

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission)

)

)

v.

)

Docket No. R-2018-3006818

)

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Peoples Natural Gas Company LLC)

PUBLIC VERSION
SURREBUTTAL TESTIMONY
OF
GLENN A. WATKINS
ON BEHALF OF THE
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

JUNE 12, 2019

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

2 A. My name is Glenn A. Watkins. My business address is 1503 Santa Rosa Road,
3 Suite 130, Richmond, VA 23229.

4
5 **Q. HAVE YOU PREVIOUSLY PRE-FILED TESTIMONY IN THIS PROCEEDING?**

6 A. Yes. I provided direct testimony filed on behalf of the OCA on April 29, 2019as
7 well as supplemental direct testimony filed on May 29, 2019. I also provided rebuttal
8 testimony on May 28, 2019.

9
10 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY IN THIS
11 PROCEEDING?**

12 A. The purpose of this testimony is to reply to the rebuttal testimonies of Company
13 witness Russell Feingold and Peoples Industrial Intervenors' witness James Crist.

14
15 **Q. PLEASE RESPOND TO MR. FEINGOLD'S REBUTTAL TESTIMONY ON
16 PAGES 10 THROUGH 12 WHERE HE CLAIMS THAT SOME INTERVENOR
17 WITNESSES' CLASS COST OF SERVICE STUDIES ("CCOSS") ARE BIASED IN
18 FAVOR OF THEIR CLIENTS AND ARE END RESULT ORIENTED.**

19 A. In this case, there are four witnesses that address CCOSS: Mr. Feingold on behalf
20 of the Company, Mr. Crist on behalf of the Peoples Industrial Intervenors, Mr. Cline on
21 behalf of I&E and me on behalf of OCA. I take exception to Mr. Feingold's
22 characterization that Mr. Cline's and my opinions regarding proper and reasonable cost
23 allocations are somehow end result oriented. The issue of class cost allocations has been
24 controversial and unsettled long before I began my practice in this field (39 years ago).
25 Contrary to the opinion of Mr. Feingold, the fact of the matter is, different CCOSS experts
26 simply have differences of opinion as to how public utility costs should be reasonably
27 allocated across classes. It is interesting to note that Mr. Crist, who represents Industrial
28 interests and supports Mr. Feingold's methodology, is not accused of the same bias and
29 end result oriented preference for a cost of service study as Mr. Cline and I are. The fact
30 of the matter is and as expressly set forth by the U.S. Supreme Court:

1 But where as here several classes of services have a common use of the
2 same property, difficulties of separation are obvious. Allocation of costs is
3 not a matter for the slide-rule. It involves judgment on a myriad of facts. It
4 has no claim to an exact science.¹
5

6 **Q. PLEASE RESPOND TO MESSRS. FEINGOLD AND CRIST REBUTTAL**
7 **TESTIMONIES THAT CLAIM THE PEAK & AVERAGE (“P&A”) METHOD**
8 **HAS NO MERIT AND SHOULD NOT BE CONSIDERED BY THIS**
9 **COMMISSION.**

10 A. As acknowledged by Mr. Feingold, this Commission has a long history of utilizing
11 natural gas cost of service studies that consider both peak and average demands within the
12 allocation of distribution mains. Furthermore, this Commission has a long history of also
13 not considering number of customers within the allocation of mains. While Mr. Feingold
14 attempts to persuade the Commission to depart from its long-standing practice regarding
15 natural gas utilities by pointing out that this Commission has used a different approach
16 known as the Customer/Demand method to allocate electric distribution infrastructure
17 costs, the general concepts may indeed be the same but the circumstances and applications
18 between gas and electric are decidedly different as will be discussed in more detail below.
19

20 **Q. WITH REGARD TO MR. FEINGOLD’S CLAIM THAT I&E’S AND YOUR**
21 **METHOD TO ALLOCATE MAINS-RELATED COSTS IS BIASED AS WELL AS**
22 **BOTH MR. FEINGOLD’S AND MR. CRIST’S OPINION THAT THIS**
23 **METHODOLOGY HAS NO MERIT, DO OTHER REGULATORY**
24 **COMMISSIONS ALSO SUPPORT AND RECOGNIZE THE ALLOCATION OF**
25 **NATURAL GAS DISTRIBUTION MAINS BASED PARTIALLY ON PEAK**
26 **DEMAND AND PARTIALLY ON THROUGHPUT (AVERAGE DEMAND)?**

