

COMMISSION ON ECONOMIC OPPORTUNITY

CEO Statement No. 1 *6/2/16 Hbg dx*

Direct Testimony of Eugene M. Brady

Pennsylvania Public Utility Commission

v.

UGI Utilities, Inc. – Gas Division

Docket Number: R-2015-2518438

1 **Q. Please state your full name and business address.**

2 A. Eugene M. Brady, 165 Amber Lane, PO Box 1127, Wilkes-Barre, Pennsylvania  
3 18703-1127.

4

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

6 A. I am employed by the Commission on Economic Opportunity (CEO) as Executive  
7 Director.

8

9 **Q. What are the interests of the Commission on Economic Opportunity in this**  
10 **rate case?**

11 A. The Commission on Economic Opportunity is a non-profit organization serving  
12 the low-income and elderly in Luzerne County, PA. In a typical year, the Commission  
13 serves more than 25,000 Luzerne County residents, of which 98% are at or below 150%  
14 of the federal poverty level. It is part of our responsibility to our constituency to  
15 advocate for their interests in regulatory proceedings and this proposed request will  
16 certainly have an impact upon those low-income ratepayers. In addition to the  
17 affordability of transmission and distribution rates, CEO is particularly interested in the  
18 ability of our clients to save money through conserving energy.

19

20 **Q. What background and experience in energy issues qualify you and the**  
21 **Commission on Economic Opportunity to participate in this case?**

22 A. I have served as the Executive Director of the Commission since 1978. During  
23 my tenure CEO's experience and the expertise of its staff in energy programs has been

1 recognized on state and national levels. CEO's energy related programs have been  
2 acknowledged by receipt of a Superior Achievement Award from the United States  
3 Department of Energy. The Commission has weatherized more than 25,000 homes  
4 under the U.S. Department of Energy Weatherization Assistance Program. The  
5 organization also serves as a subcontractor for the PPL Electric Utilities' WRAP Program  
6 (LIURP) and the Low Income Usage Reduction Programs operated by the UGI Gas and  
7 Electric Divisions. In addition to energy conservation, the Commission is the contracted  
8 operator of Customer Assistance Programs sponsored by PPL and UGI and operates the  
9 hardship assistance funds for each of those utility companies. CEO is also the PA  
10 Department of Public Welfare's contracted operator of the crisis component of the Low  
11 Income Home Energy Assistance Program (LIHEAP) in Luzerne and Wyoming  
12 Counties. CEO was also a major contractor for PPL in the Low Income Renewable  
13 Energy Pilot, and secured funding and installed several solar thermal water heating  
14 systems for the former PG Energy and UGI Gas Division.

15 Throughout my career I have served on numerous Boards, Committees and Task  
16 Forces in the energy field under the auspices of the US Department of Energy, The PA  
17 Department of Community & Economic Development and the PA Public Utility  
18 Commission. Presently, I serve on the Board of Directors of the National Center for  
19 Appropriate Technology; I am on the Board of the National Community Action  
20 Foundation, the Chair of the Pennsylvania Weatherization Providers Task Force, and  
21 Chair of the Department of Community & Economic Development Weatherization Policy  
22 Advisory Council.

1           Additionally, CEO has been an active party in many restructuring and rate cases  
2 before the PUC including both PG Energy's (R-00994783) and UGI's (R-00994786)  
3 restructuring cases, and prior PPL Electric rate proceedings and participated in those  
4 matters to address universal service issues. CEO was also an active party in UGI's  
5 application to purchase PG Energy (A-120011F2000) and both PG Energy's and PPL  
6 Gas' prior rate cases (R-00061365, R-2290597).

7

8           **Q. Please describe the areas of your testimony.**

9           A.     In its request for a rate increase in this case the Company does not propose any  
10 increase in funding or measures that would help low-income customers to deal with the  
11 proposed rate increase. Further, an increase to the fixed monthly charge, as requested by  
12 the Company, would negatively impact a customer's motive and ability to conserve  
13 energy. The company's proposal if granted would increase rates, discourage  
14 conservation and leave a customer with less ability to conserve energy and less ability to  
15 reduce their electric bills. Despite the impact of its proposal on residential customers,  
16 and in particular low-income customers, the Company's proposal offers nothing in the  
17 way of changes or increases in funding to its low-income programs, programs that would  
18 help mitigate the negative impact of the Company's proposals.

