

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission

v.

Columbia Gas of Pennsylvania, Inc.

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Docket No. R-2020-3018835

Surrebuttal Testimony of
Roger D. Colton

On Behalf of:
Office of Consumer Advocate
Statement No. 5S

September 16, 2020

Table of Contents

Part 1. Response to CGPA witness Andrew Tubbs	2
Part 2. Response to CGPA witness Melissa Bell	10
Part 3. Response to CGPA witness Deborah Davis	11
Part 4. Response to Columbia Industrial Intervenors witness Frank Plank	21
Part 5. Response to OSBA witness Robert Knecht	22
Part 6. Response to PSU witness James Crist	29

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

2 A. My name is Roger Colton. My address is 34 Warwick Road, Belmont, MA.

3

4 **Q. ARE YOU THE SAME ROGER COLTON WHO PREPARED DIRECT**
5 **TESTIMONY ON BEHALF OF THE OFFICE OF CONSUMER ADVOCATE IN**
6 **THIS PROCEEDING?**

7 A. Yes.

8

9 **Q. PLEASE EXPLAIN THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY.**

10 A. The purpose of my Surrebuttal Testimony is as follows.

11

12 ➤ First, I respond to the Rebuttal Testimony of Andrew Tubbs on behalf of Columbia
13 Gas.

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15 ➤ Second, I respond to the Rebuttal Testimony of Melissa Bell on behalf of Columbia
16 Gas,

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18 ➤ Third, I respond to the Rebuttal Testimony of Deborah Davis on behalf of Columbia
19 Gas

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21 ➤ Fourth. I respond to the Rebuttal Testimony of Frank Plank on behalf of the
22 Columbia Industrial Intervenors.

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24 ➤ Fifth, I respond to the Rebuttal Testimony of Robert Knecht on behalf of the Office
25 of Small Business Advocate.

26

27 ➤ Finally, I respond to the Rebuttal Testimony of James Crist on behalf of Penn State
28 University.

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30 In addition, I note that Susan Moore from the Commission on Economic Opportunity

31 (CEO) submitted Rebuttal Testimony supporting my cost allocation proposal. I do not

32 respond to that supportive testimony.

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Part 1. Response to Andrew Tubbs.

Q. PLEASE EXPLAIN THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY.

A. In this section of my testimony, I respond to the Rebuttal Testimony of Columbia Gas witness Andrew Tubbs. Mr. Tubbs first testifies regarding the allocation of universal service costs amongst customer classes. He then testifies regarding Columbia’s performance on collections. I respond to each below.

Q. PLEASE RESPOND TO THE REBUTTAL TESTIMONY OF COLUMBIA GAS WITNESS TUBBS REGARDING THE ALLOCATION OF UNIVERSAL SERVICE COSTS.

A. Columbia Gas witness Tubbs raises five arguments in opposition to the allocation of universal service costs amongst all customer classes.

First, Mr. Tubbs argues that “Columbia believes that a general proceeding on this issue, and not a single utility’s rate case, is the appropriate forum for this issue.” (CGPA St. 1-R, at 24). This argument was specifically rejected by the Commission in its generic affordability proceeding. In its September 19, 2019 Final Policy Statement and Order in the PUC’s generic investigation into energy affordability in Pennsylvania (Docket M-2019-3012599),¹ the Commission explicitly stated that “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

¹ http://www.puc.pa.gov/about_puc/consolidated_case_view.aspx?Docket=M-2019-3012599 (November 5, 2019) (last accessed May 16, 2020).

1 rate cases consistent with the understanding that the Commission will no longer routinely
2 exempt non-residential classes from universal service obligations. . .” (Id., at 99, notes
3 omitted).²

4
5 Second, Mr. Tubbs argues that the residential class is the only customer class to benefit
6 from the universal service programs. (CGPA St. 1-R, at 25). This conclusory argument,
7 presented without supporting data or analysis, is at odds with the extensive academic
8 literature which I cited in my Direct Testimony. Mr. Tubbs makes no effort to respond to
9 that literature.

