions.

Northeast Maryland Waste Disposal Authority (NMWDA) – Lead advisor providing a variety of energy advisory services including energy sales advisory services for a 52 MW Waste to Energy plant, and several landfill gas to energy plants. Provide energy risk management and procurement services to waste facilities and waste transfer stations. Develop energy sales and purchase strategies and structures to facilitate government entities to buy and sell power to itself. Developed energy sales projections for prospective waste to energy and landfill gas to energy projects incorporating energy, capacity and renewable energy attributes.

Exhibit NPC-2

Hedging Strategy

HIGHLY CONFIDENTIAL

[REDACTED]

OCA Public Testimony of Serhan Ogur

OCA Statement 1 with public Appendix A

OCA Statement 1-R

OCA STATEMENT NO. 1

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF PIKE COUNTY LIGHT & POWER COMPANY FOR APPROVAL OF EXTENSION OF DEFAULT SERVICE PLAN AND WAIVER OF COMMISSION REGULATIONS *AND NUNC PRO TUNC* TREATMENT	**)))))**	**DOCKET NO. P-2020-3022988**

DIRECT TESTIMONY

OF

SERHAN OGUR, Ph.D.

ON BEHALF OF THE

PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

January 25, 2021

EXETER
ASSOCIATES, INC.
10480 Little Patuxent Parkway, Suite 300
Columbia, Maryland 21044

TABLE OF CONTENTS

DIRECT TESTIMONY OF SERHAN OGUR

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Serhan Ogur. I am a Principal and Senior Economist at Exeter Associates, Inc. ("Exeter"). Our offices are located at 10480 Little Patuxent Parkway, Suite 300, Columbia, Maryland, 21044.

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND.

A. I received a B.A. degree in Economics from Bogazici University (Istanbul, Turkey) in 1996 and a Ph.D. in Economics from Northwestern University (Evanston, IL) in 2007.

Q. WHAT IS YOUR PROFESSIONAL BACKGROUND?

A. I have 19 years of experience in the energy industry specializing in organized wholesale and retail electricity markets. My diverse background comprises energy management and consulting; analysis, design, and reporting of Regional Transmission Organization ("RTO") electricity markets and products; and state and federal regulation of electric utilities. I was employed as an Economic Analyst at the Illinois Commerce Commission ("ICC") between 2001 and 2005; a Senior Economist at PJM Interconnection, LLC ("PJM") between 2005 and 2014; and a Senior System Operator at Fellon-McCord & Associates, LLC ("Fellon-McCord") between 2014 and 2015. I came to Exeter as a Senior Analyst in 2015 and became a Principal in the firm in 2020. A detailed statement of my qualifications is included in Appendix A.

Q. HAVE YOU TESTIFIED AS AN EXPERT WITNESS IN OTHER REGULATORY PROCEEDINGS?

A. Yes, I testified in Docket Nos. 05-160, 05-161, and 05-162 before the ICC. These dockets established a descending-price clock, auction-based generation service procurement for default service customers of major Illinois utilities, Commonwealth

Edison Company, and the Ameren companies (AmerenCILCO, AmerenCIPS, and AmerenIP) in 2005.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

A. Yes, I testified in Docket No. P-2016-2534980 in PECO Energy Company's ("PECO's") Default Service Program IV proceeding; in Docket Nos. P-2020-3019383 and P-2020-3019384 in the joint Default Service Plan VI of Citizens' Electric Company of Lewisburg, Pennsylvania ("Citizens") and Wellsboro Electric Company ("Wellsboro"); in Docket No. P-2020-3019522 in Duquesne Light Company's ("Duquesne Light's") Default Service Plan IX proceeding; and in Docket No. P-2020-3019907 in UGI Utilities, Inc. – Electric Division's ("UGI Electric's") Default Service Plan IV proceeding.

Q. ON WHOSE BEHALF ARE YOU OFFERING THIS TESTIMONY?

A. I am offering this testimony on behalf of the Pennsylvania Office of Consumer Advocate ("OCA"). My testimony is intended to address the issues related to residential customers only. However, my recommendations incidentally may also impact commercial and lighting customers since Pike County Light and Power Company ("Pike" or "Company") procures default service supplies jointly for residential, commercial, and lighting customers.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. My testimony addresses certain elements of the proposed Default Service Plan ("2021-2024 DSP" or "Plan") of Pike for providing default service to its residential, commercial, and lighting customers for the 36-month period from June 1, 2021 through May 31, 2024. The specific issues I address include the Company's financial hedging strategy, the use of "overhanging contracts," and the structure of the Company's proposed reconciliation adjustment.

Q. HOW IS THE REMAINDER OF YOUR TESTIMONY ORGANIZED?

A. Section I is an introduction. Section II presents a summary of the Company's proposed Plan as it affects the residential class. Section III, the final section of my Direct Testimony, provides my recommendations concerning the Company's proposed 2021-2024 DSP, and addresses the proposed financial hedging strategy, the use of overhanging contracts, and the operation of the reconciliation charge.

Q. ARE YOU RECOMMENDING CHANGES TO THE COMPANY'S PROPOSED FINANCIAL HEDGING STRATEGY FOR PIKE'S DEFAULT SERVICE CUSTOMERS?

A. Yes, I am. I recommend that Pike target a 75 percent financial hedge position for its projected default service loads. Because of practical constraints to avoid disincentives to market participation in the Pike solicitations for the financial hedging product, precisely achieving the 75 percent target is not possible. These constraints include restricting the hedging quantities to whole megawatts ("MWs") and avoiding complexities that could emerge with monthly or diurnal variations in the quantities of hedges procured.

Q. ARE YOU MAKING ANY ADDITIONAL RECOMMENDATIONS?

A. Yes, my testimony includes recommendations on: (1) procuring overhanging contracts (financial hedges with delivery periods that extend beyond May 31, 2024); and (2) modifying the Company's proposed reconciliation mechanism to calculate the reconciliation amounts (either over- or under-collections) over six months and amortizing those amounts over a subsequent 12-month period.

II. SUMMARY OF THE COMPANY'S PROPOSED DSP

Q. HAVE YOU REVIEWED THE COMPANY'S PETITION FOR APPROVAL ("PETITION") IN THIS PROCEEDING?

A. Yes. I have reviewed the Company's Petition of the 2021-2024 DSP. I have also reviewed the Direct Testimony and exhibits submitted by Pike in support of its Petition.

Q. WHAT IS THE TIME PERIOD COVERED BY PIKE'S PROPOSED PLAN?

A. Pike has proposed a 36-month plan to cover the period from June 1, 2021 through May 31, 2024.

Q. HOW DOES THE COMPANY PROPOSE TO PROVIDE DEFAULT SERVICE TO RESIDENTIAL CUSTOMERS DURING THE JUNE 1, 2021 THROUGH MAY 31, 2024 PLAN PERIOD?

A. Pike proposes to purchase energy for residential (as well as commercial and lighting) default service on the New York Independent System Operator ("NYISO") spot energy market (day-ahead and real-time energy prices in NYISO Zone G). The Company must also purchase, in addition to spot market energy, capacity and ancillary services from NYISO as well as the required Pennsylvania Alternative Energy Credits ("AECs") under bilateral arrangements to provide default service to its residential customers. The Company also proposes to purchase financial hedges, in the form of contracts for differences, that would have the effect of fixing the spot market price for the period of time over which the hedge would be in effect for the portion of the supply that was hedged.

Q. HOW DOES THE COMPANY PROPOSE TO SET DEFAULT SERVICE RATES FOR RESIDENTIAL CUSTOMERS?

A. The Company will develop a quarterly default service rate (for the upcoming quarter), referred to as the Market Price of Electricity Supply ("MPES"), using a combination of the cost of the financial hedges it has entered into (for the hedged energy) and a forecast of the NYISO spot price that it believes will prevail over the upcoming three-month period (for the unhedged energy). Discrepancies between the incurred default service supply costs and the default service revenues that Pike receives (by customer class) will be reconciled through the Electric Supply Adjustment Charge ("ESAC"), which is capped at two cents per kilowatt hours ("kWh"). In other words, if the Company's projections under- or over-estimate the actual cost of purchasing energy on the NYISO spot market (as well as capacity and ancillary services costs), the Company either collects or refunds the difference through the ESAC. The ESAC can be either positive or negative, that is, either a charge or a credit. The primary reason for a cost/revenue discrepancy is due to the differences between the Company's spot market price projections and realized spot market prices for the quarter.

Q. PLEASE DESCRIBE THE FINANCIAL HEDGING ARRANGEMENT BEING PROPOSED BY THE COMPANY.

A. The Company is proposing to enter into financial hedges for a portion of its default service load, with a target of 50 percent hedge coverage, using a laddered procurement approach. This implies that 50 percent of the default service load would continue to be priced based on the NYISO spot market prices.

Q. PLEASE EXPLAIN THE LADDERED APPROACH THAT PIKE IS PROPOSING.

A. Pike is proposing to ladder its hedges such that the entire hedge for a given timeframe is not being procured at one time. The Company is proposing to hedge 25 percent of the projected default service load 13 to 14 months prior to the beginning of the Plan

Year (which starts on June 1 and ends on May 31 of the subsequent year), and an additional 25 percent 7 to 8 months prior to the beginning of the Plan Year. However, due to the timing of the Company's Plan filing and the expected date of Commission approval, Pike is proposing not to buy any hedges for the first three months of the 2021-2024 DSP period while procuring hedges for the remaining nine months of Plan Year 2022 one month and two months prior to the start of the delivery period of those hedges.