27 A. Yes. Several other States expressly used and have adopted methods that allocate
28 natural gas distribution mains considering both peak demands and average demands.
29 Examples of regulatory commissions that rely on approaches similar to that accepted by
30 the Pennsylvania PUC for decades include: Delaware (Delmarva Power & Light);

¹ *Colorado Interstate Gas Co. v. Federal Power Commission*, 324 U.S. 581, 590 (1945).

1 Washington State (Puget Sound Energy and Avista Utilities); Maryland (Washington Gas
2 & Light); and, Rhode Island (National Grid).

3
4 **Q. MESSRS. FEINGOLD AND CRIST OPINE THAT THE ALLOCATION OF**
5 **NATURAL GAS DISTRIBUTION MAINS SHOULD INCLUDE A CUSTOMER**
6 **COMPONENT PROVISION; I.E., ALLOCATED PARTIALLY ON NUMBER OF**
7 **CUSTOMERS. ARE YOU AWARE OF OTHER REGULATORY COMMISSIONS**
8 **THAT HAVE EXPRESSLY REJECTED THIS APPROACH?**

9 A. Yes. Regulatory commissions that have expressly rejected the consideration of
10 number of customers within the allocation of natural gas distribution mains include:
11 Delaware (Delmarva Power & Light); Maryland (Washington Gas & Light and Baltimore
12 Gas & Electric ["BG&E"]); Washington D.C. (Washington Gas & Light); Kansas (Kansas
13 Gas Service); Washington State (Puget Sound Energy and Avista Utilities); North Carolina
14 (Duke Energy); and, Rhode Island (National Grid).

15
16 **Q. ON PAGE 7 OF HIS REBUTTAL TESTIMONY, MR. CRIST REFERS TO A 2016**
17 **CASE INVOLVING BG&E WHEREIN THE MARYLAND COMMISSION**
18 **ACCEPTED A CCROSS METHODOLOGY WHEREIN DISTRIBUTION MAINS**
19 **WERE ALLOCATED BASED ONLY ON CLASS NON-COINCIDENT PEAK**
20 **("NCP") DEMANDS. CAN YOU PROVIDE ANY CLARIFICATION TO THIS**
21 **CITATION?**

22 A. Yes. I routinely practice before the Maryland Public Service Commission and in
23 fact participated in BG&E's most recent (2018) rate case (Case No. 9484). Similar to the
24 2016 case referenced by Mr. Crist, BG&E also allocated distribution mains in the 2018 rate
25 case considering only class non-coincident peaks ("NCPs"). However, there are two
26 important aspects to the BG&E study and approach that Mr. Crist does not mention. First,
27 there was no consideration of number of customers within the allocation of BG&E's
28 distribution mains. That is, distribution mains were allocated across classes entirely based
29 on class NCPs; *i.e.*, no consideration of number of customers within the allocation of

1 distribution mains. Second, class NCP demands for a natural gas utility (such as BG&E)
2 are markedly different than design day demands that have been utilized in this case.

3 Whereas a design day demand is a theoretical maximum demand that could be
4 placed on a distribution system under the coldest weather conditions possible, the class
5 NCP demands utilized in Maryland (and elsewhere) reflect actual non-coincident demands
6 that are significantly less than the theoretical design day demands. This has particularly
7 important implications as it relates to the allocation of costs to small volume user classes
8 such as Residential and Small Commercial. This is because small volume classes tend to
9 be much more weather sensitive than Large Industrial customer classes. Therefore, under
10 a design day approach, the relative contributions (to total company) of the Residential and
11 Small Commercial classes tend to be much greater under a theoretical design day approach
12 than under actual experience. Furthermore, the NCP approach measures each class's
13 maximum demand regardless of when it occurs. Because Industrial customers tend not to
14 be as weather sensitive as small volume customers, they often peak at a time other than the
15 system peak. Therefore, under the NCP approach, the relative allocations of Industrial
16 customers are typically higher than if costs were allocated on a coincident peak ("CP")
17 basis.²

18 Finally, it should be noted that in the 2018 BG&E case, I also conducted a CCOSS
19 utilizing the P&A approach (using the design day and average demands) and found that the
20 Company's NCP method produced similar results relating to the Residential and General
21 Service classes.³

² Under a design day concept, demands are expressed on a system coincident peak basis.

