

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2020-3018835
	:	
Columbia Gas of Pennsylvania, Inc.	:	

SURREBUTTAL TESTIMONY OF MITCHELL MILLER

ON BEHALF OF

THE COALITION FOR AFFORDABLE UTILITY SERVICES AND
ENERGY EFFICIENCY IN PENNSYLVANIA (“CAUSE-PA”)

September 16, 2020

1 **PREPARED SURREBUTTAL TESTIMONY OF MITCHELL MILLER**

2 **Q: Please state your name, occupation, and business address.**

3 A: Mitchell Miller. I provide consulting services regarding utility programs that promote the
4 public interest with a focus on low-income households. My address is 60 Geisel Road, Harrisburg,
5 PA 17112.

6 **Q: Did you previously submit testimony in this proceeding?**

7 A: Yes, I submitted direct testimony that was pre-marked as CAUSE-PA Statement 1.

8 **Q: What is the purpose of your Surrebuttal Testimony?**

9 A: My surrebuttal testimony responds to the rebuttal testimony of Columbia Gas of
10 Pennsylvania, Inc. (CPA, Columbia, or Company) witnesses Andrew Tubbs,¹ Melissa Bell,²
11 Deborah Davis,³ and Toby Bishop.⁴ I will also address the rebuttal testimony of Office of Small
12 Business Advocate (OSBA) witness Robert Knecht,⁵ Pennsylvania State University (PSU) witness
13 James Crist,⁶ and Columbia Industrial Intervenors ("CII") witness Frank Plank.⁷ My surrebuttal
14 testimony is not intended to address every issue raised or otherwise discussed by these or other
15 witnesses in rebuttal. Absence of response to any specific recommendation or position of any
16 witness does not indicate my agreement. Unless required for context in providing a further
17 response to rebuttal testimony, I will not reiterate the extensive arguments and evidence that I
18 provided in my direct and rebuttal testimony. To the extent an argument raised by any party in

¹ CPA St. 1-R.

² CPA St. 3-R.

³ CPA St. 13-R.

⁴ CPA St. 17-R

⁵ OSBA St. 1-R.

⁶ PSU St. 1-R.

⁷ CII St. 1-R.

1 rebuttal was already sufficiently addressed in direct, I do not intend to respond, and stand firmly
2 on the evaluation, analysis, and recommendations contained in my direct testimony.

3 **Q: How is your testimony organized?**

4 A: I will begin by responding to the rebuttal testimony of CPA witnesses Tubbs and Bishop
5 about the appropriateness of increasing rates in the midst of the current pandemic and economic
6 crisis, and the impact such an increase would have on low-income households. Next, I will respond
7 to the rebuttal testimony of CPA witnesses Tubbs, Bell, and Davis regarding my recommendations
8 that CPA's Rider RNA be rejected and that CPA not increase its fixed monthly customer charge.
9 I will then address Ms. Davis's rebuttal testimony regarding my recommendations that CPA reduce
10 its CAP energy burdens and increase the budget for its LIURP Health and Safety pilot program.
11 Finally, I will address the rebuttal testimony of CPA witness Tubbs, OSBA witness Knecht, and
12 PSU witness Crist regarding my recommendation that CPA recover its universal service costs from
13 all ratepayers, rather than requiring residential consumers to bear the full cost of universal service
14 programming.

15 **I. COVID-19 IMPACT**

16 **Q: Did you make recommendations in your direct testimony regarding the**
17 **appropriateness of raising rates in the midst of the COVID-19 pandemic?**

18 A: Yes. In my direct testimony, I explained that now is not an appropriate time to raise rates.
19 As the state of Pennsylvania is currently in an unprecedented economic and public health crisis
20 and that it is not clear how or when Pennsylvania's economy will recover.⁸ I further explained
21 that, until we can more precisely understand the economic impact of the pandemic, it is not

⁸ CAUSE-PA St. 1 at 7-9.

1 appropriate to increase rates.⁹ As such, I recommended that the Commission deny CPA’s proposed
2 rate request.¹⁰

3 **Q: Please summarize the Company’s rebuttal testimony on this issue to which you wish**
4 **to respond.**

5 A: Mr. Tubbs and Mr. Bishop responded to this recommendation in their rebuttal testimony.
6 Mr. Tubbs pointed out several steps that CPA has taken to help lessen the impact of the pandemic
7 on its customers.¹¹ Mr. Bishop pointed out that the Company’s capital investments, paid for
8 through the proposed rate increase, would help drive economic activity and create jobs.¹²

9 **Q: How do you respond to Mr. Tubbs’s testimony about CPA’s COVID-19 response?**

10 A: I recognize CPA has taken steps to help its customers during this troubling time. However,
11 these attempts to help mitigate the impact of the pandemic and economic crisis do not justify
12 raising rates in the midst a severe economic crisis. Over 2 million Pennsylvanians have filed for
13 unemployment since mid-March.¹³ The impact has disproportionately fallen on vulnerable
14 communities, particularly low-wage workers, individuals with a disability, people of color, and
15 older Pennsylvanians – many of whom are also at greater vulnerability to the effects of the virus
16 itself.¹⁴ Short-term, temporary relief programs that had helped sustain many households in the

⁹ Id.