10
11 Third, Mr. Tubbs argues that the commercial and industrial classes do not receive any
12 cost reductions as a result of the universal service programs. (CGPA St. 1-R, at 25). This
13 conclusory argument, presented without supporting data or analysis, is also at odds with
14 the extensive academic research which I cited in my Direct Testimony. Mr. Tubbs makes
15 no effort to respond to those research findings.

16
17 Fourth, Mr. Tubbs argues that the allocation of costs of a “public good” to all customer
18 classes “looks outside the ratemaking process. . .” (CGPA St. 1-R, at 25 – 26). He does not
19 acknowledge, however, that the treatment of the costs of a “public good” in the ratemaking
20 process is generally to allocate those costs over all customer classes, for all the reasons
21 identified by the National Regulatory Research Institute (NRRI) in my Direct Testimony.

² The Commission observed that it was not making “a final precedential decision regarding cost recovery in this docket. We are merely providing that the recovery of CAP costs in particular can be fully explored in utility rate cases henceforth.” (Id., at note 150).

1 (OCA St. 5, at 53 – 54). It is the failure to allocate the costs of a “public good” over all
2 customer classes that is the departure from the ratemaking norm.

3
4 Fifth, Mr. Tubbs argues that universal service costs represent “a cost that is caused by one
5 class [which] should [not] be shifted to other classes.” (CGPA St. 1-R, at 26). This
6 conclusory argument (i.e., that only residential ratepayers “cause” universal service costs),
7 presented without supporting data or analysis, is at odds with the extensive research findings
8 presented in my Direct Testimony. Moreover, this unsupported assertion is at direct odds
9 with the findings of the PUC’s September 19, 2019 Order, that stated “[t]he Commission
10 agrees that poverty, poor housing stock, and other factors that contribute to households
11 struggling to afford utility service are not just “residential class” problems. Further,
12 helping low-income families maintain utility service and remain in their homes is also a
13 benefit to the economic climate of a community.” (Id., at 96).

14
15 Finally, Mr. Tubbs argues that universal service costs should not be allocated to classes
16 other than the residential class since, he alleges, the residential class is paying “below a
17 system average return.” (CGPA St. 1-R, at 25). As explained by Mr. Mierzwa in his
18 Direct Testimony, however, Columbia’s preferred average cost allocation study should be
19 rejected by the Commission and the OCA’s study should be adopted. The OCA’s study
20 shows Residential customers paying more than their allocated costs. But even then, the
21 resolution of this dispute does not address the conclusion that USP rider costs should be
22 paid for by all customers. All classes contribute to the cause of these costs. All classes

1 receive some of the benefits of these costs. And, in addition, universal service costs are a
2 “public good” that should be allocated amongst all customer classes.

3
4 **Q. PLEASE RESPOND TO THE REBUTTAL TESTIMONY OF COLUMBIA GAS**
5 **WITNESS TUBBS REGARDING THE COMPANY’S COLLECTIONS**
6 **PERFORMANCE.**

7 A. Columbia Gas witness Tubbs argues that the Company “performs well relative to its peers”
8 with respect to residential collections. Witness Tubbs puts his own construction on the data
9 presented in the Commission’s Chapter 14 reports to the state legislature, as well as to the
10 annual Bureau of Consumer Services (BCS) reports on collections performance (citing
11 CGPA St. 1-R, Ex. AST-5R). What Mr. Tubbs does *not* address, however, is the June 2020
12 PUC Management Audit which, after comparing Columbia’s performance “to a panel of
13 Pennsylvania natural gas distribution companies (NGDCs) for the years 2014-2018, found
14 that “CPA’s overall average arrearages were substantially higher than the panel average
15 over the period.” (Management Audit, quoted at OCA St. 5, at 82). Nor did Mr. Tubbs
16 respond to the PUC’s own Management Audit report which referred to the Company’s “less
17 than average arrearage level of performance.” (Id.). Nor did Mr. Tubbs respond to the
18 PUC’s own Management Audit report which reported that the Company’s management
19 action “resulted in excessive arrearage levels CPA experienced throughout the audit period.”
20 (Id.)