³ I did find that there were differences in rates of return between Small and Large Interruptible customers. In this case, however, this had no impact on the CCOSS results pertaining to firm classes.

1 **Q. ON PAGE 15, LINES 1 THROUGH 3 OF HIS REBUTTAL TESTIMONY, MR.**
2 **FEINGOLD STATES THAT CUSTOMERS VALUE THE AVAILABILITY OF**
3 **THE DESIGN DAY CAPACITY WHEN IT IS NEEDED AND ARE WILLING TO**
4 **PAY FOR THAT CAPACITY BECAUSE OF THE IMPORTANCE OF SERVICE**
5 **RELIABILITY UNDER DESIGN DAY CONDITIONS. PLEASE COMMENT ON**
6 **THE STATEMENT MADE BY MR. FEINGOLD.**

7 A. First, I would agree that there is no doubt that customers value the reliability of gas
8 distribution service to provide energy on even the coldest possible day. However, and as
9 discussed at length in my direct testimony, I disagree with his assertion that customers only
10 demand criteria are based upon their willingness to pay for that capacity because of the
11 importance of service reliability under design day conditions. In this regard, Mr. Feingold
12 asserts that customers' demand for and willingness to subscribe to natural gas service as
13 an energy source, is only related to the need to supply gas during a single theoretical day
14 (design day). Clearly this is not the case in that the demand for, and use of, natural gas as
15 an energy source relates to the availability and use of natural gas throughout the year not
16 just to have that availability for a single theoretically coldest possible day. Indeed, the
17 P&A approach utilized by Mr. Cline and me and accepted by this Commission for decades,
18 recognizes both criteria and is an appropriate measure of cost causation relating to
19 distribution mains. That is, the P&A method considers both peak (design day) demands as
20 well as usage throughout the year.

21
22 **Q. ON PAGES 29 AND 30 AND EXHIBIT RAF-12 OF HIS REBUTTAL TESTIMONY,**
23 **MR. FEINGOLD ATTEMPTS TO SHOW THAT UNDER THE P&A METHOD,**
24 **LARGE VOLUME CUSTOMER CLASSES ARE ASSIGNED MORE UNIT COSTS**
25 **UNDER THE P&A METHOD THAN UNDER HIS CUSTOMER/DEMAND**
26 **METHOD. DO YOU HAVE A RESPONSE TO THIS ASSERTION?**

27 A. Yes. The analysis presented in Mr. Feingold's Exhibit RAF-12 indicates that the
28 unit costs of distribution mains is greater for Industrial customers than Residential
29 customers under the P&A method. Mr. Feingold's Exhibit RAF-12 also shows that under
30 his Customer/Demand approach, these unit costs are lower for Industrial customers than

1 Residential Customers. As a result, Mr. Feingold reasons that the P&A approach produces
 2 illogical results. However, a careful examination of Mr. Feingold's Exhibit RAF-12
 3 reveals that his calculations of each class's unit costs relate only to design day demand. As
 4 I have explained throughout this case, energy users, whether it be Residential, Commercial,
 5 or Industrial utilize and rely upon natural gas to provide an energy source throughout the
 6 year. Indeed, based upon my investigation of Peoples' discounted rates for certain large
 7 customers, a common reason cited for offering discounted rates is that certain customers
 8 would reduce their total energy costs over the course of an entire year with an alternative
 9 source of energy absent a discount to the natural gas price offered by Peoples.⁴