III. <u>ISSUES AND RECOMMENDATIONS</u>

Q. WHAT ISSUES DO YOU ADDRESS IN THE REMAINDER OF YOUR DIRECT TESTIMONY?

A. In this final section of my testimony, I address: (1) the Company's proposed hedging strategy; (2) procurement of overhanging contracts (financial hedges with delivery periods that extend beyond May 31, 2024); and (3) the Company's proposed reconciliation mechanism.

A. <u>Hedging Strategy</u>

Q. DO YOU AGREE WITH THE FINANCIAL HEDGING STRATEGY PROPOSED BY THE COMPANY THAT TARGETS A 50 PERCENT HEDGE COVERAGE OF THE PROJECTED DEFAULT SERVICE LOAD ON AN ANNUAL BASIS?

A. I believe pricing 50 percent of the projected default service load based on the NYISO spot market prices would expose residential customers to too much rate volatility and would not provide them with a reasonable level of rate stability. I also note that a 50 percent average hedge coverage would correspond to more than 50 percent hedge coverage during lower load hours and less than 50 percent hedge coverage during higher load hours. Given the fact that hours with higher default service loads typically coincide with hours with higher spot energy prices, an annual average hedge coverage target of 50 percent would leave default service customers with inadequate (significantly below 50 percent) hedge coverage on a cost-weighted basis and expose them to price spikes, particularly during very cold winter and very hot summer periods. I recommend that the Company set a target of 75 percent hedge coverage.

Q. PLEASE DEMONSTRATE HOW YOUR RECOMMENDED HEDGING STRATEGY WOULD OPERATE USING THE DEFAULT SERVICE LOAD DATA PROVIDED BY THE COMPANY FOR THE MOST RECENT 12-MONTH PERIOD.

A. The third and fourth columns of Table 1 depict the monthly and annual implied hedge coverages for a 4-MW around-the-clock ("ATC") financial hedge and a 5-MW ATC hedge, respectively, based on the average monthly default service loads derived from the data provided by the Company (November 2019 through October 2020). The second column in Table 1 shows the average hourly usage (MW) by all default service customers (residential, commercial, lighting), varying between 4.8 MWs in May and 7.8 MWs in July.[1] The flat (same MW quantity in each month) ATC annual financial hedge required for 75 percent hedge coverage is 4.4 MWs. To ensure that my recommended hedge is a whole MW value, I assessed the pros and cons of a 4-MW hedge and a 5-MW hedge. A 4-MW hedge provides 68 percent hedge coverage on an annual average basis while a 5-MW hedge results in 85 percent hedge coverage on an annual average basis. The disadvantage of a 4-MW hedge is that its implied hedge coverage is significantly below my recommended target of 75 percent in the winter (December, January) and summer (July, August) months when the NYISO spot market

[1] The Company's response to OSBA Interrogatory Set I, No. 1.

prices have the potential to be high and volatile. The drawback of a 5-MW hedge is that the implied hedge coverage during the fall and spring months is above 90 percent on a monthly average basis, which means that the financial hedge would be greater than the default service load in a significant number of hours. My recommendation is that the Company procure a 4-MW ATC annual financial hedge.

Table 1. Hedge Coverage Analysis

Month/Period	Average ATC Hourly Default Service Load (MW)	Implied Hedge Coverage (4-MW ATC)	Implied Hedge Coverage (5-MW ATC)
June	6.0	66%	83%
July	7.8	51%	64%
August	7.1	57%	71%
September	5.9	67%	84%
October	5.2	77%	97%
November	5.3	76%	95%
December	6.5	61%	77%
January	6.2	65%	81%
February	5.4	74%	93%
March	5.4	74%	92%
April	5.1	78%	98%
May	4.8	83%	104%
Annual	**5.9**	**68%**	**85%**

Q. PLEASE EXPLAIN WHY YOU RECOMMEND A 4-MW HEDGE RATHER THAN A 5-MW HEDGE.

A. I am recommending a 4-MW hedge for two reasons. First, it represents a more gradual approach in increasing the hedge coverage from zero percent prior to the 2019-2021 DSP, to 50 percent in the 2019-2021 DSP, to 68 percent in the 2021-2024 DSP. This allows all stakeholders to review and analyze the risks and benefits of various hedge coverage levels, and take a more informed position for the subsequent DSP. Second, it allows for some degree of decline in the percentage of Pike's total load on default service without raising the implied hedge coverage to unintended levels. The percentage of the Company's load on default service made a large jump, from approximately 60 percent to 71 percent, in the last 1.5 years. While it is possible that the shopping preferences or options of the customer base changed permanently and the percentage of the load opting for default service will remain at current levels, it is also conceivable that some customers have temporarily switched to default service to take advantage of the large (-2 cents per kWh) reconciliation adjustment in the default service rates, prevailing during seven of the last eight quarters since March 2019.

Q. CAN THE COMPANY ACHIEVE AN ANNUAL AVERAGE HEDGE COVERAGE CLOSER TO YOUR RECOMMENDED TARGET OF 75 PERCENT WITHOUT BUYING FINANCIAL HEDGES THAT EXCEED THE DEFAULT SERVICE LOAD IN A LARGE NUMBER OF HOURS?

A. Yes. This can be accomplished in at least two ways. First, Pike can buy an annual financial hedge with different MW quantities for different months (e.g., 5-MW ATC in July, August, December, and January; 4-MW ATC in other months), which would allow Pike to more precisely target the 75 percent hedge coverage ratio for each month. The drawback of this approach is that, combined with the small size of the procurements, it may reduce the interest of some wholesale suppliers in providing an offer. Therefore, I view this approach as entailing a higher degree of risk than is necessary at this time. Alternatively, Pike can procure an annual financial hedge with different on-peak and off-peak quantities (e.g., 5-MW on-peak and 3-MW off-peak in all months).[2] It is my understanding that the on-peak/off-peak breakdown of monthly default service load data is not available to the Company, therefore we cannot test the

[2] On-peak hours are 7 am to 11 pm on non-holiday weekdays; off-peak hours are all remaining hours. On-peak and off-peak hedges are standard products in wholesale forward power markets.

desirability of this approach. For the reasons discussed, I am not recommending either of these options and instead, I am recommending the purchase of a 4-MW financial hedge for both on-peak and off-peak hours in each month.

Q. ARE YOU RECOMMENDING A PROCUREMENT TIMELINE DIFFERENT THAN THE TIMELINE PROPOSED BY THE COMPANY?

A. No, I recommend that Pike adhere to its proposed schedule, i.e., the purchase of half of my recommended hedge quantities being undertaken 13 to 14 months prior to the beginning of the Plan Year; and the purchase of the remaining half being undertaken 7 to 8 months prior to the beginning of the Plan Year.

Q. WOULD YOU RECOMMEND BUYING THE DESIRED HEDGE POSITION IN THREE, RATHER THAN TWO, PROCUREMENTS, OR BUYING SOME HEDGES MORE THAN 13 MONTHS PRIOR TO THE PLAN YEAR?

A. While accumulating the target hedge position at three (or more) different points in time would be desirable in general, it would not be practical for Pike given the small size of the Company's default service load. Making each procurement quantity even smaller would negatively impact wholesale suppliers' interest in Pike's solicitations. Additionally, I would not recommend that Pike buy any hedges more than 13 months (e.g., two years) prior to the Plan Year because forward contract prices beyond one or two years in NYISO have a carbon price premium built into them. Once NYISO implements carbon pricing, or sets an implementation date, other hedging strategies such as buying financial hedges more than 13 months prior to the Plan Year or procuring multi-year hedges can be considered for Pike's default service customers in subsequent DSPs.

Q. HAVE YOU REVIEWED THE RESIDENTIAL DEFAULT SERVICE SUPPLY PORTFOLIOS OF OTHER PENNSYLVANIA ELECTRIC DISTRIBUTION COMPANIES WITH REGARD TO EXPOSURE TO SPOT MARKET PRICING?

A. Yes, I have. Duquesne Light's residential portfolio consists of 50 percent 12-month fixed-price full-requirements ("FPFR") contracts and 50 percent 24-month FPFR contracts.[3] First Energy Companies (Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company) rely 50 percent on 12-month FPFR contracts and 50 percent on 24-month FPFR contracts, where 5 percent of each FPFR contract is priced at the hourly PJM spot market Locational Marginal Prices ("LMPs") and the remaining 95 percent is priced at the suppliers' respective accepted offer prices. PECO's residential portfolio comprises 38 percent 12-month FPFR contracts, 61 percent 24-month FPFR contracts, and 1 percent spot market purchases. PPL Electric's current residential portfolio features a 50-MW, ATC energy block and the remaining default service load is provided through 20 percent 6-month FPFR contracts and 80 percent 12-month FPFR contracts. For its next DSP period, PPL Electric proposed to increase the size of the energy block to 100-MW, which would correspond approximately to 10 percent of the residential default service energy consumption. Citizens' and Wellsboro currently rely 100 percent on a 36-month FPFR contract with indexed energy pricing. Both electric distribution companies ("EDCs") proposed to use a 48-month FPFR contract with indexed energy pricing to supply their residential default service loads in their next DSPs. Finally,

[3] An FPFR contract entails the supplier providing a fixed, specified percentage of energy requirements in each hour of the contract period at the contract price. Each supplier under this arrangement will therefore follow the hourly load shape of the customer class for which the default service energy is being provided. This type of contract mechanism has become the predominant contract arrangement for wholesale default service supply in Pennsylvania and other retail open access states in the PJM area.

starting on June 1, 2021 UGI Electric will be relying on a portfolio composed of 75 percent of FPFR contracts and 25 percent blocks.