21
22 Through his testimony and attached Exhibit (CGPA St. 1-R, Ex. AST-5R), Columbia
23 witness Tubbs argues that the Company has the lowest percentage of *customers* in debt.

1 (CGPA St. 1-R, at 30). He fails to acknowledge, however, that it has a much higher level of
2 total dollars overdue than would be merited by the number of customers in arrears. (OCA
3 St. 5, at 80). He does not dispute my Direct Testimony that “the fact that it is ranked higher
4 in the number of dollars overdue than it is ranked in the number of accounts overdue means
5 that CGPA’s overdue customers owe, on average, more than is owed by other Pennsylvania
6 utilities. In fact, the data. . .shows this as well. The data shows that the average arrears (of
7 accounts having arrears) is ranked third highest amongst Pennsylvania’s gas utilities.”
8 (OCA St. 5, at 80).

9
10 Columbia witness Tubbs argues further that, since the Company has “the highest percentage
11 of debt on payment agreements than any other Pennsylvania utility,” “[t]his clearly
12 demonstrates the Company is actively and effectively working with customers that are
13 behind and making payment arrangements. . .” (CGPA St. 1-R, at 31).

14
15 However, while Mr. Tubbs cites data on how often the Company is “making payment
16 arrangements,” he failed to acknowledge how frequently those payment arrangements are
17 failing. According to the BCS, for example, “A payment troubled customer is a customer
18 who has failed to maintain one or more payment arrangements in a 1-year period.”³ Even
19 if Columbia Gas is “making” lots of payment arrangements, PGW is the only
20 Pennsylvania natural gas utility with more “payment-troubled customers” (again, defined
21 to be “a customer who has failed to maintain one or more payment arrangements. . .”).⁴

³ BCS, 2018 Report on Universal Service Programs and Collections Performance, at 8 (citation to PUC regulation setting forth the definition omitted). (Hereafter, BCS 2018 Report).

⁴ BCS 2018 Report, at 8.

1 Moreover, Mr. Tubbs fails to acknowledge that the degree to which Columbia Gas has
2 been making payment arrangements has been trending downward in recent years.⁵

3
4 While Mr. Tubbs argues that Columbia “has the lowest termination per customer rate of
5 any utility” (CGPA St. 1-R, at 31), the termination rate is not the most important metric
6 by which to measure shutoffs. It is the number of customers, not the percentage of
7 customers, who have lost service due to nonpayment that is the more important number.
8 In its Cold Weather Surveys, for example, the Commission reports the number of
9 customers who have had service disconnected and remain without heating entering the
10 cold weather months, not the percentage of customers. Mr. Tubbs also does not dispute
11 that the Company “disconnects service to a disproportionate number of *overdue* accounts.
12 . . .[E]ven though CGPA has only the fourth highest number of overdue accounts in the
13 state, it consistently has either the second or third highest number of nonpayment service
14 disconnections. . .” (OCA St. 5, at 81).

15
16 Finally, Mr. Tubbs argues that Columbia had the lowest “gross write-off ratio” of any
17 Pennsylvania natural gas utility in 2019. (CGPA St. 1-R, at 31, and Ex. AST-5-R). The
18 2018 annual BCS report on collections performance, however, reveals that Columbia Gas
19 has not distinguished itself on this metric in recent years. The data for the years 2016
20 through 2018 is shown in the Table below. The data certainly does not show exemplary
21 management in terms of the control of write-offs. Columbia routinely has higher write-

⁵ BCS 2018 Report, at 11.

1 offs than PECO-Gas. It routinely has a performance that is clustered with itself, NFG,
2 Peoples, Peoples-Equitable, UGI South and UGI North. ⁶

	2016	2017	2018
Columbia	2.2%	2.0%	1.9%
NFG	3.2%	1.9%	2.8%
PECO-Gas	0.3%	0.6%	0.4%
Peoples	4.4%	3.2%	2.5%
Peoples-Equitable	2.2%	2.6%	2.2%
PGW	15.0%	9.7%	6.4%
UGI South	2.5%	2.5%	3.3%
UGI North	1.9%	2.4%	3.0%

3
4 The gross write-offs data for Columbia supports the fundamental conclusion which I
5 presented in my Direct Testimony. At that point, I stated “that CGPA is not amongst the
6 worst performing natural gas utilities in Pennsylvania on collections from residential
7 customers, but neither does the Company’s performance reflect ‘exemplary’
8 management.” (OCA St. 5, at 79).