10 As a result, Mr. Feingold's Exhibit RAF-12 does not provide an accurate depiction
 11 of unit costs across classes. Indeed, the following will show how the P&A approach is fair
 12 and reasonable, depicts consumers' demands for natural gas, and reasonably reflects the
 13 cost causation of Peoples natural gas distribution system. If Peoples' distribution mains
 14 were allocated totally on annual usage (Mcf throughput), the unit costs of distribution
 15 mains for every class would be exactly \$14.02 per Mcf. However, because consumers
 16 demand varying levels of usage during the year, consideration should also be given to the
 17 higher levels of demand placed at certain points in time. The P&A approach considers
 18 both of these requirements; *i.e.*, peak demands (on a design day basis) as well as natural
 19 gas energy consumption throughout the year. Therefore, consider Mr. Feingold's Exhibit
 20 RAF-12 expressed in terms of Mcf usage instead of on a design day unit cost basis as
 21 shown in the table below:

22

23 Peoples Natural Gas
 Comparison of Distribution Mains Unit Costs

Class	Feingold Cust./Demand Method			OCA P&A Method		
	Allocated Distribution Mains	Throughput (Mcf)	Cost Per Mcf	Allocated Distribution Mains	Throughput (Mcf)	Cost Per Mcf
Residential	\$1,163,569,914	50,052,933	\$23.25	\$807,573,391	50,052,933	\$16.13
Small General	\$168,797,260	9,818,232	\$17.19	\$160,817,360	9,818,232	\$16.38
Medium General	\$200,754,497	16,324,057	\$12.30	\$250,294,827	16,324,057	\$15.33
Large General	\$101,208,070	40,337,390	\$2.51	\$415,644,163	40,337,390	\$10.30

26

27

28

⁴ This also refutes Mr. Feingold's assertion on page 15 of his rebuttal that the demand for natural gas is only related to the importance of service reliability under a single design day.

1 As can be seen above, when Peoples' investment in mains is depicted on a Mcf basis, the
2 unit costs are lower under both the P&A and Customer/Demand approach. Indeed, under
3 the P&A approach, the unit costs of distribution mains allocated to the Residential class is
4 60% greater than those allocated to the Large General Service class $[(\$16.13 \div \$10.30)-1]$.
5 As a point of comparison, under Mr. Feingold's approach, the unit costs allocated to the
6 Residential class are 826% greater than those allocated to the Large General Service class
7 $[(\$23.25 \div \$2.51)-1]$.
8

9 **Q. ON PAGE 30 OF HIS REBUTTAL TESTIMONY, MR. FEINGOLD CLAIMS**
10 **THAT THE PA PUC DECISIONS REFERENCED BY MR. CLINE AND YOU IN**
11 **SUPPORT OF THIS COMMISSION'S POLICY TO CONDUCT NATURAL GAS**
12 **CCOSS CONSIDERING BOTH PEAK AND AVERAGE DEMANDS ARE**
13 **RELATIVELY DATED WITH THE MOST RECENT DECISION ISSUED 12**
14 **YEARS AGO AND THE OLDEST BEING 30 YEARS AGO. PLEASE REPLY TO**
15 **THIS CLAIM.**

16 A. As noted on pages 8 through 9 of my direct testimony, the most recent litigated case
17 concerning natural gas CCOSS was a Philadelphia Gas Works case which was about 12
18 years ago. This is the most recent finding of the Commission regarding the concepts and
19 proper allocation of natural gas distribution mains. Furthermore, and while this
20 Commission's policy and practice concerning the allocation of natural gas distribution
21 mains does indeed go back some 30 years, this Commission has consistently found that
22 natural gas distribution mains should be allocated considering both peak demands and
23 annual (average) usage. Furthermore, for at least the last 35 years, this Commission has
24 consistently found that for natural gas distribution utilities, number of customers should
25 not be considered within the allocation of distribution mains-related costs; i.e., distribution
26 mains should be allocated partially on number of customers.
27
28
29

