

I&E Statement No. 5-R
Witness: Christopher Keller

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

METROPOLITAN EDISON COMPANY
Docket No. R-2016-2537349

PENNSYLVANIA ELECTRIC COMPANY
Docket No. R-2016-2537352

PENNSYLVANIA POWER COMPANY
Docket No. R-2016-2537355

WEST PENN POWER COMPANY
Docket No. R-2016-2537359

Rebuttal Testimony

of

Christopher Keller

Bureau of Investigation & Enforcement

Concerning:

CUSTOMER ASSISTANCE PROGRAM (CAP)

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Christopher Keller. My business address is Pennsylvania
3 Public Utility Commission, P.O. Box 3265, Harrisburg, PA 17105-3265.

4

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by the Pennsylvania Public Utility Commission
7 (Commission) in the Bureau of Investigation and Enforcement (I&E) as a
8 Fixed Utility Financial Analyst.

9

10 **Q. WHAT IS YOUR EDUCATIONAL AND EMPLOYMENT**
11 **EXPERIENCE?**

12 A. An outline of my education and employment experience is attached as
13 Appendix A.

14

15 **Q. DOES YOUR REBUTTAL TESTIMONY INCLUDE AN**
16 **ACCOMPANYING EXHIBIT?**

17 A. Yes. I&E Exhibit No. 5-R, which accompanies this rebuttal testimony,
18 contains Schedule 1.

19

20 **Q. PLEASE DESCRIBE THE ROLE OF I&E IN RATE**
21 **PROCEEDINGS.**

1 A. I&E is responsible for protecting the public interest in proceedings before
2 the Commission. The I&E analysis in the proceeding is based on its
3 responsibility to represent the public interest. This responsibility requires
4 balancing the interests of the ratepayers and regulated utilities that provide
5 public utility service.

6

7 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

8 A. The purpose of my rebuttal testimony is to respond to the direct testimony
9 of the Coalition for Affordable Utility Services and Energy Efficiency in
10 Pennsylvania (CAUSE-PA) witness Mitchell Miller's (CAUSE-PA
11 Statement No. 1) recommended changes to the Customer Assistance
12 Programs (CAP) of the four FirstEnergy companies (FirstEnergy),
13 including Metropolitan Edison Company (Met-Ed), Pennsylvania Electric
14 Company (Penelec), Pennsylvania Power Company (Penn Power), and
15 West Penn Power Company (West Penn) (collectively, Companies).

16

17 **Q. SUMMARIZE THE RECOMMENDATION MADE BY CAUSE-PA**
18 **WITNESS MR. MILLER.**

19 A. CAUSE-PA witness Mr. Miller recommends an increase to CAP credits by
20 the same percentage and dollar amount as the residential rate class overall
21 bill increase as a result any authorized residential distribution rate increase.
22 The increase in CAP credits would be based on the dollar for dollar match

1 for any approved increase in the fixed charge as well as a percentage
2 increase to match in the increase in the volumetric charge (CAUSE-PA
3 Statement No. 1, pp. 23-24).
4

5 **Q. WHAT IS MEANT BY THE TERM “CAP CREDIT”?**

6 A. The term “CAP credit” is the difference between a customer’s actual bill
7 amount and the payment the CAP customer is required to pay (percentage
8 of gross household income). The difference between the two amounts is
9 the CAP credit which is then recovered in rates from non-CAP residential
10 customers.
11

12 **Q. WHAT IS A “MAXIMUM CAP CREDIT”?**

13 A. The “maximum CAP credit” is the maximum amount of CAP credit a
14 customer can receive. After a customer reaches the maximum CAP credit,
15 the customer must pay the actual bill amount. The Commission has a
16 Policy Statement that sets the maximum annual CAP credit at \$1,400 for
17 electric heating customers and \$560 for non-heating customers (52 Pa.
18 Code § 69.265 (3)(v)(B) and (C)). The maximum CAP credit is a control
19 feature in CAP programs to ensure an effective and efficient use of captive
20 non-CAP residential rate funds.

1 **Q. WHAT MAXIMUM CAP CREDITS ARE CURRENTLY**
2 **APPROVED FOR THE COMPANIES?**

3 A. In the Companies' Universal Service and Energy Conservation Plans, the
4 Commission approved maximum CAP credits of \$900 for non-heat
5 customers and \$2,400 for electric heating customers.¹ Accordingly, the
6 Companies' currently approved maximum CAP credits are significantly
7 higher than the amounts identified in the Commission's Policy Statement.