In short, other Pennsylvania EDCs have either minimal exposure (5 percent for First Energy companies, 1 percent for PECO) or no exposure (Duquesne Light, PPL, Citizens', Wellsboro, UGI Electric) to pure spot market pricing as part of their residential default service wholesale supply product portfolios. Even at my recommended hedge coverage level of 75 percent, Pike will be the only company among Pennsylvania's EDCs to significantly rely on the spot market for supply of the residential default service load, which strongly supports the reasonableness of my hedge coverage recommendation.

Q. DO YOU AGREE WITH THE ACCEPTABLE PRICING PARAMETERS PROPOSED BY THE COMPANY REGARDING FINANCIAL HEDGE PURCHASE SOLICITATIONS?

A. Yes, I agree with the pricing parameters proposed in the confidential Exhibit NPC-2, Section V. In the absence of competition that yields at least three independent bids, a market price index-based screening mechanism is necessary to avoid making a costly procurement error and significantly overpaying for the hedges.

B. <u>Overhanging Contracts</u>

Q. WHAT IS AN OVERHANGING CONTRACT? DOES THE COMPANY PROPOSE TO PROCURE OVERHANGING CONTRACTS?

A. An overhanging contract in the context of Pike's proposed 2021-2024 DSP is a financial hedge with a delivery period that extends into the subsequent DSP period. For example, if Pike would procure a financial hedge as part of its 2021-2024 DSP during the 2021-2024 DSP period with a delivery period that extends beyond May 31, 2024, that financial hedge would be considered to be an overhanging contract. The

Company's proposed 2021-2024 DSP does not entail the procurement of an overhanging contract, as the hedge timeline proposed by Mr. Chesser in Exhibit NPC-2, Section III does not include any contracts with delivery periods that extend beyond May 31, 2024.

Q. WHAT IS THE PURPOSE OF OVERHANGING CONTRACTS?

A. Overhanging contracts are used to avoid the problem of a "hard stop," which occurs when 100 percent of a new portfolio must be procured at the beginning of the subsequent DSP period because all of the power purchase agreements ("PPAs") or financial hedges expire at the conclusion of the prior plan period. A hard stop unnecessarily exposes default service customers to a price shock risk. Rather, the use of overhanging contracts extends the price stability benefits of the financial hedging approach into the beginning part of the Company's subsequent DSP period.

For example, because the Company's current (2019-2021) DSP does not provide for the procurement of overhanging contracts, Pike's default service customers will not have any hedge protection for the period from June 1, 2021 to August 31, 2021. Furthermore, the hedges covering the period between September 1, 2021 and May 31, 2022 will be purchased in July 2021 and August 2021 respectively, exposing default service customers to market price risk by not conducting the first financial hedge purchase at least a few months before the second hedge purchase. Reliance on overhanging contracts would have mitigated the risk to default service customers.

Q. DO OTHER PENNSYLVANIA ELECTRIC DEFAULT SERVICE PROVIDERS PROCURE OVERHANGING CONTRACTS AS PART OF THEIR DSPS?

A. The Pennsylvania default service providers, or EDCs, that procure overhanging contracts (mostly in the form of FPFR contracts) as part of their DSPs include

Duquesne Light, PECO Energy Company, PPL Electric Utilities, and UGI Electric. Citizens' and Wellsboro do not procure overhanging contracts due to their wholesale product portfolio design. Therefore, it is standard practice among Pennsylvania EDCs to procure overhanging contracts for residential default service portfolios.

Q. PLEASE DESCRIBE YOUR RECOMMENDATION REGARDING OVERHANGING CONTRACTS FOR THE COMPANY'S 2021-2024 DSP.

A. I recommend that, as part of its 2021-2024 DSP, Pike procure financial hedges for Plan Year 2025 (June 1, 2024 – May 31, 2025 delivery period) in two separate transactions; first in April 2023 and second in October 2023. When combined, these two financial hedge purchases should correspond to 100 percent of Pike's financial hedge target for Plan Year 2025. This will ensure that the Company procures financial hedges for default service customers for the beginning part of the subsequent DSP period on the same schedule it laid out for Plan Years 2023 and 2024, regardless of the status of the Commission proceedings for the subsequent DSP. As a result, Pike's default service customers will avoid the hard stop problem and the associated price spike risk that they currently face in the beginning part of the 2021-2024 DSP.

C. <u>Reconciliation Mechanism</u>

Q. PLEASE EXPLAIN PIKE'S PROPOSED MECHANISM TO RECONCILE ACTUAL DEFAULT SERVICE COSTS AND DEFAULT SERVICE REVENUES FOR THE RESIDENTIAL CLASS.

A. Pike is proposing a quarterly reconciliation mechanism, where cost recovery of over- or under-collections occurring over a three-month period would be collected over the subsequent three-month period. However, the ESAC is capped at 2 cents/kWh in either direction (charge or credit). If the 2 cents/kWh cap is reached, the remaining over- or under-collection balance is carried over to the subsequent quarter. The ESAC is calculated and applied separately for each service classification.[4]

Q. HAVE YOU EXAMINED THE MAGNITUDE OF THE ESAC RELATIVE TO THE MARKET PRICE OF ELECTRIC SUPPLY HISTORICALLY?

A. Yes, I have. Table 2 presents Pike's quarterly ESAC and MPES for residential customers since December 2016.[5] My conclusion from Table 2 is that the absolute level of ESAC is consistently high, hitting the 2 cents/kWh cap in nine of the last 17 quarters and exceeding 1.4 cents/kWh in a total of 13 of those quarters. Consequently, the reconciliation adjustment has consistently and materially impacted the price of default service by at least 30 percent in each of the last eight quarters.

[4] Pike Statement No. 1, p. 13, line 1 to p. 14 line 3.

[5] The Company's response to OSBA Interrogatory Set I, No. 2.

Table 2: Reconciliation Charge History

Delivery Period	Electric Supply Adjustment Charge (cents/kWh)	Market Price of Electric Supply (cents/kWh)	ESAC/MPES
December 2016 - February 2017	(1.4231)	8.0950	(18%)
March 2017 - May 2017	2.0000	7.4920	27%
June 2017 - August 2017	0.5690	9.2740	6%
September 2017 - November 2017	(0.5791)	7.5450	(8%)
December 2017 - February 2018	(2.0000)	8.5840	(23%)
March 2018 - May 2018	(0.0389)	6.1570	(1%)
June 2018 - August 2018	1.7670	7.5460	23%
September 2018 - November 2018	1.6757	8.2610	20%
December 2018 - February 2019	(0.3173)	10.4060	(3%)
March 2019 - May 2019	(2.0000)	6.2060	(32%)
June 2019 - August 2019	(2.0000)	6.2840	(32%)
September 2019 - November 2019	(2.0000)	5.0110	(40%)
December 2019 - February 2020	(2.0000)	5.0110	(40%)
March 2020 - May 2020	(2.0000)	3.6910	(54%)
June 2020 - August 2020	(2.0000)	5.3030	(38%)
September 2020 - November 2020	1.5689	5.2010	30%
December 2020 - February 2021	(2.0000)	4.8950	(41%)

Q. WHAT ARE THE DRAWBACKS OF A LARGE AND VOLATILE QUARTERLY ESAC?

A. While most of Pike's recent reconciliation adjustments were negative (lowering the default service rates) for residential default service customers, there are three drawbacks to large and volatile reconciliation adjustment rates. First, it creates large swings in residential default service customers' rates and monthly bills. As the Company's "Alternate Gas & Electric Supply Study" concluded, this is undesirable for residential and small commercial customers "who generally seek stable prices."[6] Second, since the MPES reflects the projected wholesale market costs to serve default service customers, a large difference between the default service rate and the MPES

[6] Pike Statement No. 1, p. 7, lines 14-19.

leads to inefficient retail pricing of electricity and thus inefficient usage levels. Third, large differences between MPES and default service rates create incentives for customers to switch between default service and third-party supply to take advantage of the ESAC-driven difference between the rates offered by default service and competitive suppliers.

For example, if the ESAC is -2 cents/kWh in a given quarter, customers on competitive supply will have a strong incentive to switch to default service to take advantage of the -2 cents/kWh ESAC that lowers the default service rate. Similarly, if the ESAC is 2 cents/kWh in a given quarter, customers on default service will have a strong incentive to switch to competitive supply to avoid the 2 cents/kWh ESAC that raises the default service rate. This cycle will exacerbate the Company's under- and over-collections while making it harder for Pike to forecast default service sales and to set accurate targets for its financial hedges. This dynamic also creates cost shifts between customers who opportunistically switch into and out of default service and customers who remain on default service because they are unwilling to shop and rely on their utility for fair rates.

