

**BEFORE THE PENNSYLVANIA PUBLIC
UTILITY COMMISSION**

Pennsylvania Public Utility Commission, *et. al.* : R-2016-2537349, *et al.*
:
v. :
:
Metropolitan Edison Company :

Pennsylvania Public Utility Commission, *et. al.* : R-2016-2537352, *et al.*
:
v. :
:
Pennsylvania Electric Company :

Pennsylvania Public Utility Commission, *et. at.* : R-2016-2537355, *et. al.*
:
v. :
:
Pennsylvania Power Company :

Pennsylvania Public Utility Commission, *et. al.* : R-2016-2537359, *et al.*
:
v. :
:
West Penn Power Company :

**REBUTTAL TESTIMONY
OF
ROGER D. COLTON
ON BEHALF OF
OFFICE OF CONSUMER ADVOCATE**

August 17, 2016

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

2 A. My name is Roger Colton. My business address is 34 Warwick Road, Belmont, MA
3 02478.

4
5 **Q. ARE YOU THE SAME ROGER COLTON WHO PREVIOUSLY SUBMITTED**
6 **DIRECT TESTIMONY IN THIS PROCEEDING ON BEHALF OF THE OFFICE**
7 **OF CONSUMER ADVOCATE?**

8 A. Yes.

9

10 **Q. PLEASE EXPLAIN THE PURPOSE OF YOUR REBUTTAL TESTIMONY.**

11 A. The purpose of my Direct Testimony is to respond to the Direct Testimony of Mitchel
12 Miller submitted on behalf of the Coalition for Affordable Utility Services and Energy
13 Efficiency in Pennsylvania (CAUSE-PA).

14

15 **CAP Credit Ceiling Proposal.**

16 **Q. PLEASE EXPLAIN THE PURPOSE OF THIS SECTION OF YOUR**
17 **TESTIMONY.**

18 A. In this section of my testimony, I consider the Direct Testimony of Mitchell Miller
19 offered on behalf of CAUSE-PA. More specifically, I will address Mr. Miller's
20 recommendations regarding the treatment of the CAP Credit ceiling. (Miller Direct, at
21 23). Mr. Miller recommends that "if any increase is approved, I propose that the
22 Maximum CAP credits be increased. . ." (Miller Direct, at 23). Mr. Miller had previously
23 stated that "one means of mitigating the impact of FirstEnergy's proposed rate increase

1 would be to increase the CAP credits by the same percentage (and dollar amount) that a
2 customer's overall bill would increase as a result of any increase granted in this base rate
3 proceeding." (Miller Direct, at 23).

4
5 I disagree with Mr. Miller on one detail. Mr. Miller uses the word "and" in stating that
6 one possible response to the higher rates would be to "increase the CAP credits by the
7 same percentage (and dollar amount) that a customer's overall bill would increase." That
8 statement appears to equate (1) increasing CAP credits by the same percentage that a
9 customer's overall bill would increase with (2) increasing CAP credits by the same dollar
10 amount that a customer's overall bill would increase (Miller Direct, at 24). Treating
11 those two amounts as though they are the same is in error. As I explain in my Direct
12 Testimony, the appropriate increase in the CAP Credit ceiling would be the dollar amount
13 of increase at standard residential rates. Increasing the CAP Credit ceiling simply by the
14 percentage bill increase would not protect the affordability of bills to CAP participants.

15
16 For example, assume a CAP participant has CAP credits equal to, but not exceeding, the
17 CAP credit ceiling (\$960 for non-heating customers). Assume further that the rate
18 increase resulting from this proceeding is 12%. Increasing the CAP credit ceiling by
19 12% would result in an increase of only \$115 ($\$960 \times 0.12 = \115). The new CAP credit
20 ceiling would, under these circumstances, be \$1,075 ($\$960 + \$115 = \$1,075$).