19           UGI is requesting a rate increase of approximately 19.7% for the residential class;  
20 an average residential customer using 5,730 cubic feet of gas per month will see their bill  
21 increase from \$51.77 to \$61.97. Despite this increase and despite the impact it will have  
22 on low-income customers, the Company is not proposing any changes to its low-income  
23 programs, there is nothing proposed here that will help low-income customers deal with

1 the impact of this proposed rate increase. Specifically, my testimony will address how the  
2 Company's proposal to increase its monthly fixed service charge effects a customer's  
3 ability to conserve and how the impact of the Company's proposal could be mitigated  
4 through changes to the funding level of the Company's low-income reduction program  
5 (LIURP).

6

7 **Q. Before addressing the specifics of your testimony, do you have general**  
8 **concerns regarding this rate case?**

9 A. Yes. As I indicate above I am concerned that this proposed increase does not  
10 come with any proposals that will help low-income customers deal with the impact of the  
11 rate increase and rate design. Part of the residential customer's increase will be due to a  
12 large increase in the fixed monthly customer charge, from \$8.55 to \$17.50, an increase of  
13 over 100%. This increase in the monthly fixed charge concerns me, as it has the  
14 Commission in recent cases, because it discourages conservation and impacts a  
15 customer's ability to save money through conservation; as the Company moves towards  
16 charging customers based upon the Company's fixed costs and away from a customer's  
17 consumption there is less incentive, and ability, to conserve. One of the only defenses a  
18 family, particularly a poor family, has against the sharp increases in energy costs is to  
19 conserve – lower the thermostat, seal air leaks, change filters regularly, add more  
20 insulation, get a more efficient heating unit, etc. The Company's proposal to increase the  
21 fixed costs greatly impacts a customer's motive to conserve and the ability to lessen the  
22 impact of any rate increase. The combined effect of an increase in rates and an increase  
23 in fixed monthly charges, without any changes to universal service funding, not only

1 results in higher rates but also lessens the ability of customers to deal with those  
2 increases. In particular, the negative impact would be particularly harsh on the  
3 Company's low-income customers and the Company's proposed request ignores the  
4 interests of its low-income customers. The Gas Choice Act requires that the Commission  
5 ensure that universal service programs are 'appropriately funded and available' and the  
6 result of this proceeding will impact the question of whether the Company's universal  
7 service programs are appropriately funded and available.

8

9 **Q. How does the effect of the Company's requests impact upon your testimony**  
10 **in this case?**

11 **A. I do not believe that the Commission should allow an increase in rates and allow**  
12 **an increase in the fixed monthly customer charge without requiring an increase in**  
13 **universal service funding that would allow some relief to low-income customers. For a**  
14 **typical residential customer, a 19.7% increase is substantial, but for a low-income**  
15 **customer, the effects can be dramatic. High utility costs are not the only challenge for a**  
16 **poor person. Our agency has been helping low-income people for years and knows**  
17 **firsthand that they face financial challenges on many fronts -- housing, energy costs, food**  
18 **and health care -- and a dramatic increase in any of those areas can have a devastating**  
19 **impact. That negative impact goes beyond just an increase in rates in this case because**  
20 **the increase in the fixed monthly charge makes it more difficult for a consumer to lessen**  
21 **the impact of an increase in rates through conservation. Accordingly, I believe that any**  
22 **increase in rates and a rate design that discourages conservation should be accompanied**  
23 **by measures that allow a customer to conserve energy and thereby lower their utility bill.**

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**Q: Does CEO take a position on whether the Company's rate increase should be granted?**

A: No. Our concern is with the combination of the Company's request to increase rates and to increase the fixed portion of a customer's bill without any increases proposed for universal service funding.

**Q: What impact would the Company's proposed rate design have on low-income customers?**

A: The more a customer's bill is made up of fixed charges the less incentive and ability there is for a low-income customer to save money by conserving energy. In this case the Company is proposing a doubling of its fixed monthly charge, from \$8.55 to \$17.50. I am concerned about this proposal and CEO opposes any increase to the fixed monthly customer charge.