Q. ARE YOU RECOMMENDING A DIFFERENT RECONCILIATION MECHANISM?

A. Yes, I am. While the current reconciliation mechanism was appropriate when most customers were on default service and 100 percent of supply was spot market-based, an additional design element is warranted to provide additional stability to ESAC and default service rates given the consistently high ESAC rates in both directions (charge and credit). While retaining the 2 cents/kWh cap on the ESAC, I recommend a "six-month/12-month" reconciliation mechanism where cost recovery of over- or under-collections occurring over a six-month period would be collected over the subsequent 12-month period. This would provide additional stability in rates for residential default service customers, and also permit the default service rates to be more reflective of market prices since the reconciliation adjustment can be expected to be smaller than if amortization of the amounts were made over a three-month period. For the default service rates to be market-reflective as the Commission prefers, the rate components that are independent of wholesale market prices should be as small as possible in either direction. Since the reconciliation adjustment reflects past market outcomes rather than prevailing market conditions, amortizing the reconciliation adjustment over 12 months will result in more market-reflective residential default service rates compared to a three-month amortization. I note that more market-reflective default service rates will reduce the incentive for opportunistic switching between default service and competitive supply. I also note that my recommended reconciliation mechanism, when coupled with the Company's financial hedging approach and products (12-month hedges), will obviate the need for the Company to change the default service rates quarterly and Pike will be able to limit default service rate changes to twice per year (e.g., June 1 and December 1 of each year).

Q. HAVE YOU EXAMINED THE RECONCILIATION MECHANISMS EMPLOYED BY OTHER PENNSYLVANIA EDCs FOR RESIDENTIAL DEFAULT SERVICE CUSTOMERS?

A. Yes, I have. The FirstEnergy companies and UGI Electric are the only EDCs that use a quarterly reconciliation mechanism for residential default service customers. Duquesne Light, PECO, PPL Electric, Citizens', and Wellsboro employ semi-annual reconciliation where cost recovery of over- or under-collections occurring over a six-month period would be collected over the subsequent six-month period, typically with a lag of a few months. I would like to note that, unlike Pike, all of the aforementioned EDCs rely exclusively (or nearly exclusively) on FPFR contracts in their residential default service supply product portfolios, which minimizes the sums subject to reconciliation.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

APPENDIX A

SUMMARY OF QUALIFICATIONS

for

SERHAN OGUR, Ph.D.

SERHAN OGUR

Dr. Ogur is a Principal of Exeter Associates, Inc. with over 18 years of experience in the energy industry specializing in organized wholesale (Regional Transmission Organization/Independent System Operator) and retail electricity markets. Dr. Ogur's diverse background comprises energy management and consulting; analysis, design, and reporting of RTO electricity markets and products; and state and federal regulation of electric utilities.

Dr. Ogur's coursework in graduate school focused on Microeconomic Theory, Game Theory, and Industrial Organization. His doctoral dissertation investigates imperfect competition in deregulated wholesale electricity markets and oligopolistic competition between private and public generators.

Education

B.A. (Economics) – Bogazici University, Istanbul, Turkey, 1996

Ph.D. (Economics) – Northwestern University, Evanston, IL, 2007

Previous Employment

2014-2015	Senior System Operator Fellon-McCord & Associates, LLC Louisville, KY
2005-2014	Senior Economist PJM Interconnection, LLC Audubon, PA
2001-2005	Economic Analyst Illinois Commerce Commission Springfield, IL

Professional Experience

Dr. Ogur's work at Exeter includes analysis of electricity supply contracts; utility rates and tariffs; energy markets and prices; power procurement; default electric service design; project evaluation; demand response opportunities; congestion hedging strategies; and price forecasting.

Prior to joining Exeter, Dr. Ogur's responsibilities at Fellon-McCord encompassed overseeing and performing the daily tasks of the "24/7" wholesale electricity desk, including all aspects of scheduling, managing, and monitoring direct market participant load and generation assets (mostly in ISO/RTO markets) as well as their settlements and custom reporting. He was also in charge of developing strategies and making recommendations, through analytical, financial, and market research, for longer-term management of clients' load obligations and generation assets such as Auction Revenue Rights (ARR) nominations; participation in energy, ancillary services, and capacity markets; load forecasting; energy, basis, and capacity price forecasting; hedging; and peak load management. Dr. Ogur also served as the company's lead analyst in various special consulting projects.

In PJM Interconnection's Market Strategy and Market Analysis departments, Dr. Ogur was responsible for analyzing and reporting on all PJM-administered electricity market products, including day-ahead and real-time energy, operating reserve, regulation, synchronized reserve, virtual transactions, financial transmission rights, capacity, demand response, energy efficiency, and renewables. He was part of the team that developed the protocols and business rules for participation of energy efficiency in PJM markets as well as a lead reviewer for energy efficiency plans and post-installation measurement and verification (M&V) reports for PJM's capacity market auctions. He also has training and experience in PJM's stakeholder management process.

Dr. Ogur's responsibilities at the Illinois Commerce Commission (ICC) included monitoring all Illinois-related developments under federal jurisdiction, mostly Federal Energy Regulatory Commission (FERC) filings and rulings concerning major Illinois electric public utilities. In addition, Dr. Ogur reviewed all actions concerning Illinois public utilities at the FERC level (applications to join RTOs, market-based rate authority filings, merger applications, transmission rate cases, etc.), and developed positions and official comments for the consideration of the ICC to file in the related FERC dockets. Dr. Ogur also filed written testimony and served as staff witness (including standing cross-examination) in the ICC dockets establishing auction-based competitive wholesale energy procurement mechanisms for major Illinois electric public utilities.

<u>Expert Testimony</u>

Before the Pennsylvania Public Utility Commission, Docket No. P-2020-3019907, UGI Utilities, Inc. – Electric Division, 2020, on behalf of the Pennsylvania Office of Consumer Advocate. Testimony addressed default service issues.

Before the Pennsylvania Public Utility Commission, Docket No. P-2020-3019522, Duquesne Light Company, 2020, on behalf of the Pennsylvania Office of Consumer Advocate. Testimony addressed default service issues.

Before the Pennsylvania Public Utility Commission, Docket Nos. P-2020-3019383 and P-2020-3019384, Citizens' Electric Company of Lewisburg, PA and Wellsboro Electric Company, 2020, on behalf of the Pennsylvania Office of Consumer Advocate. Testimony addressed default service issues.

Before the Pennsylvania Public Utility Commission, Docket No. P-2016-2534980, PECO Energy Company, 2016, on behalf of the Pennsylvania Office of Consumer Advocate. Testimony addressed default service issues.

Before the Illinois Commerce Commission, Docket No. 05-0159, Commonwealth Edison Company, 2005, on behalf of the Staff of Illinois Commerce Commission. Testimony addressed default service design and competitive procurement issues.

Before the Illinois Commerce Commission, Docket Nos. 05-0160, 05-0161, and 05-0162 (Consolidated), Central Illinois Light Company d/b/a AmerenCILCO, 2005, on behalf of the Staff of Illinois Commerce Commission. Testimony addressed default service design and competitive procurement issues.

Before the Illinois Commerce Commission, Docket No. 02-0428, Central Illinois Light Company and Ameren Corporation, 2002, on behalf of the Staff of Illinois Commerce Commission. Testimony addressed competition issues in a utility merger case.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Pike County Light and Power Company for Approval of Default Service Plan (DSP) and Waiver of Commission Regulations and *Nunc Pro Tunc* Treatment for the Period June 1, 2021 through May 31, 2024	: : : : :	Docket No. P-2020-3022988

VERIFICATION

I, Serhan Ogur, hereby state that the facts set forth in my Direct Testimony, OCA Statement 1, are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

DATED: January 25, 2021
*302940

Signature: Serhan Ogur
Serhan Ogur

Consultant Address: Exeter Associates, Inc.
10480 Little Patuxent Parkway
Suite 300
Columbia, MD 21044-2690

OCA STATEMENT NO. 1-R

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF PIKE COUNTY LIGHT & POWER COMPANY FOR APPROVAL OF EXTENSION OF DEFAULT SERVICE PLAN AND WAIVER OF COMMISSION REGULATIONS *AND NUNC PRO TUNC* TREATMENT	**)))))**	**DOCKET NO. P-2020-3022988**

REBUTTAL TESTIMONY

OF

SERHAN OGUR, Ph.D.

ON BEHALF OF THE

PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

February 1, 2021

EXETER
ASSOCIATES, INC.
10480 Little Patuxent Parkway, Suite 300
Columbia, Maryland 21044

TABLE OF CONTENTS

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Serhan Ogur. I am a Principal and Senior Economist at Exeter Associates, Inc. ("Exeter"). Our offices are located at 10480 Little Patuxent Parkway, Suite 300, Columbia, Maryland, 21044.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of the Pennsylvania Office of Consumer Advocate ("OCA").

Q. HAVE YOU PREVIOUSLY TESTIFIED IN THIS PROCEEDING?

A. Yes. I submitted direct testimony in this proceeding on January 25, 2021, on behalf of the OCA.

Q. WHAT ISSUES ARE YOU ADDRESSING IN YOUR REBUTTAL TESTIMONY?

A. I am addressing issues raised in the direct testimony of Mr. Robert D. Knecht, witness for the Pennsylvania Office of Small Business Advocate ("OSBA"), as those issues relate to the Default Service Plan ("DSP" or "Plan") submitted by Pike County Light and Power Company ("Pike" or "Company"). Those issues relate to the timing of the purchase of financial hedges, the quantity of hedges that are proposed to be procured, and the volatility of Pike's Market Price of Electricity Supply ("MPES") and Electric Supply Adjustment Charge ("ESAC") rates.