21
22 In reality, every dollar of rate increase would be charged to the CAP participant (given
23 that, by assumption, the participant is exactly at the CAP Credit ceiling). The contribution

1 to unaffordability would be equal to 12% times the total bill, not merely 12% times the
2 CAP credit.

3
4 **Q. PLEASE ILLUSTRATE YOUR CONCERN?**

5 A. An increase in rates, if any, approved in this proceeding would apply to a CAP
6 participant's total bill at standard residential rates. That total bill is equal to the sum of
7 the customer's CAP Bill (i.e., that portion of the total bill paid by the CAP participant)
8 and the CAP Credit (i.e., that portion of the total bill that is the discount, which is then
9 charged to non-participants). By assumption, we have set the CAP Credit part of the total
10 bill equal to \$960, that point at which any increase in CAP Credits would be paid by the
11 CAP participant, and would be above and beyond the electric burdens deemed to be
12 affordable by the Commission.

13
14 We can, for purposes of illustration, set the second part of the total bill (i.e., the CAP Bill,
15 which is that portion paid by the CAP participant) equal to the average CAP bill reported
16 by the Bureau of Consumer Services ("BCS") each year in the BCS annual report on
17 Universal Service Programs and Collections Performance. Using these averages for the
18 most recent year reported by BCS, we can determine that the bills above and beyond the
19 \$960 in CAP Credits would be equal to:

- 20 ➤ Met Ed: CAP bill of \$69/month; annual CAP bill of \$828 (\$69/month x 12
21 months);
- 22 ➤ Penelec: CAP bill of \$55/month; annual CAP bill of \$660 (\$55/month x 12
23 months);

➤ Penn Power: CAP bill of \$57/month; annual CAP bill of \$684 (\$57/month x 12 months);

➤ West Penn Power: CAP bill of \$94/month; annual CAP bill of \$1,128 (\$94/month x 12 months).

The total bill, therefore, which will increase by 12% as a result of our hypothesized approved rate increase, will be:

➤ Met Ed: \$828 (CAP Bill) + \$960 (CAP Credit) = \$1,788.

➤ Penelec: \$660 (CAP Bill) + \$960 (CAP Credit) = \$1,620.

➤ Penn Power: \$684 (CAP Bill) + \$960 (CAP Credit) = \$1,644.

➤ West Penn Power: \$1,128 (CAP Bill) + \$960 (CAP Credit) = \$2,088.

In these circumstances, increasing the CAP Credit by 12% (i.e., a dollar increase of \$115) would impose a substantial additional burden on the CAP participants who are already at the CAP credit ceiling:

	ME	PN	PP	WP
Increase in CAP credit ceiling /a/	\$115	\$115	\$115	\$115
Increase in total CAP credits /b/	\$215	\$194	\$197	\$251
Increased unaffordability /c/	\$100	\$79	\$82	\$135
/a/ \$960 x 12%..				
/b/ Total bill x 12%.				
/c/ Increase in total CAP credits minus increase in CAP credit ceiling.				

Q. WHAT DO YOU CONCLUDE?

A. While I agree with Mr. Miller's concerns, as I discuss in detail in my Direct Testimony, I conclude that Mr. Miller errs in equating an increase in the CAP Credit ceiling by the percentage rate increase to the dollar rate increase. As I recommend in my Direct

1 Testimony, the CAP Credit ceiling should be increased by a dollar amount equal to the
2 annual dollar rate increase approved for the residential customer class in this proceeding,
3 using the median CAP consumption, rounded to the nearest \$10.

4

5 **Q. DOES THIS COMPLETE YOUR REBUTTAL TESTIMONY?**

6 A. Yes, it does.

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VERIFICATION

I, Roger D. Colton, hereby state that the facts above set forth in my Rebuttal Testimony, OCA Statement No. 4-R, are true and correct 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).

Signature: _____

Roger D. Colton

Consultant Address: Fisher, Sheehan, and Colton
34 Warwick Road
Belmont, Ma 02478

DATED: August 17, 2016