1 **Q. IN HIS DIRECT TESTIMONY AS WELL AS ON PAGES 31 THROUGH 33 OF**
2 **HIS REBUTTAL TESTIMONY, MR. FEINGOLD ATTEMPTS TO PERSUADE**
3 **THIS COMMISSION TO CHANGE ITS LONG-STANDING APPROVED**
4 **APPROACH USED TO ALLOCATE NATURAL GAS DISTRIBUTION MAINS**
5 **BY ATTEMPTING TO DRAW A CORRELATION TO THE SIMILARITIES**
6 **BETWEEN NATURAL GAS DISTRIBUTION AND ELECTRIC DISTRIBUTION**
7 **PLANT. PLEASE RESPOND TO MR. FEINGOLD'S COMMENTS IN THIS**
8 **REGARD.**

9 A. While I would agree that there are conceptual similarities between electric
10 distribution poles and conductors and natural gas distribution mains as both serve as the
11 conduit to provide utility service to end-users, the circumstances and applications are much
12 different between these two industries. As noted in my direct testimony, electric utilities
13 are required to provide service throughout their entire service territory which often includes
14 rural and sparsely populated areas. Indeed, virtually every home in the state of
15 Pennsylvania is electrified and provided electricity from an electric distribution company.
16 As a result, and due to customer densities, there may be legitimate reasons to consider
17 customer densities within the allocation of distribution wires and poles. However, such is
18 not the case for natural gas utilities generally or Peoples specifically in that Peoples is not
19 required to provide natural gas service throughout its entire authorized service area.
20 Indeed, there have been numerous mains extension cases in recent years aimed at providing
21 mechanisms to promote the expansion and availability of gas to unserved and underserved
22 areas of NGDC's authorized service areas. Peoples also implemented such a program
23 authorized by the Commission through its Rider MLX.

24
25 **Q. ON THE TOPIC OF RURAL CUSTOMERS, ON PAGE 3 OF HIS REBUTTAL**
26 **TESTIMONY, MR. CRIST CLAIMS THAT PEOPLES SERVES RURAL**
27 **CUSTOMERS. IS THIS AN ACCURATE REPRESENTATION?**

28 A. No. As discussed above, there has been a significant problem not only through
29 Pennsylvania but specifically within Peoples' service area of making natural gas available
30 to unserved and underserved areas (primarily rural) within Peoples' authorized service

1 territory. While it is true that there are rural customers served from Peoples' gathering
2 system, these rural end-use customers are served only as a result of there being a gathering
3 system in place to move gas from the wells to market.
4

5 **Q. ON PAGES 34 THROUGH 36 OF HIS REBUTTAL TESTIMONY, MR.**
6 **FEINGOLD DISAGREES WITH MR. CRIST'S AND YOUR**
7 **RECOMMENDATION THAT DISCOUNTED RATE CUSTOMERS SHOULD BE**
8 **TREATED AS A SEPARATE CLASS. PLEASE RESPOND TO MR. FEINGOLD'S**
9 **DISAGREEMENT.**

10 A. In Mr. Feingold's opinion there is no need to separate the discounted rate customers
11 as a separate class because under his reasoning and his preferred CCOSS results, the LGS
12 class, whose current revenues reflect the discounted rates, already have a rate of return
13 significantly higher than the system average such that the full tariff customers'
14 contributions to profits must be even higher than his preferred results portray. In this
15 regard, Mr. Feingold does not mention that under his own P&A study, the LGS class ROR
16 is below the system average nor does he mention that under my study, the LGS is
17 significantly below the system average ROR. However, and regardless of which study is
18 considered, Mr. Feingold's reasoning is an acknowledgement that the full tariff LGS
19 customers' contributions to profits are likely greater than those portrayed in any study.
20 Whether the LGS class's ROR as a whole (which reflects the discounted rates to selected
21 customers) is higher or lower than the system average tells us nothing about the
22 profitability of full tariff customers.