II. TIMING OF FINANCIAL HEDGE PURCHASES

Q. WHAT HAS THE COMPANY PROPOSED REGARDING THE TIMING OF PROPOSED HEDGE PURCHASES?

A. The Company proposed to hedge 25 percent of the projected default service load 13 to 14 months prior to the beginning of the Plan Year (which starts on June 1 and ends on May

31 of the subsequent year), and an additional 25 percent 7 to 8 months prior to the beginning of the Plan Year. However, due to the timing of the Company's Plan filing and the expected date of Commission approval, Pike is proposing not to buy any hedges for the first three months of the proposed DSP covering the period from June 1, 2021 through May 31, 2024 ("2021-2024 DSP") while procuring hedges for the remaining nine months of Plan Year 2022 one month and two months prior to the start of the delivery period of those hedges.[1]

Q. DID YOU OPPOSE THE COMPANY'S HEDGE PROCUREMENT TIMING PROPOSAL IN YOUR DIRECT TESTIMONY?

A. No, I did not.

Q. WHAT IS MR. KNECHT'S RECOMMENDATION CONCERNING THE COMPANY'S HEDGE PROCUREMENT TIMING PROPOSAL?

A. Mr. Knecht recommends that the Company shorten the time between the hedge procurement dates and the start of the delivery period for those hedges, claiming that a longer lead time results in a higher risk premium being built into the price.[2]

Q. PLEASE STATE AND EXPLAIN YOUR POSITION ON MR. KNECHT'S RECOMMENDATION AFTER REVIEWING HIS DIRECT TESTIMONY.

A. I acknowledge that there are advantages and drawbacks associated with a shorter lead time for the procurement of financial hedges. On the one hand, forward prices become more volatile as the delivery period approaches due mostly to near-term weather forecasts, which makes price discovery and acceptance of offers within the Company's price limits more challenging. On the other hand, a shorter lead time likely results in higher supplier participation in Pike's financial hedge solicitations (driven by higher liquidity for forward products with delivery periods closer to the transaction date) as well as a more accurate

[1] Pike confidential Exhibit NPC-2, Section III.
[2] OSBA Statement No. 1, p. 8, lines 13-14.

forecast of Pike's default service load by the Company. A more accurate default service load forecast mitigates the possibility of over-procurement or under-procurement of financial hedges compared to the targeted level. Shorter lead times may also lower the risk premium built into NYISO forward prices associated with the uncertainty surrounding the implementation date of carbon pricing in the NYISO-administered wholesale power markets. Given these advantages and drawbacks for a shorter lead time, I am not opposed to the hedge procurement timing recommended by Mr. Knecht.

III. HEDGE VOLUMES

Q. WHAT DID THE COMPANY PROPOSE REGARDING THE FINANCIAL HEDGE COVERAGE FOR THE PROJECTED DEFAULT SERVICE LOAD?

A. The Company proposed to target a 50 percent financial hedge coverage for its default service loads, except for the first three months of the 2021-2024 DSP period, for which Pike proposed not to procure any hedges due to the timing of the Commission's expected approval of the 2021-2024 DSP.

Q. WHAT DID YOU RECOMMEND IN YOUR DIRECT TESTIMONY?

A. I recommended that the Company target a 75 percent financial hedge coverage for its projected default service load.[3] However, as stated on p. 8, lines 4-5 of my direct testimony, I recommended a 4-MW Around-the-Clock ("ATC") financial hedge, in recognition of the practical constraints of hedging a small load, which corresponds to a 68 percent financial hedge coverage on an annual basis given the Company's current default service load levels.

[3] OCA Statement No. 1, p. 3, lines 12-13.

Q. WHAT IS MR. KNECHT'S RECOMMENDATION AND HIS RATIONALE FOR IT?

A. In his direct testimony Mr. Knecht concurs with the Company's proposal and cites two reasons for his position. First, Mr. Knecht posits that it is "too soon to evaluate the efficacy of the hedging strategy," and therefore he does not "disagree with the Company's proposal to essentially continue the existing strategy."[4] Second, he is concerned about the Company "over-committing to fixed price supplies" due to what he characterizes as "the increase in migration risk associated with the decline in shopping."[5]

Q. ARE YOU CHANGING YOUR RECOMMENDATION AFTER REVIEWING MR KNECHT'S TESTIMONY?

A. No, I am not, for three reasons. First, as I explained in my direct testimony, "given the fact that hours with higher default service loads typically coincide with hours with higher spot energy prices, an annual average hedge coverage target of 50 percent would leave default service customers with inadequate (significantly below 50 percent) hedge coverage on a cost-weighted basis and expose them to price spikes, particularly during very cold winter and very hot summer periods."[6] Second, the adoption of Mr. Knecht's recommendation for the timing of the hedge purchases, to which I am not opposed, would greatly mitigate potential concerns regarding over-committing to fixed-price supplies because the Company can adjust the target hedge coverage at a point of time closer to the start of the delivery period of the financial hedges compared to the Company's proposal. Third, migration risk exists regardless of the percentage of customers that are shopping, that is, the risk of customer migration does not increase with the decline in the percentage of customers taking default service. While shopping may once again increase in Pike's service

[4] OSBA Statement No. 1, p. 7, lines 19-21.
[5] *Id.*, p. 7, lines 26-28.
[6] OCA Statement No. 1, p. 7, lines 1-5.

territory, reliance on default service may also increase and become even more prevalent. Therefore, material under-procurement of financial hedges would leave default service customers excessively exposed to the volatility of the NYISO spot market. For these reasons, I continue to recommend, as I did in my direct testimony, that the Company pursue the higher financial hedge coverage target for its projected default service load.

IV. DEFAULT SERVICE RATE VOLATILITY

Q. PLEASE SUMMARIZE MR. KNECHT'S OBSERVATIONS REGARDING THE VOLATILITY OF PIKE'S DEFAULT SERVICE RATES.

A. In Figure IEc-1 and Figure IEc-2, Mr. Knecht charts the default service rates and C-Factor rates for residential and small commercial (secondary voltage) customers, respectively, for the time period from January 2008 through December 2020.[7] Mr. Knecht states that while Pike's default service rates tend to track the NYISO Zone G spot market prices, both the MPES rate and the ESAC rate exhibit "substantial volatility." He further observes that although default service rates over the past two years have been low relative to historical experience, both the MPES rate and the ESAC rate have continued to be volatile.[8]

Q. DOES MR. KNECHT MAKE ANY RECOMMENDATIONS TO MITIGATE THE VOLATILITY IN DEFAULT SERVICE RATES?

A. No, he does not.

Q. DO YOU AGREE THAT PIKE'S DEFAULT SERVICE RATES EXHIBIT SUBSTANTIALVOLATILITY?

A. Yes, I do.

[7] OSBA Statement No. 1, pp. 5-6. Mr. Knecht refers to MPES as C-Factor, and to ESAC as E-Factor.
[8] *Id.*, p. 5, lines 9-11.

Q. DO YOU HAVE ANY RECOMMENDATIONS TO MITIGATE THE VOLATILITY IN DEFAULT SERVICE RATES?

A. Yes, the volatility in Pike's default service rates can, and should, be mitigated by adopting two recommendations I made in my direct testimony. First, I recommend that the Company target a 75 percent financial hedge coverage for its projected default service load.[9] This will provide more stable MPES rates compared to leaving a larger percentage of the default service energy supplies procured on the NYISO spot market unhedged. Second, I recommend that the Company employ a "six month/12-month" reconciliation mechanism where cost recovery of over- or under-collections occurring over a six-month period would be collected over the subsequent 12-month period.[10] This reconciliation mechanism will provide smaller and less volatile ESAC rates compared to the quarterly reconciliation mechanism proposed by the Company.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

[9] OCA Statement No. 1, p. 3, lines 12-13. As stated on p. 8, lines 4-5, of my direct testimony, I am recommending a 4-MW ATC financial hedge, which corresponds to a 68 percent financial hedge coverage on an annual basis.

[10] *Id.*, p. 17, line 23 to p. 18, line 1.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Pike County Light and Power Company for Approval of Default Service Plan (DSP) and Waiver of Commission Regulations and *Nunc Pro Tunc* Treatment for the Period June 1, 2021 through May 31, 2024	: : : : :	Docket No. P-2020-3022988

VERIFICATION

I, Serhan Ogur, hereby state that the facts set forth in my Rebuttal Testimony, OCA Statement 1-R, are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

DATED: February 1, 2021
*303206

Signature: ______________________
Serhan Ogur

Consultant Address: Exeter Associates, Inc.
10480 Little Patuxent Parkway
Suite 300
Columbia, MD 21044-2690

OSBA Public Testimony of Robert Knecht

OSBA Statement No. 1 with public exhibit

OSBA Statement No. 1

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF PIKE COUNTY LIGHT & POWER COMPANY FOR APPROVAL OF ITS DEFAULT SERVICE PLAN AND WAIVER OF COMMISSION REGULATIONS AND *NUNC PRO TUNC* TREATMENT FOR THE PERIOD JUNE 1, 2021 THROUGH MAY 31, 2024	:	**Docket No. P-2020-3022988**

Direct Testimony and Exhibits of

ROBERT D. KNECHT

****** PUBLIC VERSION******

On Behalf of the

Pennsylvania Office of Small Business Advocate

Topics:

Default Service Procurement for Small C&I Customers

Date Served: January 25, 2021

Date Submitted for the Record: ______________________________

DIRECT TESTIMONY OF ROBERT D. KNECHT

Q. Mr. Knecht, please state your name and briefly describe your qualifications.

A. My name is Robert D. Knecht. I am a Principal of Industrial Economics, Incorporated ("IEc"), a consulting firm located at 2067 Massachusetts Avenue, Cambridge, MA 02140. For the past several years, my consulting practice has consisted primarily of preparing analyses and expert testimony in the field of regulatory economics on a variety of topics. I obtained a B.S. degree in Economics from the Massachusetts Institute of Technology in 1978, and a M.S. degree in Management from the Sloan School of Management at M.I.T. in 1982, with concentrations in applied economics and finance. I am appearing in this proceeding on behalf of the Pennsylvania Office of Small Business Advocate ("OSBA"). My résumé and a listing of the expert testimony that I have filed in utility regulatory proceedings during the past five years are attached in Exhibit IEc-1.