9
10 Moreover, Mr. Tubbs does not dispute that, of those customers who are disconnected,
11 Columbia Gas ranks lowest in the percentage of customers who are reconnected. (OCA
12 St. 5, at 81 – 82) (“CGPA reconnects a percentage of residential customers that is lower
13 than every other gas utility in Pennsylvania.”)

⁶ BCS noted (2018 BCS Report, at 41) that, in 2018, UGI South and UGI North experienced an uptick in its write-offs due to technical problems with its information technology. BCS observed throughout its 2018 Report, that those issues affected UGI performance on a range of performance criteria, not simply write-offs.

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Q. PLEASE RESPOND TO THE COMMENTS OF MR. TUBBS REGARDING PAYMENT ARRANGEMENTS DURING THE COVID-19 CRISIS.

A. Columbia Gas should be held accountable to the extent that it might not be in full compliance with Chapter 14 requirements regarding payment arrangements during the COVID-9 pandemic. According to Mr. Tubbs, “For residential customers, the Company is offering two options. In addition to Columbia’s normal budget plus payment plan offered to its customers based on financial information and household size, Columbia is providing customers the option of a six month payment plan that allows customers to pay their current bills, plus 1/6 of their arrears.” (CGPA St. 1, at 7). Under Chapter 14, the length of payment plans must first evaluate a customer’s income and financial ability to repay. In its grant of “two options,” Columbia Gas must first ensure that any payment arrangement offered to a residential customer first comply with Chapter 14 requirements regarding the consideration of ability-to-pay. The six month option cannot operate as a substitute for Chapter 14 provisions that may offer a payment plan on more favorable terms.

Q. WHAT DO YOU CONCLUDE?

A. The Company’s claim of “exemplary management” cannot be sustained based on its performance relative to collections.

1 **Part 2. Response to Columbia Gas Witness Melissa Bell.**

2 **Q. PLEASE EXPLAIN THE PURPOSE OF THIS SECTION OF YOUR**
3 **TESTIMONY.**

4 A. In this section of my testimony, I respond to the Rebuttal Testimony of Columbia Gas
5 witness Melissa Bell. Witness Bell responded to my Direct Testimony by asserting that
6 “The simple fact is, customers that consume more gas than the average will benefit with a
7 higher customer charge and customers that consume less gas than the average will bear a
8 higher financial burden from a higher customer charge regardless of customer income
9 status.” (CGPA St. 3-R, at 29).

10
11 **Q. WHAT IS YOUR RESPONSE?**

12 A. I agree with Ms. Bell’s rebuttal to the extent, but only to the extent, that her statement is
13 intended to communicate the fact that “an increase in customer charge will impose a
14 smaller percentage rate increase on higher use customers than on lower use customers.” I
15 cannot agree, however, that *ipso facto*, “customers that consume more gas than the
16 average will benefit with a higher customer charge. . .” For all the reasons I outline in
17 my Direct Testimony, which Ms. Bell did not dispute, low-income customers (be they
18 high use customers or low use customers) will be harmed by the proposed increase in the
19 Columbia Gas residential customer charge.

