

# Appendix K

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b>Pennsylvania Public Utility Commission</b>	:	
	:	
v.	:	<b>Docket No.: R-2010-2215623</b>
	:	
<b>Columbia Gas of Pennsylvania, Inc.</b>	:	
<b>Pennsylvania Communities Organizing for Change, Inc., d/b/a ACTION United, Nettie Pelton, and Carol Collington</b>	:	
	:	
v.	:	<b>Docket No.: C-2011-2232186</b>
	:	
<b>Columbia Gas of Pennsylvania, Inc.</b>	:	

**STATEMENT IN SUPPORT OF JOINT PETITION  
FOR PARTIAL SETTLEMENT SUBMITTED BY  
PENNSYLVANIA COMMUNITIES ORGANIZING FOR CHANGE, INC., D/B/A  
ACTION UNITED, NETTIE PELTON, AND CAROL COLLINGTON**

**I. General Statement:**

Pennsylvania Communities Organizing for Change, Inc., d/b/a ACTION United (“PCOC”), Nettie Pelton, and Carol Collington, (“PCOC et al.”) signatory parties to the Joint Petition for Partial Settlement (“Partial Settlement”) in the above-captioned proceeding, respectfully request that the terms and conditions of the Partial Settlement be approved by Administrative Law Judge Katrina L. Dunderdale (“ALJ”) and the Pennsylvania Public Utility Commission (“Commission”). PCOC et al. submit that the proposed Partial Settlement is in the public interest.

PCOC is located at 5907 Penn Avenue, Suite 300, Pittsburgh, PA 15206. It is a membership-based organization of low- and moderate-income Pennsylvanians working to build power through organizing communities to win changes on the issues that are important to them.

Nettie Pelton (“Pelton”) is an adult individual who resides at 90 Industry Street, Beltzhoover, Allegheny County, Pennsylvania. Pelton is sixty-one years old, a member of PCOC, a customer of Columbia, and enrolled in Columbia’s Customer Assistance Plan (“CAP”). Carol Collington (“Collington”) is an adult individual who resides at 724 Montooth Street, Pittsburgh, Allegheny County, Pennsylvania. Collington is fifty-nine years old, a customer of Columbia, and is enrolled in Columbia’s CAP program. Both Collington and Pelton have in the past received grants from the Low-Income Home Energy Assistance Program (“LIHEAP”), which in Pennsylvania is administered by the Pennsylvania Department of Public Welfare.

On January 14, 2011, Columbia Gas of Pennsylvania (“Columbia” or “the Company” or “CGPA”) filed Supplement No. 163 to Tariff Gas – Pa. P.U.C. No. 9, (“Supplement No. 163”) containing proposed changes in rates, rules, and regulations calculated to produce approximately \$37.8 million in additional annual revenues, an increase of 7.7%. Columbia’s proposed general rate increase is designed to allow the Company an opportunity to earn an overall rate of return of 8.74%, including an 11.6% return on common equity. Supplement No. 163 was originally filed to become effective on March 15, 2011. However, on February 14, 2011, Columbia filed Supplement No. 164 to Tariff Gas – Pa. P.U.C. No. 9, changing the effective date of Supplement No. 163 to March 18, 2011. On March 17, 2011, the Pennsylvania Public Utility Commission (“Commission”) entered an order suspending the implementation of Supplement No. 163 by operation of law until October 18, 2011, and opening an investigation to determine the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in the proposed Supplement No. 163.

On March 22, 2011, PCOC et al. filed a Formal Complaint against Columbia, which was assigned Docket No. C-2011-2232186, and which was consolidated with Docket No. R-2010-2215623 by virtue of Administrative Law Judge Dunderdale's March 24, 2011 Prehearing Order.

On March 22, 2011, PCOC et al. filed a Prehearing Memorandum in which they stated that they had conducted an initial review of Columbia's proposed tariff changes, and that they opposed Columbia's request on the grounds that the proposed rate increase and tariff would result in unjust and unreasonable rates that would impose severe hardship on low- and moderate-income residential customers and consumers. In addition to complying with sound rate making principles, Columbia must also ensure that its rates and tariff comply with universal service requirements. The Commission must ensure that universal service programs assist low-income customers to afford natural gas service and are appropriately funded and available in each natural gas distribution territory. 66 Pa. C.S. § 2203(8).

PCOC et al. have actively participated in the above captioned matter. They have filed the testimony of witnesses Philip A. Bertocci and Irv Ackelsburg into the record. They have actively participated in the negotiations regarding the Universal Service and Conservation Matters contained in Section III.D of the Joint Petition for Partial Settlement.

This Partial Settlement resolves all revenue requirement and universal service issues except for the application by Columbia of its CAP-Plus payment design and matters related to residential rate design. These latter matters continue to remain at issue.

Although this Partial Settlement reflects a compromise on a number of the issues presented within this proceeding and does not reflect the attainment of each of the positions advanced by PCOC et al. as to those issues, it represents an agreement which is fair and reasonable, avoids the necessity for and uncertainty of outcome inherent in further administrative

and potential appellate proceedings regarding those issues and arrives at a negotiated outcome regarding the issues settled which is in the public interest.

**II. Reasons for Support of the Partial Settlement as in the Public Interest:**

1. The Partial Settlement provides at Paragraph 54 that, commencing with the effective date of rates in this proceeding, there will be an increase in annual Low-Income Usage Reduction Program (LIURP) funding from \$3,000,000 to \$4,000,000. LIURP funding will continue to be recovered under Rider USP. Any resulting unspent balance in the designated LIURP fund account shall carry over and shall remain in that account.