Q. What is the purpose of this testimony?

A. OSBA requested that I review the changes proposed by Pike County Light & Power Company ("PCL&P" or "the Company") in its petition for its default service plan ("DSP"), to determine whether the proposal is consistent with sound economics and regulatory policy, and fairly treats small business customers.

Q. Do you have any caveats regarding this testimony?

A. As explained further herein, the Company has provided incomplete responses to discovery at this writing. I will update this testimony as necessary based on those responses when they are received.

In addition, the Company has designated all of its interrogatory responses to OSBA as highly confidential, even basic shopping rate statistics. As much of this testimony relies on those responses, the public version is significantly redacted.

Finally, I have previously participated in several of the Company's default service proceedings, and some of this testimony is unabashedly copied or slightly altered from that earlier testimony without full citation. I acknowledge the self-plagiarism.

Q. Please summarize the salient features of the Company's DSP, as approved by settlement of the Company's last default service proceeding at Docket No. P-2018-3002709.

A. A DSP establishes the process by which an electric distribution company ("EDC") procures electric supplies for customers who choose not to shop from competitive electric generation suppliers ("EGSs"), or who affirmatively opt to take service from the EDC.

The Company's current plan is generally consistent with the basic default service plan that has been in effect since January 2008, with the primary exception being that the Company incorporated a financial price hedges in its most recent plan, which runs from May 31, 2019 to May 30, 2021. The key features of the Company's DSP are as follows:

- Because PCL&P is interconnected to the NYISO and is not itself a load-serving entity ("LSE"), the Company purchases electricity supplies through its former affiliate Orange & Rockland Utilities, Inc. (O&R). O&R allocates spot market energy costs, generation capacity costs and all other NYISO costs to PCL&P, as well as imposing fees for transmitting the power and some administrative costs.

- PCL&P procures alternative energy certificates ("AECs") to meet its obligation under the Alternative Energy Portfolio Standards Act ("AEPSA") by making solicitations to various brokers, as assisted by its outside consultant. Due to its small size, PCL&P does not follow a formal procurement process.

- Under the settlement at Docket No. P-2018-3002709, approximately 50 and 75 percent of the energy purchases were to be hedged using a fixed rate energy swap mechanism (detailed below).

- Default service rates for each class are set quarterly at fixed per-kWh rates. The rates include a "market price of electricity" component ("C-Factor") based on a prospective forecast of purchased power costs, and an electric supply adjustment charge ("ESA" or "E-Factor") which reconciles prior period differences between revenues and costs.

- Forecast purchase costs for the C-Factor are allocated among the rate classes based on class load profiles and loss factors. Differences by rate class in the C-Factor for the major rate classes are relatively minor.

- The E-Factor is differentiated by rate class. It is capped at an absolute value of 2.0 cents per kWh, and any unrecovered charges or credits are deferred for future recovery.

Q. **Please summarize the key attributes of the Company's financial hedging program that was adopted in the last default service proceeding.**

A. The Company attempts to reduce volatility in its default service charges by engaging in financial hedges related to its spot energy purchases. The hedging strategy has the following characteristics: **** BEGIN HIGHLY CONFIDENTIAL ****

[redacted]

[redacted]

[redacted]

- [redacted]

**** END HIGHLY CONFIDENTIAL ****

Q. **What are the customer shopping patterns at the Company?**

A. For several years, PCL&P exhibited a relatively high shopping rate for smaller customers, arising initially from a Commission-sponsored opt-out Direct Energy aggregation program that was approved in 2006 at Docket No. P-00062205. Shopping rates gradually declined over the years from then until 2018, and some shopping customers moved from Direct Energy to other EGSs.

In this proceeding, OSBA requested an update for shopping rates for 2017 to 2020 in OSBA-I-1. The information was provided on a highly confidential basis. **** BEGIN HIGHLY CONFIDENTIAL **** [redacted]

[redacted]

[redacted]

[1] The SC2 class consists of non-residential, non-lighting general service customers. SC2-S comprises secondary voltage customers; SC2-P primary.

[2] Docket No. P-2018-3002709, Direct Energy Statement No. 1-R, page 5. This testimony details at least some of the factors leading to Direct Energy's decision.

[redacted] **** END HIGHLY CONFIDENTIAL ****

Q. Please describe the historical default service rate patterns for PCL&P.

A. Because PCL&P has traditionally procured its supplies on the spot market, the Company's default service rates tend to track that market, but show both substantial volatility in the "C-Factor," exacerbated by the difficulty in forecasting which results in large E-Factor reconciliation charges/credits. The 2-cents per kWh upper bound on the E-Factor does mitigate the volatility somewhat. Figures IEc-1 and IEc-2 below depict historical patterns for default service rates for smaller customers. As shown, default service rates over the past two years have been quite low, but both C-Factors and E-Factors have remained volatile.

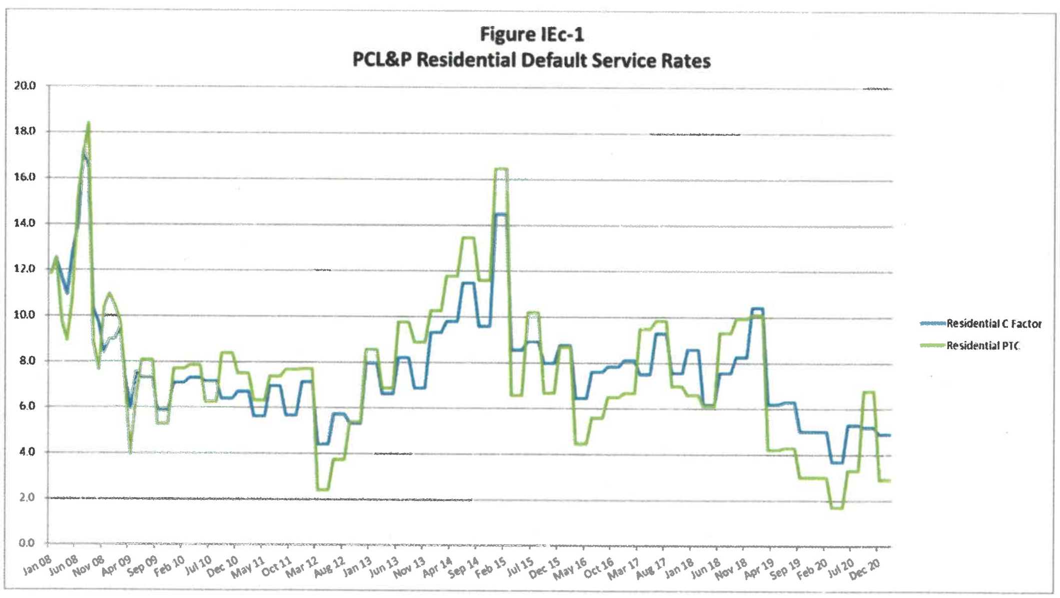
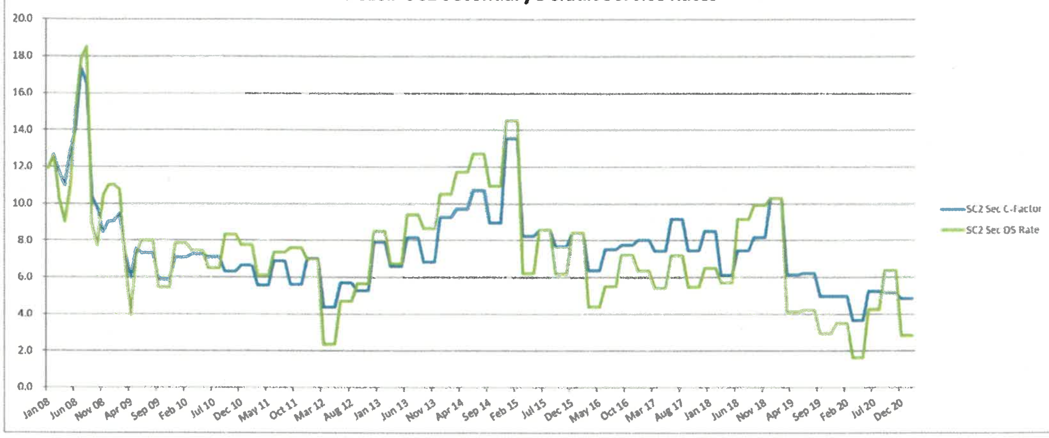


Figure IEc-1
PCL&P Residential Default Service Rates

Figure IEc-2
PCL&P SC2 Secondary Default Service Rates



Q. What changes has the Company proposed regarding its DSP as compared to the plan agreed-upon in the settlement of the last default service proceeding?

