

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility)	
Commission)	
)	
vs.)	Docket No. R-2015-2468056
)	
Columbia Gas of Pennsylvania, Inc.)	
)	
)	

REJOINDER TESTIMONY OF
NANCY J. D. KRAJOVIC
ON BEHALF OF
COLUMBIA GAS OF PENNSYLVANIA, INC.

July 31, 2015

1 **Q. Please state your name and business address.**

2 A. Nancy J. D. Krajovic, Southpointe Industrial Park, 121 Champion Way,
3 Canonsburg, PA 15317

4 **Q. Are you the same Nancy J. D. Krajovic that served direct testimony in**
5 **this proceeding?**

6 A. Yes.

7 **Q. What is the purpose of your rejoinder testimony?**

8 A. The purpose of my testimony is to respond to portions of the surrebuttal testimony
9 of witnesses Roger Colton on behalf of the Office of Consumer Advocate (“OCA”).

10 **Q. How will your rebuttal testimony be organized?**

11 A. I will first address the OCA surrebuttal.

12 **Q. What issue would you like to address in the testimony of Mr. Colton?**

13 A. I would like to address the matter of the recovery of the Hardship Funds through
14 the Universal Service Program Rider (“Rider USP”).

15 **Q. Would you please provide background on this matter as it was not**
16 **included in direct testimony?**

17 A. Yes. As part of the Settlement of the Company’s base rate case at R-2012-2321748,
18 Columbia was permitted to move recovery of \$375,000 of its Hardship Funds
19 funding from the Purchased Gas Costs, where it was funded only by sales service
20 customers, including residential and non-residential customers alike, to the Rider
21 USP where the funding would come from all of the residential customers (except
22 CAP customers) in Columbia’s territory and not non-residential customers. The

1 \$375,000 was a result of a contract with Citizens Energy Corporation (“Citizens”)
2 dating back several decades.

3 **Q. Please give a brief background on Columbia’s partnership with the**
4 **Citizens Energy Corporation.**

5 **A.** Columbia entered into an agreement with Citizens in 1984 that provided for the
6 purchase of gas through Citizens as a broker at a benchmark rate. Citizens would
7 then donate the margin between the benchmark price and the current spot market
8 price to the Dollar Energy Fund for disbursement to Columbia’s low income
9 customers. The gas purchases from Citizens were reflected and recovered as
10 Purchased Gas Costs.

11 **Q. Has this agreement continued since 1984?**

12 **A.** Yes. However, as a result of FERC Order 636, “pipeline” price of gas, which had
13 been the benchmark price for determining the fuel fund program gas purchases,
14 was eliminated. The agreement was consequently amended and approved by the
15 Commission in 1994 to maintain the annual funding. The payments by Columbia to
16 Citizens continued to be reflected as Purchased Gas Costs. Also, in accordance with
17 the Commission’s Order at P-840506 entered January 17, 1989, each year the
18 Company submitted a report of the funding to the Commission.

19 **Q. Please explain why Columbia cancelled the agreement with Citizens**
20 **Energy Corporation.**

21 **A.** In 1984, all residential customers bought their gas supply through Columbia Gas.
22 Today, under CHOICE, customers can choose an alternate supplier and in doing so

1 are exempt from paying the cost of this program. There is no justification that only
2 a portion of the residential customers should support the Hardship Fund.
3 Secondly, the transaction was subject to administrative fees retained by the Citizens
4 Energy Corporation that could be avoided by canceling the contract.

5 **Q. How did Columbia propose to replace the proceeds of the Citizens**
6 **Energy transaction to maintain the existing level of funding for its fuel**
7 **fund program?**

8 **A.** Columbia proposed to increase the USP rider by \$375,000 to provide an annual
9 funding supply to its fuel fund.

10 **Q. What was the funding level under Citizens Energy Corporation?**

11 **A.** The funding level was \$375,000. However, once Citizens took the contracted
12 administrative fee, only \$361,875 was left over to be directed to the Hardship Fund.
13 Eliminating Citizens as a funding conduit reduced the administrative costs, making
14 the program more cost effective without raising the cost or reducing the benefits to
15 customers. And again, with the proposed change the cost would be paid by all non-
16 CAP residential customers regardless of how they purchase their gas supply. This
17 effectively lowered the cost that each customer paid to support this funding.

18 **Q. Is the funding previously obtained from PGC customers through the**
19 **Citizen's contract needed?**

20 **A.** Yes. Columbia continues to see an increase in fuel fund utilization. Although
21 Columbia has petitioned the Commission and has received approval to use pipeline
22 refunds and credits, the Rider USP funding stream offered a predictable

1 replacement for the Citizens transaction and actually increased the minimum
2 annual funding because of the elimination of Citizens' administrative fee.

3 **Q. What is your response to the testimony provided by witness Colton on**
4 **the matter of Rider USP recovery of the \$375,000 of Hardship funding**
5 **at issue here?**

6 A. Columbia endorses the OCA's proposal to allow the current recovery to continue
7 until the Company's next base rate case but in the meantime ramp up the
8 fundraising efforts and seek a replacement for this funding.

9 **Q. Does that conclude your rejoinder testimony to Mr. Colton's**
10 **surrebuttal testimony?**

11 A. Yes, it does.

12 **Q. Does this conclude your rejoinder testimony?**

13 A. Yes, it does.