20
21 Moreover, Ms. Bell asserts that “Although there are low income customers who reside in
22 small multifamily units, there are also low income customers who live in large old poorly
23 insulated homes with old less efficient furnaces that use above /the average residential

1 customer consumption.” (CGPA St. 3, at 29). While I accept Ms. Bell’s statement as
2 accurate, it also mis-represents my Direct Testimony. My Direct Testimony concluded
3 that “Low-income customers, *both disproportionately, and on average*, are also low-use
4 customers.” (OCA St. 5, at 65) (emphasis added). Ms. Bell does not dispute that
5 conclusion (or the analysis that was presented in support of that conclusion).
6

7 **Part 3. Response to Columbia Gas witness Deborah Davis.**

8 **Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?**

9 A. In this section of my testimony, I respond to the Rebuttal Testimony of Columbia Gas
10 witness Deborah Davis.
11

12 **Q. PLEASE EXPLAIN THE FIRST ASPECT OF THE REBUTTAL TESTIMONY**
13 **OF CGPA WITNESS DAVIS TO WHICH YOU WISH TO RESPOND.**

14 A. In my Direct Testimony, I note that while CGPA reports that it receives “full payments”
15 in response to only 56% of the CAP bills it renders, it disconnects service to only 5% of
16 CAP recipients. (OCA St. 5, page 9). I urged that CGPA submit to its Universal Service
17 Advisory Committee the question of how to ensure that CAP customers are paying the
18 affordable bills that are delivered to them.
19

20 Ms. Davis disagrees with the need to ask for such guidance. She explains that “it is
21 important to recognize, LIHEAP funds supplement past, current and future customer
22 payments. As a result, a customer may be current on their CAP bill but have not paid
23 twelve on time and in full payments in a year due to LIHEAP grant credits. The LIHEAP

1 grant credits are not included in the full, on time payment data referenced by Mr.
2 Colton.” (CGPA St. 13-R, at 2).

3
4 I offer two responses to Ms. Davis’ explanation. First, it makes little sense for the
5 Company to report data on having issued a bill showing a bill credit on it as the balance
6 due, and then to report the customer having received that bill as not having made a full
7 and on-time payment. The representation that Ms. Davis makes that “the LIHEAP grant
8 credits are not included in the full, on time payment data referenced by Mr. Colton”
9 (CGPA St. 13-R, at 2) serves no useful reporting or policy function.

10
11 Second, the Office of Consumer Advocate asked Columbia Gas to provide, by month, for
12 the months October 2018 to May 2020 the number of CAP customers receiving LIHEAP
13 who have a bill credit on their account each month. The Table below is a restatement of
14 Table 1 from my Direct Testimony (OCA St. 5, at 9), except instead of presenting the
15 number of CAP disconnections, I present the number of CAP accounts receiving
16 LIHEAP who have a bill credit on their account. Indeed, OCA also asked CGPA to
17 provide by month the number of CAP accounts not receiving LIHEAP which had a bill
18 credit. That data, also, is presented in the Table below.

Table 2S. CAP Bills, CAP Full Payments, CAP Accounts Receiving LIHEAP with Bill Credits
(Oct. 2018 – Dec. 2019)

	CAP Bills	CAP Full Pyts	Pct Full Pyts	CAP Accts Receiving LIHEAP with Bill Credit	CAP Accounts NOT Receiving LIHEAP with Bill Credit
Oct-18	24,495	12,830	52%	788	612
Nov-18	22,203	12,120	55%	697	567
Dec-18	20,567	9,377	46%	635	548
Jan-19	24,787	9,832	40%	755	675
Feb-19	21,328	9,946	47%	630	613
Mar-19	23,305	11,313	49%	706	697
Apr-19	23,562	12,754	54%	691	726
May-19	25,575	14,013	55%	754	816
Jun-19	21,688	13,392	62%	625	708
Jul-19	24,891	15,525	62%	700	839
Aug-19	23,341	16,102	69%	630	787
Sep-19	21,761	15,405	71%	329	429
Oct-19	23,446	16,482	70%	2	1
Nov-19	20,730	12,069	58%	2	1
Dec-19	20,349	9,678	48%	1	1
Average	22,802	12,723	56%	535	530
	OCA-IV-1	OCA-IV-1		OCA-IV-9	OCA-IV-9

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As can be seen, the difference between the number of CAP bills issued, and the number of “full payments” received on CAP accounts, is not explained by the number of CAP accounts with bill credits each month (whether those bill credits are explained by the receipt of LIHEAP or by some other factor). Simply to illustrate, in May 2019, CGPA issued 25,575 CAP bills and received 14,013 full payments. However, only 754 CAP accounts (who had received a LIHEAP payment) had a bill credit, and only 816 CAP accounts (who had *not* received a LIHEAP payment) had a bill credit. Contrary to what Ms. Davis asserts, the presence of bill credits does not explain the difference between the number of full payments and the number of CAP bills.

