

- Good Afternoon. Your Honor, _____, Administrative Law Judge for the Pennsylvania Public Utilities Commission, I would like to say thank you for having this hearing today and thank you for this opportunity to provide public input.
- I would like to outline several reasons why I object to Peoples Natural Gas request for an overall gas cost rate increase which according to their request would be \$156 million per year resulting in an increase of 21.4% to the total bill for an average residential customer of the Peoples Natural Gas Division.
- A price increase this large is very difficult for a residential customer to budget.
- Peoples is the only distributor of natural gas in my area, making them a monopoly.
- My changing over to another energy source would require me to replace several appliances making the barrier to convert very high and thus accentuating the monopoly effect Peoples enjoys.
- The PUC is important to me due to the virtual monopoly held by PNG and so I ask that the PUC approves only reasonable requests.
- Peoples is asking for a "Weather Normalization Adjustment".
- It would add a new charge to my bill if the temperature is higher than 3% above the average temperature, and subtract a credit if the temperature is lower than 3% below average.
- Peoples calls this "revenue neutral" since it will add or subtract.
- It would be truly revenue neutral if the WNA is not allowed.
- Since Peoples refers to WNA as revenue neutral, it seems that the WNA may not be factored into their calculation of a 21.4% increase and a potentially large WNA charge might make that 21% increase much higher.
- So aside from the WNA, the increases that PNG is asking for should be carefully considered.
- More importantly, Peoples claim of revenue neutrality seems to potentially be a way for them to get a new mechanism for raising revenue while calling it revenue neutral might alleviate their obligation to use that money for the benefit of the customer as required in the PA statute. The PUC should consider if WNA therefore does not comply with the PA statute.
- It seems doubtful the WNA would be revenue neutral because a warmer month does not guarantee a colder month is inevitable. We have been in a warming trend so it seems we will be paying a new charge for the majority of months it applies (October through May, or 7 of the 12 months in a year).
- From December through March, the average temperature is 33 degrees or less. Therefore, Peoples will be able to collect this bonus if the temperature is just one degree above average ($33 * 0.03 = 1$). Many days this past January and February have been 15 to 20 degrees above average.
- If Peoples was sincere about making it revenue neutral they would refund any collections that exceed credits, but they are not offering that. They are only offering a credit if the weather is colder.



- In Eastern PA, UGI got approval for a WNA and the charge was so high that the customers complained and UGI ended up refunding millions of dollars.
- UGI offered to cap the WNA at 25% of a customer's distribution charge.
- Since the WNA exceeded 25% of the distribution charge, this suggests that the WNA can be a very significant addition to a customer's bill.
- The Delivery Charge on my bill is currently \$4.232 / mcf, or about \$80 if 19 mcfs are used. A new NWA charge can apparently be well over \$20.
- The PUC denied the cap since there was no justification for why it should be 25%. While there should be a basis for a resolution amount, this goes to show that coming up with a remedy for a bad policy can be cumbersome and slow. Not implementing the bad policy in the first place would be the prudent course.

- The non-commodity charges on my gas bill already make up 77% of my total gas bill. That means I have to pay \$4.35 for every \$1.00 of natural gas I use. It seems exorbitant even before this new rate increase request.
- For comparison, gasoline marketing and distribution accounts for 11% of the cost of gasoline. If the entire 11% were for distribution with nothing going to marketing, then backing out that 11% and putting in 77% would mean instead of gasoline being \$3.67 per gallon, it would be \$14.21 per gallon.
Calculation: $(3.67 - 11\%) * 4.35 / 1.00 = 3.2666 * 4.35 = 14.208$.
- The distribution mechanisms are different, but the price difference between a energy commodity that has competition and one that does not is striking.

- The calculation of WNA is complex. A customer would have a difficult time verifying the accuracy of the charge or credit.
- The WNA can be different from one house to the next making it that much more difficult to verify.
- The WNA could be a large amount which would allow for any potential error to also be large.
- Peoples has made errors on my bill. The simple DSIC Surcharge of 5.00% on my bill has been wrong for the last 3 bills. It is easy to compute 5.00% of the Customer Charge plus the Delivery Charge. But Peoples has been charging me around 5.17%.
- The first time, they admitted they used an estimate of 5.20% and issued a credit.
- The second time they tried to tell me the difference was due to their meter read vs my meter read which was not the error in question but I did not pursue that since they said they would make a "goodwill" credit. They did not admit to a miscalculation.
- The third time, the rep could not explain why there was a difference so they connected me to their Accounting Dept for an explanation of how the DSIC charge is calculated. Anthony of Peoples Accounting Dept could not explain how DSIC is calculated. He said the PUC calculates it. I responded that I doubt the PUC is calculating this line item for every customer, but Anthony said I should take it up with the PUC. So the accounting dept was unable to explain a simple calculation, and made no adjustment to my bill.
- The DSIC error is small. It amounted to \$0.17 to \$0.20, but if they are doing this to all of their 700,000 natural gas customers for the last 3 months, then they have overcharged \$357,000 not accounting for any credits they may have made.
- A WNA with its complex equation, many variables, and inputs from 3rd party sources would be much more open to errors and potential abuse.

- It does not seem moral or reasonable for Peoples to want to collect additional fees when the temperature is warmer and customers therefore have less need of natural gas. The weather is a variable that has always been part of this business.
- Now that we happen to be in a warming trend, they want to profit from less demand for their service.
- This seems to go against 66 PA C.S. section 1330 (a) (1) where it states, in part: "... it is in the public interest for the commission to approve just and reasonable rates and rate mechanisms ..."
- I think it is less than reasonable and close to an abuse of the statute to use it for charging more money when it is not being earned.

- I think it also goes against 66 PA C.S. section 1330 (a) (1) where it states, in part: "... while ensuring that utility infrastructure costs are reasonably allocated to and recovered from customers ... consistent with the use of infrastructure."
- How is it reasonably allocated to a customer when that customer uses less of an infrastructure, but gets allocated a higher charge?
- How is it consistent with the use of infrastructure if a customer is being charged more for an infrastructure they are using less?

- Separately, it should be considered whether warmer weather is a cost imposed on the infrastructure and therefore allowed by PA law to be passed on to the consumer.
- Doesn't less use of infrastructure mean less wear and tear and thus longer life for that equipment? Wouldn't that mean warmer weather causes lower costs?
- Isn't weather simply a risk of doing business in providing a commodity widely used for heating purposes and everyone knows that before they enter that business?

- Finally, Why should customers guarantee income to a business no matter what the demand?
- Essential Utilities, the parent company, has already taken steps to insure profitability during periods of low demand for natural gas by diversifying into public water utilities.
- Essential Utilities has had revenue growth of 28% per year in the last 3 years which outperformed 91% of its global competitors. They paid \$328M in dividends last year and have been increasing that payout by an annual rate of 7% for the last 5 years.
- From these results, it would appear that the company's already high charges for the non-commodity portion of a residential bill are enough to make them a very successful business.
- So the company's well-being does not seem to be dependant upon this proposed rate increase.
- Peoples request for 21.4% more money from their residential customers at this time is unreasonable and unnecessary given that it may not comply with the PA code, and their financial position is already healthy.

- Thank you again for this opportunity to provide input.