8
9 **Q. WHAT IS THE BASIS FOR MR. MILLER'S RECOMMENDATION**
10 **TO INCREASE THE CAP CREDITS?**

11 A. Mr. Miller states that increasing CAP credits would maintain the integrity
12 of CAP and prevent erosion of the effectiveness of CAP credits due to an
13 increase in rates over which low-income customers have no control
14 (CAUSE-PA Statement No. 1, p. 23).

15
16 **Q. DO YOU AGREE WITH MR. MILLER'S RECOMMENDATION?**

17 A. No. Increasing CAP credits in response to base rate increases will create
18 disparate treatment between customers of companies that file frequent rate
19 cases versus customers of companies that do not file frequently. The
20 Commission has sought to address the maximum CAP credit issue on a

¹ Docket Nos. M-2014-2407729, M-2014-2407730, M-2014-2407731, M-2014-2407728.

1 statewide basis by revising the Commission's Policy Statement after
2 soliciting comments from regulated utilities. Although the proposed CAP
3 revisions were ultimately withdrawn, it is appropriate to implement CAP
4 design changes globally rather than in individual base rate proceedings.
5 (Proposed Rulemaking Relating to Universal Service and Energy
6 Conservation Reporting Requirements, 52 Pa. Code §§ 54.71-54.78
7 (electric); §§ 62.1-62.8 (natural gas) and Customer Assistance Programs, §§
8 76.1-76.6, Docket No. L-00070186, p. 10 (Order entered May 10, 2012).

9

10 **Q. HAS MR. MILLER ESTABLISHED THAT FIRST ENERGY**
11 **CUSTOMERS HAVE AN EXCESSIVE ENERGY BURDEN?**

12 A. No. Percentage of income plans are correlated directly to the household's
13 income and the Commission-determined allowable energy burden
14 percentage. The energy burden is a percentage-based target of a CAP
15 customer's income that should be paid for energy consumption. For
16 heating customers, the Commission's recommended energy burden range is
17 7% to 17% (52 Pa. Code § 69.265 (2)(i)(C). For non-heating customers,
18 the Commission's recommended energy burden range is 2% to 7% (52 Pa.
19 Code § 69.265 (2)(i)(A)).

20 In response to a CAUSE-PA interrogatory, CAUSE-PA-I-14, the
21 Companies provided reports analyzing the performance of its universal
22 service programs. In the first report which combined Met-Ed, Penelec, and

1 Penn Power, CAP heating customers realize an energy burden of 6% and
2 non-heating customers realize an energy burden of 3% (I&E Exhibit No.
3 2-R, Sch. 1, pp. 2-5). In the second report for West Penn, CAP heating
4 customers also realize an energy burden of 6% and non-heating customers
5 realize an energy burden of 3% (I&E Exhibit No. 2-R, Sch. 1, pp. 6-10).

6

7 **Q. HAS MR. MILLER SHOWN THAT THE CURRENT LEVEL OF**
8 **CAP CREDITS IS INEFFECTIVE?**

9 A. No. While Mr. Miller states that maximum CAP credits should increase
10 with base rate increases, he has not shown that current maximum CAP
11 credits are insufficient. Mr. Miller cites to a single interrogatory response
12 in a footnote as support and points to data provided in OCA-IV-4 that
13 shows a spike of customers receiving the maximum credit for non-heating
14 accounts of \$960. Mr. Miller does not consider alternative explanations for
15 this spike other than an ineffective CAP maximum credit. This spike could
16 also be explained by customers using electric space heaters instead of their
17 traditional heat source (gas, oil, etc.). The data provided in this response
18 may also include CAP customers who are exempted from control features
19 such as max CAP credit for reasons such as energy consumption beyond
20 the household's control. Without this additional information Mr. Miller's
21 proposal to increase CAP credits would harm the low-income non-CAP
22 customers whose plight he addresses for the bulk of his testimony. This is

1 especially true when the Companies maximum CAP credits are already
2 higher than the amounts identified in the Commission’s Policy Statement.