1 I conclude that Ms. Davis' explanation does not adequately explain the differences which
2 I identify in my Direct Testimony. I conclude further that the recommendation set forth
3 in my Direct Testimony should be adopted.
4

5 **Q. PLEASE RESPOND TO THE REBUTTAL TESTIMONY OF MS. DAVIS**
6 **REGARDING CGPA'S CAP COMPLIANCE RATE.**

7 A. Ms. Davis further testifies in response to my Direct Testimony that "the Company's
8 percentage of CAP bills paid in 2018 was the 3rd highest of all PA utilities." (CGPA St.
9 13-R, at 4). Whether or not that is the case, that testimony does not address the problem I
10 identified in Table 1 of my Direct Testimony, as expanded by the Table immediately
11 above. Whether or not accurate, Ms. Davis' testimony in this regard is non-responsive.
12

13 **Q. WHAT DO YOU CONCLUDE?**

14 A. The Pennsylvania PUC provides in its CAP Policy Statement that, while utilities should
15 be diligent in offering affordable bills to low-income CAP participants, Pennsylvania
16 utilities should also be diligent in collecting from those CAP participants once an
17 affordable bill has been rendered. With Columbia Gas, from October 2018 through
18 December 2019, while the Company has, on average, issued roughly 22,800 CAP bills
19 each month, it has received, on average, fewer than 12,723 on-time payments. More than
20 10,000 customers receiving a CAP bill each month, in other words, do not make an on-
21 time payment. The Company's rebuttal witness asserts that the difference can be
22 attributed to customers who receive LIHEAP and, as a result, have a bill credit thus
23 rendering a bill payment unnecessary. However, the data provided to OCA demonstrates

1 that fewer than 550 CAP participants, on average, who also receive LIHEAP have a bill
2 credit in any given month. Roughly the same number of CAP participants do not receive
3 a LIHEAP benefit but have a bill credit in any given month.

4
5 Finally, Ms. Davis cites “other reasons” why customers may not be disconnected for
6 nonpayment. She cites, as illustrations, the presence of disputes, the existence of medical
7 certificates, and the presence of winter shutoff restrictions. (CGPA St. 13-R, at 3). These
8 “other reasons,” however, simply do not explain the large difference between the number
9 of CAP bills rendered each month and the number of timely payments that are made by
10 CAP participants. On average, there is a difference of more than 10,000 CAP accounts
11 receiving a bill and CAP accounts making a timely payment. While there is some
12 seasonal variation, that seasonal variation does not explain the extensive differences that
13 exist.

14
15 I do not recommend that Columbia begin to disconnect service to more low-income CAP
16 participants. However, I do recommend, as I did in my Direct Testimony, that Columbia
17 Gas “should demonstrate that it is, indeed, in compliance with the PUC’s directive that
18 the Company should initiate collection activity for CAP accounts when a customer has no
19 more than two (2) in-program payments in arrears.” (OCA St. 5, at 11). Moreover, since
20 it benefits not only CAP non-participants (by controlling collection needs), but CAP
21 participants as well (by preventing the build-up of in-program arrears) (OCA St. 5, at 10
22 – 11), I recommend further, as I did in my Direct Testimony, that Columbia Gas “submit
23 to its universal service advisory committee within six months of a final order in this

1 proceeding the question of how customer payments on CAP bills can be pursued through
2 a reasonable collections process.” (OCA St. 5, at 11).