A. The proposed DSP is substantially the same. The details of the hedging strategy are set out in detail in HIGHLY CONFIDENTIAL Exhibit NPC-2, but they are generally the same as those in the settlement of the last case. The changes to the hedging policy are (a) the Company proposes to eliminate the additional hedging option from the settlement, due to lack of counter-party interest, and (b) to adjust the timing for the hedge procurements "... to ensure Commission approval prior to hedge date execution."[3]

The only other changes to the DSP are that the Company proposes to extend the DSP from two years to three.

Q. What price hedging has occurred to date?

A. **** BEGIN HIGHLY CONFIDENTIAL **** [redacted]

[3] PCLP Statement No. 1, page 8.

[redacted] **** END HIGHLY CONFIDENTIAL ****

Q. Has the price hedging resulted in more rate stability and lower E-Factors?

A. I attempted to obtain more detailed information regarding the Company's forecast and actual customer count, volumes, and costs, to determine if I could get insight into the source for the variances and whether the hedging program resulted in any material improvement. However, the Company's response to OSBA-I-3 did not provide the Company's forecasts for its customer count and its costs, and the volume data provided in the response appear to have a mismatch between forecast and actual. **** BEGIN HIGHLY CONFIDENTIAL **** [redacted] **** END HIGHLY CONFIDENTIAL **** As such, I conclude that it is too soon to evaluate the efficacy of the hedging strategy. I therefore do not disagree with the Company's proposal to essentially continue the existing strategy.

Q. Do you agree with the Company's proposal to drop the supplemental optional hedging component of the current plan?

A. I do. The Company's difficulties in finding counter-parties for the 50 percent portion of the hedge has been problematic, and its ability to expand beyond that level is highly questionable. **** BEGIN HIGHLY CONFIDENTIAL **** [redacted] **** END HIGHLY CONFIDENTIAL ****

Q. Do you have any concerns about the Company's default service plan at this time?

A. **** BEGIN HIGHLY CONFIDENTIAL **** [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

**** END HIGHLY CONFIDENTIAL ****

Q. Does this conclude your direct testimony?

A. Yes, it does.

EXHIBIT IEc-1

RÉSUMÉ AND EXPERT TESTIMONY LIST

FOR

ROBERT D. KNECHT

Overview

Mr. Knecht has more than 35 years of practical economic consulting experience, focusing on the energy, utility, metals and mining industries. For the past 25 years, Mr. Knecht's practice has primarily involved providing analysis, consulting support and expert testimony in regulatory matters, primarily involving electric and natural gas utilities. Mr. Knecht's work includes many aspects of utility regulation, including industry restructuring, cost unbundling, cost allocation, rate design, rate of return, customer contributions, energy efficiency programs, smart metering programs, treatment of stranded costs and utility revenue requirement issues. He has worked for state advocacy agencies, industrial customer groups, law firms, regulatory agencies, government agencies and utilities, in both the United States and Canada. He has provided expert testimony in more than one hundred separate utility proceedings.

In addition to his work with regulated utilities, Mr. Knecht has consulted on international industry restructuring studies, prepared economic policy analyses, participated in a variety of litigation matters involving economic damages, and developed energy industry forecasting models.

Education

Master of Science, Management (Applied Economics and Finance), Sloan School of Management, M.I.T.

Bachelor of Science, Economics, Massachusetts Institute of Technology

Select Project Experience

For more than twenty years, Mr. Knecht has provided consulting services, analysis and expert testimony before the Pennsylvania Public Utility Commission on all manner of regulatory proceedings to the **PENNSYLVANIA OFFICE OF SMALL BUSINESS ADVOCATE**. In addition to expert testimony, Mr. Knecht has assisted OSBA with the development of public policy positions, litigation strategy, and longer term strategy.

For the **INDUSTRIAL GAS USERS ASSOCIATION**, Mr. Knecht provided consulting and expert witness services in a generic cost allocation proceeding involving Gaz Métro before the Régie de l'énergie in Québec.

For the **NEW BRUNSWICK PUBLIC INTERVENER**, Mr. Knecht provides consulting and expert witness services in a variety of regulatory proceeding before the New Brunswick Energy and Utilities Board involving New Brunswick Power, Enbridge Gas New Brunswick, and petroleum products. Mr. Knecht has addressed issues of load forecasting, costs forecasting, cost of capital, allocation of corporate overhead costs, utility cost allocation, revenue allocation, market-based rate design, cost-based rate design, and rate decoupling.

For **L'ASSOCIATION QUÉBÉCOISE DES CONSOMMATEURS INDUSTRIELS D'ÉLECTRICITÉ (AQCIE) AND LE CONSEIL DE L'INDUSTRIE FORESTIÈRE DU QUÉBEC (CIFQ)**, Mr. Knecht provided analysis, consulting advice and expert testimony before the Régie de l'énergie in regulatory matters involving Hydro Québec Distribution and TransÉnergie. This work includes revenue requirement, power purchasing, cost allocation, treatment of cross-subsidies, and rate design.

For the **INDEPENDENT POWER PRODUCERS SOCIETY OF ALBERTA**, Mr. Knecht provided consulting advice, analysis and expert testimony before the Alberta Energy and Utilities Board in a series of proceedings involving the restructuring of the electric utility industry, the unbundling of rates, and the development of transmission rates.

IEc

INDUSTRIAL ECONOMICS, INCORPORATED

ROBERT D. KNECHT

EXPERT TESTIMONY SUBMITTED IN REGULATORY PROCEEDINGS: 2012-2017

DOCKET #	REGULATOR	UTILITY	DATE	CLIENT	TOPICS
R-2016-2580030	Pennsylvania Public Utility Commission	UGI Penn Natural Gas	April 2017	Pennsylvania Office of Small Business Advocate	Test year, load forecast, O&M expenses, rate base, rate of return, cost allocation, rate design, EE&C program, capacity assignment
Matter 336	New Brunswick Energy & Utilities Board	New Brunswick Power	January 2017	New Brunswick Public Intervener	Financial forecast, equity requirement, depreciation life, variance mechanisms, cost allocation, rate design
Matter 338	New Brunswick Energy & Utilities Board	Generic	December 2016	New Brunswick Public Intervener	Retail petroleum margins
Matter 330	New Brunswick Energy & Utilities Board	Enbridge Gas New Brunswick	September 2016	New Brunswick Public Intervener	Revenue requirement, investment test, customer retention initiatives, cost allocation, rate design
R-2016-2537359	Pennsylvania Public Utility Commission	West Penn Power Company	July 2016	Pennsylvania Office of Small Business Advocate	Cost allocation, revenue allocation, rate design.
R-2016-2537355	Pennsylvania Public Utility Commission	Pennsylvania Power Company	July 2016	Pennsylvania Office of Small Business Advocate	Cost allocation, revenue allocation, rate design.
P-2016-2537609, 2537594	Pennsylvania Public Utility Commission	UGI Central Penn Gas, UGI Penn Natural Gas	July 2016	Pennsylvania Office of Small Business Advocate	Waiver of DSIC cap.
P-2016-2543523	Pennsylvania Public Utility Commission	UGI Utilities, Inc., Electric Division	July 2016	Pennsylvania Office of Small Business Advocate	Default service procurement.
R-2016-2529660	Pennsylvania Public Utility Commission	Columbia Gas of Pennsylvania, Inc.	June 2016	Pennsylvania Office of Small Business Advocate	Cost allocation, revenue allocation, rate design.
R-2015-2469275	Pennsylvania Public Utility Commission	PPL Electric Utilities Corporation	May 2016	Pennsylvania Office of Small Business Advocate	Default service procurement plan.
R-2015-2518438	Pennsylvania Public Utility Commission	UGI Utilities, Inc., Gas Division	April 2016	Pennsylvania Office of Small Business Advocate	Cost allocation, revenue allocation, rate design, energy efficiency and conservation program.

ROBERT D. KNECHT

EXPERT TESTIMONY SUBMITTED IN REGULATORY PROCEEDINGS: 2012-2017

DOCKET #	REGULATOR	UTILITY	DATE	CLIENT	TOPICS
P-2016-2521993	Pennsylvania Public Utility Commission	Columbia Gas of Pennsylvania, Inc.	April 2016	Pennsylvania Office of Small Business Advocate	Waiver of DSIC cap.
M-2015-2477174	Pennsylvania Public Utility Commission	UGI Utilities, Inc., Electric Division	February 2016	Pennsylvania Office of Small Business Advocate	Energy efficiency and conservation plan review and development.
Matter No. 306	New Brunswick Energy & Utilities Board	Enbridge Gas New Brunswick	February 2016	New Brunswick Public Intervenor	Financial review, investment prudence, revenue requirement, cost allocation, rate design, market-based pricing.
P-2015-2511333, 2511351, 2511355, 2511356	Pennsylvania Public Utility Commission	Metropolitan Edison, Pennsylvania Electric, Pennsylvania Power, West Penn Power	January 2016	Pennsylvania Office of Small Business Advocate	Default service procurement plans, purchase of receivables.
P-2015-2501500	Pennsylvania Public Utility Commission	Philadelphia Gas Works	October 2015	Pennsylvania Office of Small Business Advocate	DSIC rate design under cash flow regulation, capital structure
P-2014-2459362	Pennsylvania Public Utility Commission	Philadelphia Gas Works	June 2015	Pennsylvania Office of Small Business Advocate	Demand side management programs, rate decoupling mechanism, incentive mechanism, cost-benefit analysis.
R-2015-2469275	Pennsylvania Public Utility Commission	PPL Electric Utilities	June 2015	Pennsylvania Office of Small Business Advocate	Misc. revenue requirement issues, cost allocation, rate design
R-2015-2468056	Pennsylvania Public Utility Commission	Columbia Gas of Pennsylvania	June 2015	Pennsylvania Office of Small Business Advocate	Cost allocation, revenue allocation, rate design, customer contribution policy
R-2015-2461373	Pennsylvania Public Utility Commission	National Fuel Gas Distribution	April 2015	Pennsylvania Office of Small Business Advocate	Load balancing rates, reconciliation
R-2014-2456648	Pennsylvania Public Utility Commission	Peoples TWP LLP	March 2015	Pennsylvania Office of Small Business Advocate	Load balancing rates, reconciliation
R-3867-2013	Régie de l'énergie, Québec	Société en commandite Gaz Métro	February 2015	l'Association des Consommateurs de Gaz	Distribution cost allocation