23 To illustrate the magnitude and importance of evaluating the profitability of full
24 tariff LGS customers, consider the following: there are a total of 235 customers in the LGS
25 class. Of this amount, approximately [BEGIN HIGHLY CONFIDENTIAL] ■ [END
26 HIGHLY CONFIDENTIAL] customers are provided discounted rates such that
27 approximately [BEGIN HIGHLY CONFIDENTIAL] ■ [END HIGHLY
28 CONFIDENTIAL] LGS customers pay full tariff rates [BEGIN HIGHLY
29 CONFIDENTIAL] ■ [END HIGHLY CONFIDENTIAL]. On average, the
30 effective non-gas distribution rate paid by full tariff customers is about [BEGIN HIGHLY

1 **CONFIDENTIAL** [REDACTED] **[END HIGHLY CONFIDENTIAL]** per Mcf (includes
2 customer charge and volumetric charge revenue). At the same time, and in the aggregate,
3 the average distribution rate paid by discounted rate customers is only **[BEGIN HIGHLY**
4 **CONFIDENTIAL]** [REDACTED] **[END HIGHLY CONFIDENTIAL]** per Mcf. Furthermore,
5 the total usage of LGS customers (including discounted rate customers) is **[BEGIN**
6 **HIGHLY CONFIDENTIAL]** [REDACTED] **[END HIGHLY CONFIDENTIAL]** BCF annually.
7 The discounted rate customers constitute **[BEGIN HIGHLY CONFIDENTIAL]** [REDACTED]
8 **[END HIGHLY CONFIDENTIAL]** BCF of this amount, or approximately 72%⁵ of this
9 class's total usage. Without separating out the very large component of discounted rate
10 customers from the LGS class, there is absolutely no way to quantify the rate of return
11 contributed by full tariff LGS customers.

12
13 **Q. PLEASE RESPOND TO MR. CRIST'S REBUTTAL TESTIMONY CONCERNING**
14 **YOUR PROPOSED CLASS REVENUE ALLOCATIONS.**

15 A. On page 12, lines 17 through 19 of his rebuttal testimony, Mr. Crist states
16 "Unfortunately, for the Large General Service class, Mr. Watkins' proposal would more
17 than double the non-gas revenue by assigning an increase of 102.1% to that class. Such an
18 increase is unconscionable and should be rejected." Mr. Crist's statement is incorrect and
19 in no way reflects my revenue allocation recommendation. As specifically and
20 unquestionably discussed in my direct testimony on page 27, my recommendation is that
21 any overall increase (or decrease) authorized in this case should be allocated on an equal
22 percentage basis across all classes. Under the Company's as-filed request, this would result
23 in a 23.9% increase in non-gas revenues to all classes. In this regard, Mr. Crist supports
24 Mr. Feingold's proposed class revenue allocation that would increase Residential non-gas
25 revenues by 29.7% and Large General Service revenues by only 3.9%. Yet, in his opinion,
26 this is not unconscionable.

27 Apparently, Mr. Crist's misunderstanding of my recommendation comes from a
28 misreading of Table 7 on page 26 of my direct testimony where I showed that due to the
29 discounted rates that comprise approximately 72% of the Large General Service class's

⁵ See Rebuttal Testimony of Russell A. Feingold at 36 (Public version).

1 revenues, this class would require a 102.1% increase to bring this class up to full cost of
2 service parity. He clearly ignores the discussion in my direct testimony where I discussed
3 the shortcomings in the Company's and my CCOSS analysis resulting from the very large
4 level of discounts offered to Large General Service customers.
5

6 **Q. ON PAGES 9 THROUGH 11 OF HIS REBUTTAL TESTIMONY, MR. CRIST**
7 **RESPONDS TO A QUESTION AND ANSWER IN YOUR DIRECT TESTIMONY**
8 **ON PAGES 27 AND 28 THAT ASKS IF UNDER YOUR EQUAL PERCENTAGE**
9 **REVENUE ALLOCATION RECOMMENDATION WILL THE FULL TARIFF**
10 **CUSTOMERS IN THE LGS CLASS BE UNFAIRLY DISADVANTAGED.**
11 **PLEASE RESPOND TO MR. CRIST'S REBUTTAL TESTIMONY IN THIS**
12 **REGARD.**

13 A. First, I will respond to the question written by Mr. Crist on page 9 where he
14 characterizes my evaluation of the LGS class as a "wish" regarding the revenue
15 requirement of discounted rate customers. To be clear, I have no wishes for this case.
16 Rather, my discussions regarding the fairness of my recommended equal percentage
17 increase to the LGS class relate to two facts. First, I have recommended the imputation of
18 additional rate revenue associated with discounted rates applicable to the LGS class and
19 second, I note that this Commission has ruled that the Residential class should be totally
20 responsible for the discounts offered under Customer Assistance Programs ("CAP") and
21 that discounted rates are predominately available to Large Industrial customers and not at
22 all to Residential customers.