¹⁰ Id.

¹¹ CPA St. 1-R at 4-10.

¹² CPA St. 17-R at 5-6.

¹³ PA Office of Unemployment Compensation, Unemployment Compensation Claim Statistics & COVID-19, Data as of July 1, 2020, available at: <https://www.uc.pa.gov/COVID-19/Pages/UC-Claim-Statistics.aspx>; see also Pew Research Ctr., About Half of Lower-Income Americans Report Household Job or Wage Loss Due to COVID-19, <https://www.pewsocialtrends.org/2020/04/21/about-half-of-lower-income-americans-report-household-job-or-wage-loss-due-to-covid-19/>.

¹⁴ See Initial Labor Force Impacts of the COVID-19 Pandemic in Allegheny County, Pitt. University Center for Social and Urban Research, June 2020, available at: https://www.ucsur.pitt.edu/files/center/AlleghenyCountyLaborForceReport_June172020.pdf ; see also Christopher

1 early stages of the pandemic have now ended – or otherwise been significantly scaled back.¹⁵
2 While other relief may be in the works, it remains unclear what further relief, if any, may become
3 available in the future.¹⁶ Many have not been able to access emergency relief programs, despite
4 clear and overwhelming needs.¹⁷ Indeed, Pennsylvania’s economy is suffering and it is still
5 unclear just how long it will take for our economic recovery to return the state to pre-pandemic
6 levels, or if that is even possible. It is thus inappropriate to raise rates for necessary utility service,
7 like gas service, which is vital to help combat the spread of the virus with hot water for washing
8 and sanitizing and heat to help stay home in accordance with social distancing guidelines.¹⁸

9 **Q: How do you respond to Mr. Bishop’s testimony about the economic benefits of the**
10 **Company’s capital improvement program?**

11 A: In my opinion, the potential to stimulate the economy is not a reasonable justification for
12 a rate increase – especially given the distinct likelihood that investments in capital improvements
13 will come at the expense of economically vulnerable consumers, many of whom are profoundly
14 struggling to afford basic utility services to their home. While CPA’s proposed capital

Woods, Racial and Ethnic Disparities in Allentown’s COVID-19 Cases, Georgetown Public Policy Review, June 15, 2020, available at: <http://gppreview.com/2020/06/15/allentown-covid-19/>.

¹⁵ See Paul Davidson, Bye \$600 jobless benefit, eviction reprieve, cash for small firms. COVID-19 relief ending, USA Today - Money, June 22, 2020, available at: <https://www.usatoday.com/story/money/2020/06/22/cares-act-600-unemployment-other-covid-19-relief-set-end/3211921001/>.

¹⁶ See Pa. Office of Governor, Gov. Wolf Calls for Legislative Action to Help Homeowners and Renters Avoid an Eviction Cliff, Press Release Sep. 8, 2020, available at: <https://www.governor.pa.gov/newsroom/gov-wolf-calls-for-legislative-action-to-help-homeowners-and-renters-avoid-an-eviction-cliff/>; see also John Bresnahan, Marianne Levine, Andrew Desiderio, Senate paralyzed over coronavirus relief, Politico, Sept. 9, 2020, available at: <https://www.politico.com/news/2020/09/09/senate-coronavirus-relief-411018>.

¹⁷ Ron Southwick, Pa. lawmakers seek investigation into unemployment system failures, Penn Live, June 30, 2020, available at: <https://www.pennlive.com/news/2020/06/pa-lawmakers-seek-investigation-into-unemployment-system-failures.html>; see also Allyson Versprille, Kaustuv Basu, Domestic Abusers Controlling Virus Relief Checks Raise Red Flags, Bloomberg Tax, June 25, 2020, available at: <https://news.bloombergtax.com/daily-tax-report/domestic-abusers-controlling-virus-relief-checks-raise-red-flags>.

¹⁸ See Commonwealth of Pennsylvania, Responding to COVID-19 in Pennsylvania, (Social distancing also includes minimizing contact with people by avoiding public transportation when possible, limiting nonessential travel, working from home, and skipping social gatherings.) available at: <https://www.pa.gov/guides/responding-to-covid-19/#:~:text=Social%20distancing%20means%20staying%20away,the%20spread%20of%20pandemics>.