3

4 **Q. HOW WOULD ADOPTION OF MR. MILLER’S**
5 **RECOMMENDATION IMPACT NON-CAP CUSTOMERS?**

6 A. Mr. Miller’s proposed maximum CAP credit increase impacts all non-CAP
7 residential customers as they will bear the increased CAP costs. The
8 additional cost will be particularly burdensome for non-CAP low-income
9 customers. Mr. Miller states in his testimony that between 87% and 89%,
10 or approximately 450,000 households, of the Companies’ estimated low-
11 income population are not enrolled in CAP (CAUSE-PA Statement No. 1,
12 p. 9). Mr. Miller’s proposal to increase CAP credits would harm these
13 customers as the vast majority of low-income customers would be required
14 to pay more for the additional CAP credits for which they are not receiving
15 any benefit.

16 When considering proposed revisions to the current CAP policy
17 statement, the Commission stated that “we will revise our policy statement
18 on CAPs to consider the interest of all customers, not just those enrolled in
19 CAP programs.” (Proposed Rulemaking Relating to Universal Service and
20 Energy Conservation Reporting Requirements, 52 Pa. Code §§ 54.71-54.78
21 (electric); §§ 62.1-62.8 (natural gas) and Customer Assistance Programs, §§
22 76.1-76.6, Docket No. L-00070186, p. 10 (Order entered May 10, 2012).

1 In particular, the Commission expressed concern about low-income
2 customers just above 150% of the federal income poverty level who are not
3 eligible for CAP but are required to pay for increased CAP costs. I&E is
4 similarly concerned about these non-CAP customers who will be required
5 to pay for the unquantified additional CAP costs proposed by CAUSE-PA.
6 Such costs will be especially burdensome for low-income customers who
7 are not enrolled in CAP or customers who are just above the CAP
8 eligibility requirements.

9

10 **Q. WHAT IS YOUR POSITION WITH RESPECT TO MR. MILLER'S**
11 **RECOMMENDED INCREASE TO CAP CREDITS?**

12 A. I recommend that the proposed increase to CAP credits be disallowed.

13

14 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

15 A. Yes.

Professional and Educational Experience

Christopher Keller

Professional Experience

January 2014 to Present
Fixed Utility Financial Analyst
Pennsylvania Public Utility Commission, Harrisburg, Pennsylvania
Bureau of Investigation & Enforcement

September 2008 to January 2014
Insurance Company Financial Analyst
Pennsylvania Insurance Department, Harrisburg, Pennsylvania
Bureau of Licensing & Financial Analysis

Education and Training

York College of Pennsylvania, York, Pennsylvania
Bachelor of Science, Accounting, 2006
Master of Business Administration, Finance Concentration, 2008

FAI Utility Finance and Accounting for Financial Professionals, Boston, MA
May 21-23, 2014

Testimony Submitted

I have testified and/or submitted testimony in the following proceedings:

- Docket No. R-2014-2420279 – UGI Central Penn Gas, Inc., 1307(f)
- Docket No. R-2014-2419774 – Wellsboro Electric Company
- Docket No. R-2014-2428304 – Borough of Hanover – Hanover Municipal Water Works
- Docket No. R-2014-2452705 – Delaware Sewer Company
- Docket No. P-2014-2404341 – Delaware Sewer Company
- Docket No. R-2015-2468056 – Columbia Gas of Pennsylvania, Inc.
- Docket No. P-2015-2511333 – Metropolitan Edison Company
- Docket No. P-2015-2511351 – Pennsylvania Electric Company
- Docket No. P-2015-2511355 – Pennsylvania Power Company
- Docket No. P-2015-2511356 – West Penn Power Company
- Docket No. R-2015-2518438 – UGI Utilities, Inc. – Gas Division
- Docket No. R-2016-2543311 – UGI Central Penn Gas, Inc., 1307(f)

Professional and Educational Experience

Christopher Keller

Assisted with the Following Cases

- Docket No. R-2013-2397353 – Pike County Light & Power Company (Gas)
- Docket No. R-2013-2397237 – Pike County Light & Power Company (Electric)
- Docket No. R-2014-2428742 – West Penn Power Company
- Docket No. R-2014-2428743 – Pennsylvania Electric Company
- Docket No. R-2014-2428744 – Pennsylvania Power Company
- Docket No. R-2014-2428745 – Metropolitan Edison Company
- Docket No. R-2014-2462723 – United Water Pennsylvania
- Docket No. R-2016-2537349 – Metropolitan Edison Company
- Docket No. R-2016-2537352 – Pennsylvania Electric Company
- Docket No. R-2016-2537355 – Pennsylvania Power Company
- Docket No. R-2016-2537359 – West Penn Power Company