**Q: Why does CEO oppose an increase to the fixed monthly customer charge?**

A: In prior cases, PUC Commissioner Cawley has expressed concerns about proposals to increase the fixed portion of a customer's bill or any proposal that would impact a customer's motive and ability to conserve. In the National Fuel Gas case referenced above Commissioner Cawley issued a statement while the case was pending concerning NFG's proposal to increase its fixed monthly customer charge. That statement read in relevant part:

1            “This proposed change raises important policy issues that affect this  
2            Commission’s goals of promotion and encouragement of conservation of  
3            natural resources, including natural gas. Given the extremely volatile and  
4            currently high natural gas prices facing this nation, a policy that does not  
5            optimally reward consumers for conservation efforts, but instead charges  
6            fixed fees regardless of usage, should, I feel, be addressed by the parties to  
7            this case.”

8            We share Commissioner Cawley’s concerns and believe that fixed monthly  
9            charges should be held in check.

10  
11        **Q.    What would you like to address concerning the Company’s LIURP**  
12        **program?**

13        A.    A recent needs assessment submitted as part of the Company’s last Universal  
14        Service Plan found that there were 22,272 confirmed low-income residential customers  
15        (at or below 150% of the federal poverty level) served by the Company. Of those  
16        customers, 7,449 were found to be in need of LIURP services. In 2014 the Company  
17        provided LIURP measures to just 88 customers and in 2015 to 114 customers. So one  
18        can see that there is a large unmet need for LIURP services that is being addressed each  
19        year in numbers not big enough to have a significant impact in reducing that need.  
20        Despite this and despite its proposal to increase rates in this proceeding the Company is  
21        not proposing any increase in LIURP funding. As a result of this proceeding rates are  
22        likely to increase, a customer’s ability to conserve will decrease (if the fixed monthly  
23        charge is increased) yet no relief is being provided to customers that would allow them to



1 increase their conservation of energy and decrease their monthly bills. No progress will  
2 be made towards reducing the number of low-income customers in need of LIURP  
3 services.

4  
5 **Q. Do you believe that funding for LIURP should be increased and if so why?**

6 A. I do believe that funding for LIURP should be increased in light of the above-  
7 described need and the effect, if approved, of the Company's requests in this proceeding.  
8 Further, annual funding for LIURP, set at \$1.1M for the years 2016 and 2017 was  
9 established in 2015 as part of the Company's Universal Service Plan proceeding (M-  
10 2013-2371824). That funding level is based upon the current tariff and does not account  
11 for the current requests to increase rates and increase the fixed portion of a customer's  
12 bills; in effect, the appropriateness of funding for LIURP will be impacted if the  
13 Company's proposals to increase rates and increase the fixed portion of those rates are  
14 granted.

15  
16 **Q. Do you have a specific recommendation regarding LIURP funding?**

17 A. Yes. Current funding for LIURP is set at \$1.1M annually and I am  
18 recommending that the annual funding for LIURP be increased to \$1,350,000 effective  
19 upon the effective date of any rate increase emanating from this proceeding.

20  
21 **Q. What is the basis for recommending that LIURP funding be increased to**  
22 **\$1,350,000 annually?**

1 A. Initially, based upon the Company's own needs assessment there are 7,449 low-  
2 income customers in need for LIURP services and in order to begin to meet that need the  
3 number of LIURP jobs will need to be increased as will LIURP funding. The Company  
4 completed 88 LIURP jobs in 2014, 114 in 2015 and 6 to date in 2016. With an additional  
5 increase the Company can begin to meet the need that exists in its service territory. I  
6 believe a good target would be 150 jobs per year, an increase of roughly 50 jobs per year  
7 from the average number done in 2014 and 2015. Further, as I mentioned above, often  
8 times the only defense that a poor person has to rising utility costs is conservation and  
9 LIURP services increase a person's ability to conserve. LIURP provides conservation  
10 measures that a poor person could otherwise not afford. With the many economic  
11 challenges facing a low-income person, they lack the resources to improve energy  
12 efficiencies in the home. Additionally, because of the effect of the Company's proposed  
13 increase on the residential class and the move towards higher fixed charges, more help  
14 has to be given to the low-income residential customer in the form of improving their  
15 ability to conserve and thereby control their energy costs.