1 expenditures may help stimulate the economy in some small way, economically vulnerable
2 ratepayers cannot afford to shoulder the costs – nor should it be expected of them.

3 I believe that in this time of profound economic crisis and uncertainty, a better way for
4 CPA to play a role in stimulating the economy and sustaining jobs would be to ramp up programs
5 like its Customer Assistance Program (CAP) and its Low-Income Usage Reduction Program
6 (LIURP) programs, which provide a safety net to economically vulnerable consumers and employ
7 local, skilled workers in the process. This kind of investment helps to create and sustain jobs and
8 mitigates the impact of the pandemic on CPA’s vulnerable customers – ensuring that they can
9 better maintain health and safety in their homes.

10 **II. AFFORDABILITY FOR LOW-INCOME HOUSEHOLDS AND**
11 **CUSTOMER ASSISTANCE PROGRAM (CAP)**

12 **Q: Did you provide analysis about the impact of the proposed increase on low-income**
13 **households?**

14 A: Yes. In my direct testimony I explained that, even in good times, low-income families
15 struggle to make ends meet, and are often forced to choose between necessities such as rent, food,
16 medicine, and utilities.¹⁹ In the current economic crisis, these struggles are even more acute. I
17 further explained that CPA’s low-income customers pay a disproportionate percentage of income
18 for energy costs – even with CAP assistance.²⁰ I concluded that the proposed rate increase would
19 result in increased unaffordability for vulnerable households, and a corresponding increase in
20 payment troubled customers, uncollectible expenses, and increased involuntary service

¹⁹ CAUSE-PA St 1 at 14.

²⁰ Id. at 15.

1 terminations.²¹ I pointed out that 61.8% of Columbia’s CAP customers are billed at the 50% of
2 budget payment option and would thus be subject to bill increase of approximately half of the
3 proposed residential increase.²² I recommended that CPA be required to increase its CAP
4 participation rate, which has remained relatively stagnant over the past decade, with the percentage
5 of confirmed low-income customers enrolled in CAP hovering in the low-to-mid thirties.²³
6 Ultimately, I recommended that the single most important step the Company could take to address
7 current unaffordability, increase CAP participation, and help mitigate the impact of a rate case
8 would be to reduce its percentage of income CAP rate, in accordance with the Commission’s
9 directive in its revised CAP Policy Statement.²⁴

10 **Q: Please summarize the Company’s response to your analysis.**

11 A. Ms. Bell and Ms. Davis responded to my testimony on this issue. Both Ms. Bell and Ms.
12 Davis acknowledge that CPA’s proposed rates would increase bills for some CAP customers but
13 assert that the impact of the increase can be mitigated by revising customers’ CAP payment
14 plans.²⁵ Ms. Davis opposes my recommendation that CPA be required to increase its CAP
15 participation rate and asserts that any such metric should be, “based on activities to work toward
16 the result of increased CAP participation,” rather than the results of those efforts.²⁶ She also
17 disagrees with my recommendation that CPA adopt the Commission’s revised CAP energy burden
18 standards in its revised CAP policy statement, asserting that CPA is already implementing changes

²¹ Id. at 17.

²² Id. at 21-22.

²³ Id. at 23-25.

²⁴ Id. at 25-26.

²⁵ CPA St. 3-R at 32; CPA St. 13-R at 19-20.

²⁶ CPA St. 13-R at 14-15

1 from its last USECP proceeding and that CPA's CAP bills are affordable at current levels.²⁷ Ms.
2 Davis also indicates that CPA disagrees that the budget for the LIURP Health and Safety Pilot be
3 increased, indicating that the Company is working through implementation issues but that the
4 company would be willing to extend the pilot into 2023 to allow for a full two years of
5 implementation.²⁸

6 **Q: What is your response to Ms. Bell's and Ms. Davis's assertion that the impact of the**
7 **increase on CAP customers can be mitigated by revising their CAP payment plans?**

8 A: As I explained in direct testimony, 61.8% of Columbia's CAP customers are billed at the
9 50% of budget payment option and will be charged half (50%) of any approved increase after the
10 next budget payment re-evaluation.²⁹ Ms. Bell and Ms. Davis are correct that this increase will be
11 capped at the maximum applicable percentage of income. But the resulting increase will
12 nevertheless increase the cost of basic utility services for this extremely vulnerable group. Low-
13 income consumers already subsist on a categorically inadequate level of income. Any increase in
14 the cost of basic and essential services means the household will need to further stretch already
15 insufficient income to pay the increased CAP rates. Unfortunately, as I explained at length in my
16 direct testimony, this often means households will forego basic and essential services and human
17 needs – including food, water, medicine, or medical care, or are more likely to keep their homes
18 at unhealthy temperatures. Just because a CAP customer *can* be charged up to the maximum
19 energy burden level does not mean they *should* be charged the maximum energy burden level.
20 CPA's proposed rate increase will cause over half of all CAP customers to pay more for heating,

²⁷ CPA St 13-R at 15-18.