23 Mr. Crist attempts to distort this reality by claiming that any comparison between
24 CAP costs being solely the responsibility of Residential customers and discounted rates
25 being responsible for large volume customers, is a comparison of "apples and oranges."
26 Mr. Crist claims that "in the absence of CAP subsidies these [low income] customers
27 eventually would be denied gas service for non-payment." He then continues by stating
28 that "in absence of such subsidies those [low income] customers would be unable to pay
29 their gas bill." Mr. Crist's statements are unsupported and inaccurate assumptions. While
30 this Commonwealth has implemented programs within utility rates to assist low income

1 customers, there are many States that do not have such programs but serve a multitude of
2 low income customers that have and maintain natural gas service. These other States have
3 other programs to assist low income energy users. There is no doubt that the CAP programs
4 in Pennsylvania are in the overall public interest wherein society as a whole is better off.

5 Mr. Crist then claims that the presence of discounted rates benefits all customers.
6 While this may be true in some circumstances, I have determined that Peoples' discounted
7 rates do not benefit all customers given the magnitude of discounts currently offered.
8 Furthermore, in the Gas-on-Gas competition docket (Docket No. I-2012-2320323), the
9 Commission found that many of the Gas-on-Gas discounts were not in the public interest.
10 Notwithstanding the above, the fact remains, given this Commission's policy that
11 Residential customers only should be responsible for the social benefit costs associated
12 with CAP programs, the same logic should be applied to discounted rates.

13
14 **Q. ON PAGE 37 OF HIS REBUTTAL TESTIMONY, MR. FEINGOLD STATES**
15 **THAT YOU HAVE COMPLETELY IGNORED THE AQUA DECISION**
16 **REFERENCED IN HIS DIRECT TESTIMONY AND THAT YOU JUSTIFY YOUR**
17 **RELIANCE ON THE DIRECT CUSTOMER METHOD BASED ON MUCH**
18 **OLDER COMMISSION PRECEDENT FROM CASES THAT ARE ANYWHERE**
19 **BETWEEN 25 AND 34 YEARS OLD. PLEASE RESPOND TO CLAIM MADE BY**
20 **MR. FEINGOLD.**

21 **A.** Mr. Feingold's claim is incorrect in that on pages 31 and 32 of my direct testimony,
22 I clearly acknowledged that "I am well aware of the Aqua Decision referenced by Mr.
23 Feingold" wherein he characterizes the Aqua Decision concerning customer costs as
24 precedential. On pages 31-32 of my direct testimony, I provided a quote from the Aqua
25 Final Order that is repeated here:

26 We caution that these are costs which may be considered for inclusion in
27 the customer charge, but such claims are subject to scrutiny on a case-by-
28 case basis. [Final Order, p. 72]
29

30 While I will not attempt to opine on the legal meaning of precedent, I am fully familiar
31 with this term as common language. Merriam Webster defines precedent as: the

1 convention established by long practice. Mr. Feingold has been practicing the economics
2 of public utility regulation in Pennsylvania for even longer than I have and is well aware
3 of the many cases in which this Commission consistently determined that customer costs
4 should be determined on consideration of only those costs required to connect and maintain
5 a customer's account; *i.e.*, direct customer cost analysis.

6
7 **Q. DOES THIS COMPLETE YOUR SURREBUTTAL TESTIMONY?**

8 A. Yes.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
v. : Docket No. R-2018-3006818
Peoples Natural Gas Company LLC :

VERIFICATION

I, Glenn Watkins, hereby state that the facts above set forth in my Surrebuttal Testimony, OCA Statement No. 3-SR, 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: _____



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DATED: June 12, 2019
*274198