16 **Q. Are there other reasons why you propose increasing LIURP funding to**  
17 **\$1,350,000 annually?**

18 A. Yes. Because I believe, like the Commission, that the energy conservation  
19 measures which result from a well funded LIURP program are an essential part of  
20 helping low income consumers deal with rising energy costs. The Commission has also  
21 found great value in LIURP programs by stating:

22 "The Commission finds that LIURP has been one of the Commonwealth's  
23 most successful programs for assisting low income customers. The

1 Commission has found that LIURP reduces bad debt by reducing  
2 customers' bills. Customers who receive LIURP services are able to pay  
3 their entire bill plus contribute to their arrearage.”

4 PUC Order on Duquesne Light's Restructuring, R-00974104, page 293.

5 And I believe that an effective LIURP program is especially important now in  
6 light of this Company's current request for a rate increase and change in rate design.

7 Although I believe the Company's other universal service programs are needed  
8 those other universal service programs help a low income customer only after a problem  
9 has arisen, whether it be arrearages or other crisis that impacts a person's ability to pay.  
10 Whereas a well-funded usage reduction program helps a poor person avoid a crisis by  
11 allowing for greater conservation and thereby a reduction in their monthly bills while at  
12 the same time promoting the common good that comes from energy conservation. I  
13 believe these are the reasons why the Commission has long recognized the value of a  
14 well-funded LIURP program.

15

16 **Q. Do you have any general comments on the Company's universal service**  
17 **programs?**

18 **A.** This Company has a history of using community-based organizations in the  
19 administration and implementation of its universal service programs, and I commend  
20 them for doing so. And it has indicated that it intends to continue to use community-  
21 based organizations relative to its universal service programs. As part of this proceeding,  
22 the Company should be directed to continue to use community based organizations in the

1 administration and implementation of its universal service programs as it has  
2 traditionally.

3 And as a final point, all unspent universal service funds from prior years should  
4 be carried over for use in the next year.

5

6 **Q. Can you summarize your recommendations?**

7 **A. I am recommending the following:**

8 1. That annual LIURP funding be increased to \$1,350,000 annually with any  
9 unspent portion being carried over to the following year;

10 2. That the Company's request to increase its fixed monthly customer charge  
11 be denied;

12 3. That the Company be directed to continue to use community based  
13 organizations as it has traditionally done in the administration and implementation of its  
14 universal service programs.

15

16 **Q. Does this conclude your testimony?**

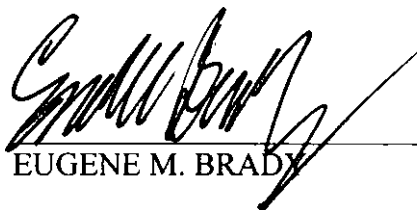
17 **A. Yes.**

COMMONWEALTH OF PENNSYLVANIA :  
: S.S.  
COUNTY OF LUZERNE :

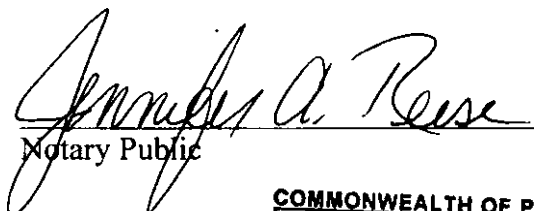
**AFFIDAVIT**

I, **EUGENE M. BRADY**, hereby depose and state the following:

1. I am the Executive Director of the Commission on Economic Opportunity.
2. I have submitted in this proceeding, through counsel, written direct testimony, CEO Statement No. 1.
3. In lieu of my appearance at hearing in this matter, I am offering CEO Statement No. 1 into evidence at hearing through the statements set forth in this Affidavit.
4. If I were called to testify at hearing, the answers to the questions I gave in CEO Statement No. 1 would be the answers given by me at hearing in response to those same questions.
5. The facts set forth in my answers contained in CEO Statement No. 1 are true and correct and represent my answers to those questions.
6. There are no additions, corrections or deletions I would propose to CEO Statement No. 1.

  
EUGENE M. BRADY

Subscribed and sworn to  
before me this 31st day  
of May, 2016.

  
Notary Public