²⁸ CPA St. 13 R at 19.

²⁹ CAUSE-PA St. 1 at 21-22.

1 cooking, and hot water services in their home. This is not an insignificant concern, and in fact will
2 pose a serious hardship for CPA's most vulnerable consumers.

3 **Q: What is your response to Ms. Davis's opposition to your recommendation that CPA**
4 **be required to increase CAP enrollment?**

5 A: I stand by my recommendation. As I explained in my direct testimony, the vast majority –
6 between 67-77% of Columbia's low-income customers – are not enrolled in CAP, and will
7 experience the full, unmitigated financial impact of the proposed rate increase.³⁰ These customers
8 already struggle to afford their monthly bill and the effects of the proposed increase could
9 profoundly impact their ability to connect, maintain, and afford natural gas service.³¹ Improving
10 CAP participation can help the Company reduce its number of payment troubled low-income
11 customers, as well as the substantial amount of debt that is carried by low-income customers.³²

12 In her rebuttal testimony, Ms. Davis asserts that CPA's reported CAP participation rate is
13 not reflective of its actual percentage of low-income customers participating in CAP because the
14 Company counts self-reported income.³³ However, as I explained in my direct, the actual number
15 of low-income households in CPA's service territory is likely much higher than its confirmed low-
16 income count, even when accounting for those who self-report income in the confirmed low-
17 income count.³⁴ Thus, the fact that CPA confirms low-income customers through self-reported
18 income is irrelevant to the need for increased CAP enrollment and outreach.

³⁰ CAUSE-PA St. 1 at 23.

³¹ *Id.* at 15.

³² CAUSE-PA St. 1 at 24-25.

³³ CPA St. 13-R at 11-12.

³⁴ CAUSE-PA St. 1 at 9-12.

1 In her rebuttal, Ms. Davis argues that the metric for evaluating CAP outreach should be
2 based on the efforts, rather than results.³⁵ This would not be an effective means of ensuring that
3 increased outreach is actually working. The metric used to assess the effectiveness of CPA's
4 outreach must be CPA's results, not how much money it spends, the number of pamphlets it
5 distributes, or the number of ads it buys. The outreach needs to be evaluated on whether it works,
6 which necessarily requires an evaluation of the results of the outreach, not just the efforts. Thus, I
7 continue to believe that the Company should be required to measurably improve and benchmark
8 its CAP enrollment rates to reach a greater number of households in need of assistance.

9 **Q: How do you respond to Ms. Davis's opposition to adopting the Commission's recently**
10 **revised maximum CAP energy burden standards?**

11 A: I continue to believe that the single most important step the Company can take to address
12 current unaffordability, mitigate the impact of a rate case, and increase CAP participation is to
13 reduce its percentage of income CAP rate, consistent with the Commission's recently revised
14 energy burden standards.³⁶ Many of Columbia's CAP consumers currently face disproportionately
15 high energy burdens.³⁷ As I explained in my direct testimony, in 2019, the energy burden for the
16 Company's CAP customers ranged between 2.92% to 8.02%, but for customers at or below 50%
17 FPL, the energy burdens were considerably higher - ranging from 5.24% to 8.02%.³⁸ The energy
18 burdens for Percentage of Income Payment customers were also notably higher (ranging 7.64-
19 8.02%) than customers enrolled in the average bill payments and percentage of bill payment plans
20 (ranging 2.92-5.34%).³⁹ It is also important to consider that these energy burdens represent the

³⁵ CPA St. 13-R at 16.

³⁶ CAUSE-PA St. 1 at 25.

³⁷ CAUSE-PA St. 1 at 16.

³⁸ Id.

³⁹ Id.

1 percentage of income dedicated to paying for natural gas service alone – **not including the**
2 **additional cost of electricity.**

3 Ms. Davis points to that the fact that only 5% of CAP customers are removed for non-
4 payment, and that only 3.6% of those customers are on the minimum payment plan. According to
5 Ms. Davis, those who receive the minimum payment plan necessarily receive a bill that is higher
6 than they can afford – “leading one to believe that energy burden is not the only factor that
7 influences non-payment.”⁴⁰ I agree that energy burden is not the only factor that influences non-
8 payment; however, it is a primary factor in establishing affordability for low-income customers –
9 and determining whether a customer can afford to pay without foregoing other critical necessities
10 or keeping their home at an unsafe temperature. A major reason only 5% of CAP customers are
11 removed from CAP for non-payment is because CPA initiates termination procedures prior to
12 removing customers from CAP, and 10 days after a customer has missed two CAP payments.⁴¹
13 The 5% of customers removed from CAP for nonpayment are those whose service has been
14 terminated.⁴² As I explained in my direct testimony, service termination detrimentally impacts
15 employment, education, and mental and physical health; and as such, low-income customers often
16 go to great lengths to avoid termination by forgoing basic necessities such as housing, food, and
17 medicine.⁴³ Reducing the energy burden for these customers will help avoid forcing more families
18 to make these impossible choices.