ROBERT D. KNECHT

EXPERT TESTIMONY SUBMITTED IN REGULATORY PROCEEDINGS: 2012-2017

DOCKET #	REGULATOR	UTILITY	DATE	CLIENT	TOPICS
R-3888-2014	Régie de l'énergie, Québec	Hydro Québec TransÉnergie	December 2014	AQCIE/CIFQ	Transmission customer contribution policy
R-2014-2428744 R-2014-2428742	Pennsylvania Public Utility Commission	Pennsylvania Power Company, West Penn Power Company	November 2014	Pennsylvania Office of Small Business Advocate	Cost allocation, revenue allocation, rate design
M-2014-2430781	Pennsylvania Public Utility Commission	PPL Electric Utilities	October 2014	Pennsylvania Office of Small Business Advocate	Smart meter procurement, rate design
Matter No. 253	New Brunswick Energy & Utilities Board	Enbridge Gas New Brunswick	September 2014	New Brunswick Public Intervenor	Financial review, investment prudence, revenue requirement, cost allocation, rate design, market-based pricing.
P-2014-2417907	Pennsylvania Public Utility Commission	PPL Electric Utilities	July 2014	Pennsylvania Office of Small Business Advocate	Default service procurement, class eligibility, reconciliation
R-2014-2406274	Pennsylvania Public Utility Commission	Columbia Gas of Pennsylvania	June 2014	Pennsylvania Office of Small Business Advocate	Cost allocation, revenue allocation, rate design
R-2014-2407345	Pennsylvania Public Utility Commission	Columbia Gas of Pennsylvania	June 2014	Pennsylvania Office of Small Business Advocate	Customer contribution policy, alternative financing mechanism
R-2014-2408268	Pennsylvania Public Utility Commission	Columbia Gas of Pennsylvania	May 2014	Pennsylvania Office of Small Business Advocate	Gas procurement sharing mechanism, cost allocation
R-2014-2397237	Pennsylvania Public Utility Commission	Pike County Light & Power (Electric)	April 2014	Pennsylvania Office of Small Business Advocate	Cost allocation, revenue allocation, rate design
R-2014-2397353	Pennsylvania Public Utility Commission	Pike County Light & Power (Gas)	April 2014	Pennsylvania Office of Small Business Advocate	Cost allocation, revenue allocation
R-2014-2399598	Pennsylvania Public Utility Commission	Peoples TW Phillips	March 2014	Pennsylvania Office of Small Business Advocate	Gas procurement, design day demand, cost allocation rate design, retainage
P-2013-2389572 (Remand)	Pennsylvania Public Utility Commission	PPL Electric Utilities	February 2014	Pennsylvania Office of Small Business Advocate	Time of use rates, net metering rates

ROBERT D. KNECHT

EXPERT TESTIMONY SUBMITTED IN REGULATORY PROCEEDINGS: 2012-2017

DOCKET #	REGULATOR	UTILITY	DATE	CLIENT	TOPICS
Matter 225	New Brunswick Energy & Utilities Board	Enbridge Gas New Brunswick	January 2014	New Brunswick Public Intervenor	Financial review, investment prudence, revenue requirement, cost allocation, rate design, market-based pricing.
P-2013-2391368, P-2013-2391372, P-2013-2391375, P-2013-2391378	Pennsylvania Public Utility Commission	Metropolitan Edison, Pennsylvania Electric, Pennsylvania Power, West Penn Power	January 2014	Pennsylvania Office of Small Business Advocate	Default service procurement, cost allocation, rate design
Matter No. 214	New Brunswick Energy & Utilities Board	Generic	November 2013	New Brunswick Public Intervenor	Maximum retail margins for motor fuel and residential heating oil.
Matter No. 171	New Brunswick Energy & Utilities Board	New Brunswick Power	September 2013	New Brunswick Public Intervenor	Amortization method for deferral costs associated with refurbishing Point Lepreau Generating Station
C-2013-2367475	Pennsylvania Public Utility Commission	PPL Electric Utilities	August 2013	Pennsylvania Office of Small Business Advocate	Forecasting and reconciliation of default service electric costs and revenues.
P-2011-2277868, I-2012-2320323	Pennsylvania Public Utility Commission	Generic	August 2013	Pennsylvania Office of Small Business Advocate	Ratemaking treatment for customers in overlapping NGDC service territories ("gas-on-gas").
P-2013-2356232	Pennsylvania Public Utility Commission	UGI Central Penn Gas, UGI Penn Natural Gas, UGI Utilities (Gas Division)	July 2013	Pennsylvania Office of Small Business Advocate	Program design, cost recovery and rate design for alternative system expansion financing pilot program ("GET Gas")
R-2013-2355886	Pennsylvania Public Utility Commission	Peoples TWP LLC	July 2013	Pennsylvania Office of Small Business Advocate	Cost allocation, revenue allocation, rate design
R-2013-2361764, R-2013-2361763, R-2013-2361771	Pennsylvania Public Utility Commission	UGI Central Penn Gas, UGI Penn Natural Gas, UGI Utilities (Gas Division)	July 2013	Pennsylvania Office of Small Business Advocate	Unaccounted-for gas.

ROBERT D. KNECHT

EXPERT TESTIMONY SUBMITTED IN REGULATORY PROCEEDINGS: 2012-2017

DOCKET #	REGULATOR	UTILITY	DATE	CLIENT	TOPICS
Matter No. 178	New Brunswick Energy & Utilities Board	Enbridge Gas New Brunswick	July 2012	NB Public Intervenor	System expansion economic test, test year revenue requirement, cost allocation, rate design, treatment of stranded costs.
R-2012-2290597	Pennsylvania Public Utility Commission	PPL Electric Utilities	June 2012	Pennsylvania Office of Small Business Advocate	Cost allocation, revenue allocation, rate design
R-2012-2293303	Pennsylvania Public Utility Commission	Columbia Gas of Pennsylvania	May 2012	Pennsylvania Office of Small Business Advocate	Treatment of pipeline credits
AUC ID #1633	Alberta Utilities Commission	Alberta Electric System Operator	April 2012	Powerex, Northpoint Energy Solutions, Cargill	Economic efficiency issues for allocation of constrained transmission capacity.
R-2012-2286447	Pennsylvania Public Utility Commission	Philadelphia Gas Works	April 2012	Pennsylvania Office of Small Business Advocate	Unaccounted-for gas retainage, reconciliation
R-2012-2281465	Pennsylvania Public Utility Commission	National Fuel Gas Distribution	March 2012	Pennsylvania Office of Small Business Advocate	Unaccounted-for gas retainage, gas price procurement and hedging
R-2011-2273539	Pennsylvania Public Utility Commission	Peoples TWP	March 2012	Pennsylvania Office of Small Business Advocate	Design day demand methodology
P-2011-2273650 P-2011-2273668 P-2011-2273669 P-2011-2273670	Pennsylvania Public Utility Commission	Metropolitan Edison, Pennsylvania Electric, Penn Power, West Penn Power	February 2012	Pennsylvania Office of Small Business Advocate	Default service procurement, retail market enhancement, rate design.
R-2011-2264771	Pennsylvania Public Utility Commission	PPL Electric Utilities	January 2012	Pennsylvania Office of Small Business Advocate	TOU Rates

Note: Dates shown reflect submission date for direct testimony.

May 2017

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EXHIBIT IEc-2

REFERENCED INTERROGATORY RESPONSES

****** ALL HIGHLY CONFIDENTIAL ******

OSBA-I-1

OSBA-I-2

OSBA-I-3

OSBA-I-4

OSBA-I-5

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF PIKE COUNTY LIGHT & POWER COMPANY FOR APPROVAL OF ITS DEFAULT SERVICE PLAN AND WAIVER OF COMMISSION REGULATIONS AND *NUNC PRO TUNC* TREATMENT FOR THE PERIOD JUNE 1, 2021 THROUGH MAY 31, 2024	:	**Docket No. P-2020-3022988**

VERIFICATION

I, Robert D. Knecht, hereby state that the facts set forth in my Direct Testimony and Exhibits, labelled OSBA Statement No. 1, with Exhibits IEc-1 and IEc-2, are true and correct to the best of my knowledge, information, and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 19 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: January 25, 2021

Robert D. Knecht