In his direct testimony, PCOC et al. witness Bertocci recommended that CGPA significantly increase its LIURP penetration levels among its low-income customers in the next three years. The annual \$1 million increase in LIURP funding agreed to by the partial settlement will enable such an increase in LIURP penetration. It represents a significant first-year increase in LIURP funding of thirty-three percent. Such an expansion of LIURP services will serve the public interest because it will result in a marked reduction of natural gas consumption levels by CGPA's low-income customers, a reduction of CGPA's collection costs, and a reduction of the CAP shortfall amounts subsidized by other ratepayers.

The allocation of these additional resources to CGPA's LIURP is well justified. In its most recent needs assessment filed as part of its Universal Service Program Plan, CGPA identified 31,753 customers who presently meet the CGPA LIURP eligibility criteria and have not received weatherization treatment in their homes. Each of these 31,753 customers is income eligible, has extremely high winter usage levels, and has not received weatherization services in the past three years. The additional funding will enable CGPA to begin to address this currently unmet need. In addition, CGPA has demonstrated that it has the capabilities to accommodate

major increases to its LIURP budget and to more than double its production rates while continuing to achieve exemplary results. The past effectiveness of CGPA LIURP and the beneficial public interest results achieved combined with the current extensive unmet need within its service territory attest to the appropriateness of the expansion of LIURP funding agreed upon by this settlement.

2. The Partial Settlement provides at Paragraph 56 that Columbia agrees that it will continue to waive late payment charges to CAP customers and to customers with incomes equal to or less than 150% of the Federal Poverty Level who enter into payment arrangements with Columbia, as long as such customers comply with such payment arrangements. This provision is in the public interest in that it will continue to enable CAP and other low-income, payment-troubled customers to use their scarce financial resources to remain current in meeting their basic bill payments and therefore continue to maintain essential gas service.

PCOC et al. witness Ackelsberg testified that the assessment of a late payment charge is counterproductive for customers struggling with chronic poverty. Increasing the monthly expense burden of such consumers by adding late charges to their gas bill will not induce prompter payments; more likely, it will simply result in larger arrearages for those households already struggling to pay their bills. The agreement by Columbia to continue to waive these late fees will remove the financial impediment caused by the imposition of these penalties and will advance the critical public interest goal of assisting these customers to keep current in their payments and to retain their gas service.

3. The Partial Settlement at paragraphs 50 through 53 provides for a series of detailed and concrete actions which CGPA will take through a two-year pilot program. The pilot will evaluate all CAP customers with a maximum CAP credit of \$1,000 or more; will provide for a

mechanism to adjust the CAP Credit annually; will review and evaluate each customer exceeding the maximum CAP Credit limit and prioritize those customers for weatherization services; will refer customers appropriately to the Remedial Energy Efficiency Program (“REEP” – previously known as “HURP”); and will then determine which customers who have not appropriately reduced consumption will have their CAP payments raised. Columbia will provide a status report once the initial survey of customers is completed and will track the customers in each category. One year following the completion of the survey, a follow-up report on each pilot customer’s current account status and any program consumption savings results will be provided to all parties, and Columbia will provide data regarding the annual cost of the program including administrative costs and programming costs. At the end of two years, the pilot will be evaluated on a cost benefit basis. All administrative costs for this pilot will be recovered through the USP Rider.

The pilot is clearly in the public interest in that it will provide significant information to the Company, the parties and the Commission regarding some of the key aspects of CAP programs, specifically the costs, effectiveness and appropriate level of Maximum CAP credits, usage reduction programs and payment amounts, as well as the interrelationship of each of these component parts.

4. The partial settlement provides at Paragraph 49 that any changes in the CAP-Plus approach, including programming changes, will be reflected under Columbia’s Universal Service Rider. Although the essential concern related to the permissibility and validity of the CAP-Plus approach is not resolved through this partial settlement and remains at issue, the clarification provided by this agreement provides the assurance that Columbia will continue to be able to recover its universal service costs regardless of the outcome of this proceeding. Such an


assurance is in the public interest in that it will enable the company to implement any changes to its CAP-Plus approach that may be required or prudent, while at the same time ensuring that its ability to fund the required universal service programs is not diminished.

### **III. Conclusion**

In conclusion, the Partial Settlement provides a reasonable framework to move forward that is in the public interest; will expand LIURP; will waive late fees for low-income, payment-troubled customers; will create a pilot program, which is expected to provide unique and significant information concerning Maximum CAP Credit amounts, usage reduction efforts and remedial action for those households who do not appropriately reduce their usage; will enable CGPA to continue to receive appropriate funding for its CAP program regardless of the resolution of CAP-Plus; and will eliminate a number of proposed programs not currently within the public's interest.

Accordingly, PCOC et al. believe that the Partial Settlement represents a reasonably balanced resolution of the numerous issues in this proceeding and is in the public interest, and requests that the ALJ and the Commission approve the Settlement.

Respectfully submitted,



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Harry S. Geller, Esq.  
Patrick M. Cicero, Esq.  
Julie George, Esq.  
Pennsylvania Utility Law Project  
118 Locust Street  
Harrisburg, PA 17101-1414  
Telephone (717) 236-9486  
FAX (717) 233-4088  
[pulp@palegalaid.net](mailto:pulp@palegalaid.net)

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*Counsel for PCOC et al.*