⁴⁰ CPA St. 13-R at 16

⁴¹ See CPA St. 13-R at 2-3.

⁴² See CAUSE-PA to CPA I-7 (CPA terminated service to 1,037 CAP customers in 2019); compare CAUSE-PA to CPA I-4 (CPA had 20,350 CAP customers in Dec. 2019) (1037 CAP terminations / 20,350 CAP customers = approx. 5% CAP termination rate).

⁴³ See CAUSE-PA St. 1 at 16-17.

1 Ultimately, the fact that CAP customers are not removed from CAP for non-payment at a
2 high rate does not necessarily indicate that their bill is affordable. The Commission conducted an
3 extensive study to determine an affordable energy burden for low-income customers and utilized
4 its findings to set forth a revised CAP Policy statement recommending that utilities set their CAP
5 rates accordingly.⁴⁴ I stand by my recommendation that CPA follow the Commission’s directive.

6 **Q: How do you respond to Ms. Davis’ proposition that CPA extend its LIURP Health
7 and Safety Pilot to 2023, rather than increasing the budget to serve the identified need?**

8 A: As I indicated in my direct testimony, I believe that CPA’s Health and Safety Pilot is an
9 important and beneficial program for low-income customers.⁴⁵ Therefore, I support extending the
10 Pilot to 2023. However, I continue to recommend that the program be expanded to properly serve
11 the identified need. As I explained in my direct testimony, extending the pilot to serve a more
12 households will help protect customers from dangerous health and safety issues, while improving
13 access to LIURP for CPA’s highest usage customers are otherwise ineligible for critical usage
14 reduction services through the program.⁴⁶ Extending the pilot to serve more customers will help
15 a greater number of high-usage low-income customers to mitigate the impact of the rate increase
16 by reducing their bills over the long term.

⁴⁴ 2019 Amendments to Policy Statement on Customer Assistance Programs, 52 Pa. Code § 69.261-69.267, Docket No. M-2019-3012599, Final Policy Statement and Order, at 4 (order entered Nov. 5, 2019) (hereinafter “Final CAP Policy Statement Order”).

⁴⁵ See CAUSE-PA St. 1 at 29-32.

⁴⁶ CAUSE-PA St. 1 at 31-32.

1 **III. CUSTOMER CHARGE AND REVENUE NORMALIZATION**

2 **ADJUSTMENT**

3 **Q: Did you provide a recommendation in your direct testimony regarding CPA’s fixed**
4 **monthly customer charge and its proposed Revenue Normalization Adjustment?**

5 A: Yes. I recommended that CPA’s fixed customer charge not be increased; because, a fixed
6 charge increase impedes a customers’ ability to mitigate the impact of the increase through
7 conservation measures and undermines the explicit goals of LIURP to help low-income customers
8 to reduce their bills.⁴⁷ I also recommended that CPA’s Rider RNA be rejected for largely the same
9 reasons.⁴⁸

10 **Q: Please summarize the Company’s response to these recommendations.**

11 A: CPA witness Ms. Bell responded to my recommendation that the fixed monthly customer
12 charge not be increased. She asserts that CPA’s proposed \$23.00 fixed customer charge would not
13 undermine energy efficiency efforts and that the Rider RNA “would reflect what normally happens
14 in the rate case process, when customers implement conservation measures.”⁴⁹ Ms. Bell further
15 asserts that the Company’s proposed increase to the volumetric charge and the cost of gas
16 commodity will continue to provide customers with a reason to conserve.⁵⁰

⁴⁷ CAUSE-PA St. 1 at 32-36.

⁴⁸ Id. at 36-38.

⁴⁹ CPA St. 3 at 31-32.

⁵⁰ Id.

1 **Q: How do you respond to Ms. Bell’s assertions regarding the usage levels of low-income**
2 **customers as they relate to the fixed charge increase?**

3 A: I stand by my recommendation that the fixed charge should not be increased and the Rider
4 RNA should be rejected. As I explained at length the impact that the proposed fixed charge
5 increase would have on low-income households and the need for these customers to be able to
6 mitigate the impact of any rate increase through conservation measures, including though
7 LIURP.⁵¹ There is no structure that would make a rate increase “beneficial” to low-income
8 households. However, the simple fact is that increases to the volumetric charge can be mitigated
9 through conservation measures; whereas, increases to the fixed charge cannot. Energy efficiency
10 and conservation can be very effective at helping to control CAP customer bills, providing savings
11 to both the CAP customer and to other residential ratepayers who pay for CAP through rates.
12 Increasing the fixed customer charge threatens the ability for low-income households to effectively
13 reduce their bill through energy efficiency and conservation – further exacerbating unaffordability.

14 I also stand by my recommendation that the RNA Rider be rejected. I remain concerned
15 that the Rider RNA will erode potential bill savings, and will therefore (as explained above) have
16 a disproportionately negative impact on the ability of low-income households to maintain
17 affordable natural gas service and will undercut ratepayer investments made through LIURP.
18 Erosion of the potential for savings through energy efficiency undermines the incentive to invest
19 in energy efficiency. This is of paramount concern. Low-income customers need help from all
20 sources to be able to make ends meet each month, and LIURP is explicitly meant to help low-
21 income customers to conserve energy and “reduce residential energy bills.”⁵² Adoption of the

⁵¹ CAUSE-PA St. 1 at 33-35.

⁵² 52 Pa. Code § 62.2.

1 Rider RNA, along with the increase in the fixed customers charge, is like secretly filling a bathtub
2 from underneath while the person in the tub is trying to bail water from the top. This may not
3 immediately reduce the incentive to bail water (though that is likely to happen over time), but it
4 certainly erodes the effectiveness of the action.

5 Over the short term, the Rider RNA may not deter customers from adopting energy
6 efficiency and conservation measures because customers will be able realize the full savings
7 potential of their chosen energy efficiency measures from the time of adoption until the next Rider
8 RNA calculation. However, over the long term, customers may well be deterred from investing
9 additional dollars into energy efficiency and conservation measures when those savings shrink
10 over time through application of the Rider RNA.

11 Ms. Bell argues that the effect of the Rider RNA is no different from a traditional rate
12 increase.⁵³ However, there are significant differences between the Rider RNA and a traditional
13 rate increase. Namely, the Rider RNA will be automatically applied twice each year, and
14 consumers will have no opportunity to contest or object to the increase through the public input
15 hearing process or rate proceeding and the Company will have no obligation to demonstrate that
16 it could not control or reduce cost in other ways. Consumers must continue to have the right to
17 challenge rate increases, particularly given the demonstrable and significant impact it will have on
18 the ability for consumers to have continued and stable access to affordable utility services.

⁵³ CPA St. 3 at 31-32.

1 **IV. COST RECOVERY FOR UNIVERSAL SERVICE COSTS**

2 **Q: Did you make recommendations about the recovery of universal service costs in your**
3 **direct testimony?**

4 A: Yes. I recommended that CPA allocate universal service costs across all rate classes.⁵⁴ I
5 pointed out that the Commission indicated in its recent Final CAP Policy Statement and Order that
6 it would no longer routinely exempt non-residential classes from universal service obligations, and
7 that utilities should be prepared to address cross-class recovery of CAP costs in future rate case
8 filings.⁵⁵ I explained that, while program participants derive the most direct benefits of universal
9 service programs, there are a multitude of societal benefits which inure to non-residential
10 ratepayers and that the cost must therefore be shared by all those who enjoy the benefits of the
11 public utility.⁵⁶ I also pointed out that, to my knowledge, Pennsylvania is the only state where
12 cost recovery of universal service programming is limited to the residential class.⁵⁷

13 **Q: Please summarize the responses from other parties to this recommendation.**

14 A: CPA witness Tubbs, OSBA witness Knecht, CII witness Plank, and PSU witness Crist
15 opposed this recommendation in their rebuttal testimony. Mr. Tubbs, Mr. Knecht, and Mr. Crist
16 point out that only residential customers are eligible to participate in these programs, and assert
17 that residential customers alone should be responsible for the costs.⁵⁸ Mr. Tubbs indicates that
18 CPA would prefer the issue be determined in a statewide proceeding, rather than an individual rate

⁵⁴ CAUSE-PA St. 1 at 38-43.

⁵⁵ *Id.* at 39-42.

⁵⁶ *Id.* at 32-36.

⁵⁷ *Id.* at 42-43.

⁵⁸ CPA St. 1-R at 22-26; OSBA St 1-R at 2-7; PSU St. 1-R at 16, 19.

1 case⁵⁹ – ignoring the Commission’s clear guidance in its recently concluded statewide
2 investigation that universal service cost recovery issues should be addressed in each of the utilities’
3 individual rate cases.⁶⁰

4 Mr. Knecht argues that CAP functions as an insurance policy for residential customers to
5 protect them when they fall upon hard times, and asserts that the cost should therefore be recovered
6 exclusively from the residential rate class.⁶¹ He further asserts that societal benefits should not be
7 considered for allocating utility cost, and indicates that he does not believe that utility programs
8 are an effective means for providing assistance to utility consumers.⁶² He recommends that, if
9 universal service charges are assessed to non-residential customers, they should appear as a
10 separate bill item.⁶³ Mr. Crist points out the economic hardships faced by non-residential
11 customers and suggests that a better solution would be to make cuts and limits to the programs.⁶⁴

12 **Q: How do you respond to the assertion that nonresidential customers do not benefit**
13 **from universal service programs and should not have to pay for them?**

14 A: I stand by my recommendation that universal service costs be spread across all rate classes.
15 Universal service programs are public purpose programs that benefit all utility customers and the
16 economy overall.⁶⁵ I further stand on the facts and analysis in my direct testimony, wherein I

⁵⁹ CPA St. 1-R at 23.

⁶⁰ See Final CAP Policy Statement Order at 7 (“Utilities should be prepared to address recovery of CAP costs (and other universal service costs) from any ratepayer classes in their individual rate case filing.”).

⁶¹ OSBA St. 1-R at 2-7.

⁶² *Id.* at 7.

⁶³ *Id.* at 11.

⁶⁴ PSU St. 1-R at 16, 26.

⁶⁵ CAUSE-PA St. 1 at 42.

1 concluded that universal service costs should be more fairly allocated between all of the entities
2 who enjoy the benefits of Columbia’s service.⁶⁶

3 **Q: How do you respond to Mr. Tubbs’ assertion that recovery of universal service costs**
4 **from residential customers should be evaluated in a statewide proceeding rather than a rate**
5 **case?**

6 A: As I pointed out in my direct testimony, the Commission has already conducted an
7 extensive statewide proceeding on this issue as part of its comprehensive review of universal
8 service programs.⁶⁷ The results of this evaluation led the Commission to indicate in its Final CAP
9 Policy Statement and Order that nonresidential rate classes would no longer be routinely exempt
10 from recovery of universal service costs and that utilities should be prepared to address cross-class
11 recovery of CAP costs in rate case filings.⁶⁸ Considering that this directive came from an extensive,
12 multi-year statewide proceeding, it seems wasteful to initiate yet **another** statewide proceeding on
13 the issue.

14 **Q: How do you respond to Mr. Knecht’s recommendation that universal service costs be**
15 **treated as insurance costs for residential customers?**

16 A: As universal service costs are neither taxes nor insurance premiums, they do not fit neatly
17 within either of the boxes proposed by Mr. Knecht. The benefits of universal service programs are

⁶⁶ *Id.* at 42-43.

⁶⁷ *Id.* at 31.

⁶⁸ 2019 Amendments to Policy Statement on Customer Assistance Programs, 52 Pa. Code § 69.261-69.267, Docket No. M-2019-3012599, Final Policy Statement and Order, at 80-97 -(order entered Nov. 5, 2019) (“Consistent with the discussion above, the Commission finds it appropriate to consider recovery of the costs of CAP costs from all ratepayer classes. **Utilities and stakeholders are advised to be prepared to address CAP cost recovery in utility-specific rate cases consistent with the understanding that the Commission will no longer routinely exempt non-residential classes from universal service obligations.**” (emphasis added)) (hereinafter Final CAP Policy Statement and Order).

1 not limited to providing a safety net for residential customers and broad societal benefits for all
2 ratepayers.⁶⁹ They also benefit the utility itself by, *inter alia*, helping to control uncollectible
3 expenses and keep customers connected to the system – who, in turn, help contribute to the overall
4 system costs – even if they cannot afford to pay the full tariff rate.⁷⁰ All customers should share in
5 the cost of providing universal access to our most vulnerable residents.

6 **Q: How do you respond for Mr. Knecht’s recommendation that universal service costs**
7 **appear as a separate billing item on non-residential bills?**

8 A: Mr. Knecht’s recommendation to single out universal service program costs for specific
9 itemization on the bill would be manipulative and misleading. If universal service charges are
10 broken out as a separate billing item, then CPA should break out all riders and program costs that
11 are recovered through the distribution charge, including (for example) the state tax adjustment
12 surcharge, the merchant function charge, the gas procurement charge, the weather normalization
13 adjustment, the customer choice rider, and the distribution system improvement charge. I am not
14 a proponent of this level of itemization, as it would likely lead to an unreadable and confusing bill.
15 As such, I am opposed to Mr. Knecht’s recommendation.

16 **Q: How do you respond to Mr. Knecht’s assertion that societal benefits should not be**
17 **considered for allocating utility cost, and that utility assistance programs are not effective?**

18 A: I disagree – and so does the legislature.⁷¹ As I explained in my direct testimony, the effect
19 of energy insecurity on the population is unique and far reaching, and impacts all classes of utility

⁶⁹ For the sake of brevity, I will not reiterate the lengthy arguments from my direct testimony regarding the overall benefits of CAP to members of all rate classes. CAUSE-PA St. 1 at 39-42.

⁷⁰ See Id. at 14-25.

⁷¹ 66 Pa. C.S. § 2203(3)(6)(8).

1 customers.⁷² Because utility programs are uniquely designed by the utility to address customer
2 needs, they provide more flexibility and targeted assistance than could be achieved by a
3 government program that treated every customer the same – regardless of fuel type. The
4 effectiveness of CPA’s program at improving access to affordable utility service is subject to an
5 independent third party evaluation every six years. I will not detail the findings of CPA’s most
6 recent six-year evaluation of CPA’s program metrics, though I will incorporate it by reference
7 herein.⁷³

8 **Q: How do you respond to Mr. Crist’s assertion that it may be a better solution to cut or**
9 **limit programs rather than recover costs from nonresidential customers?**

10 A: PSU’s position on this issue is surprising, since PSU is a nonresidential customer who
11 derives a benefit from universal service programs. Universal service programs help low-income
12 students and their families better afford utility service and avoid service termination, which in turn,
13 helps students better afford educational expenses and focus on learning.

14 Food, housing, and utility insecurity amongst college students is on the rise. According to
15 a 2019 survey, approximately 16% of students at four-year colleges and 27% of students at two-
16 year educational institutions reported that they were unable to keep up with their utility bills.⁷⁴
17 Those most at risk of food, housing, or utility insecurity include Black, LGBTQ, and veteran
18 students; students with children; and older students.⁷⁵ The disparity in race is staggering: 58% of

⁷² CAUSE-PA St. 1 at 39-42.

⁷³ See CPA USECP 2019-2021, Attach. A; see also Columbia Gas of Pennsylvania, Inc.’s 2017 Impact Evaluation of its Universal Service and Energy Conservation Programs, Sep. 1, 2017.

⁷⁴ The Hope Center, College and University Basic Needs Insecurity: A National #RealCollege Survey Report, at 8 (April 2019), https://hope4college.com/wp-content/uploads/2019/04/HOPE_realcollege_National_report_digital.pdf (hereinafter Basic Needs Report).

⁷⁵ Basic Needs Report at 13-18.

1 students who identify as African American or Black reported being food insecure – 19% higher
2 than students who identify as white or Caucasian.⁷⁶ Those students who experience food and
3 housing insecurity are also overwhelmingly part of the workforce – at far greater rates than
4 students not burdened by food or housing insecurity.⁷⁷ As the report highlights, food and housing
5 insecurity can “undermine academic success” – resulting in substantially lower grades for those
6 who struggle with food and housing insecurity.⁷⁸ Nevertheless, many students experiencing
7 insecurity are not accessing assistance programs for which they are eligible. According to the
8 report, just 5% of those experiencing food or housing insecurity accessed utility assistance
9 programming.⁷⁹

10 Notably, PSU President Eric Barron formed a University Task Force on Food and Housing
11 Security in February 2020.⁸⁰ In doing so, President Barron recognized that “[f]ood and housing
12 insecurity can have a profound effect on a student’s ability to thrive,” and charged the Task Force
13 with improving the availability and accessibility of programs that will address insecurity amongst
14 college students to address basic needs.⁸¹

15 Universal service programs help bridge the affordability gap for basic needs, allowing low-
16 income students and their families to better afford energy costs while attending school. As such,
17 universal service programs provide a direct and substantial benefit to PSU and dozens of other
18 educational institutions across CPA’s service territory, advance common goals of achieving equity

⁷⁶ Id. at 12.

⁷⁷ Id. at 19.

⁷⁸ Id. at 20.

⁷⁹ Id. at 48, 49.

⁸⁰ Penn State News, President Forms Task Force to Look at Student Food and Housing Security, (Feb. 5, 2020), <https://news.psu.edu/story/607037/2020/02/05/campus-life/president-forms-task-force-look-student-food-and-housing>.

⁸¹ Id.

1 and promoting opportunity and advancement, and serve to promote a more skilled and educated
2 work force. This is the very definition of a public benefit, and the associated costs of universal
3 service programming should be recovered as such.

4 **Q: Does this conclude your direct testimony?**

5 **A: Yes.**