3
4 **Q. PLEASE RESPOND TO WITNESS DAVIS’ REBUTTAL TESTIMONY**
5 **REGARDING CGPA’S CAP OUTREACH STRATEGIES.**

6 A. In my Direct Testimony, I examine the percentage of CGPA CAP participants by Federal
7 Poverty Level. I compare that percentage of CAP participants to the percentage of the
8 population in the CGPA service territory. Through that comparison, I found that the
9 customers in the lowest Poverty Range were under-represented in the Columbia Gas
10 CAP. (OCA St. 4, at 17 – 18). I concluded that “The under-representation of the lowest
11 income range (i.e., below 50% of Poverty) is of particular concern. Because of their low-
12 income, these customers are most likely to have natural gas bills that represent a high
13 percentage of income (i.e., what is known as a “bill burden” or bill as a percentage of
14 income). They are, accordingly, more likely to have the payment troubles that I have
15 identified above. These high burdens are the problem addressed by enrollment in CAP.
16 The customers in this lowest income range, however, are not enrolling in the Company’s
17 CAP in a percentage which reflects their percentage in the total population.” (COCA St.
18 4, at 17 – 18). Ms. Davis does not dispute any of these findings.

19
20 CGPA witness Davis responds to my recommendations simply by asserting that “many of
21 these outreach strategies will be included in the Company’s overall draft plan, but others
22 have been deemed unsuccessful and not as efficient as other methods.” (CGPA St. 13-R,
23 at 8). She does not specifically identify which of my recommended strategies “will be

1 included” and which of my recommended strategies “have been deemed unsuccessful and
2 not as efficient as other methods.” Columbia does, however, appear to overly rely on
3 Company-driven outreach strategies, with a further reliance on Company-provided
4 outreach materials. It does not involve grassroots outreach to the extent that it could and
5 should. Nor does it rely on a process where it enlists community members going into the
6 community to provide outreach (going to where customers “live, work, shop, pray and
7 play”) rather than making customers come to them. This lack of grassroots, community-
8 based, outreach, using “trusted messengers” is a primary gap in Columbia’s CAP
9 outreach efforts.

10
11 Nor does Ms. Davis acknowledge, or respond to, the fact that the PUC’s June 2020
12 Management Audit reported a need for Columbia Gas to “implement various strategies to
13 reduce arrearage levels such as increasing CAP enrollment.” (OCA St. 4, at 12, citing and
14 quoting PUC Management and Operations Audit, at 5, 8, 59). Moreover, Ms. Davis does
15 not dispute that the PUC Management Audit explicitly cited an increased enrollment in
16 CAP as a way for CGPA to reduce the Company’s arrearages (the problems with which
17 were discussed more fully above in my response to CGPA witness Tubbs).

18
19 Despite Ms. Davis’ provision of a list of outreach activities which she asserts that the
20 Company pursues, none of those listed items was identified as an outreach activity that is
21 being undertaken in response to the Management Audit’s critique. Moreover, none of
22 Ms. Davis’ listed items is identified as specifically directed toward increasing the

1 enrollment of households at the lowest level of Poverty, that level of Poverty which is
2 currently under-represented in CGPA’s CAP participant population.

3
4 Based on the above, I conclude that the specific recommendations which I provided in
5 my Direct Testimony (OCA St. 4, at 27 – 28) should be adopted. This should occur not
6 merely to increase enrollment in CAP, but also, as the PUC Management Audit noted, to
7 help CGPA reduce its residential arrears.

8
9 **Q. WHAT IS YOUR RESPONSE TO THE REBUTTAL TESTIMONY OF MS.**
10 **DAVIS REGARDING THE COMPANY’S PROPOSED INCREASE IN ITS**
11 **CUSTOMER CHARGE?**

12 A. The Rebuttal Testimony of Ms. Davis reiterates the Company’s position that the overall
13 affordability of bills to CAP participants will be maintained through participation in the
14 Company’s CAP. (CGPA St. 13-R, at 10). She does not acknowledge that CGPA enrolls
15 a small percentage of the Company’s total low-income population in CAP. Fewer than
16 one-in-four of the Company’s estimated low-income population participates in CAP.
17 (OCA St. 4, at 60). She does not acknowledge that more than 60% of CGPA’s CAP
18 participant population is enrolled in its “percentage of bill” CAP component. (OCA St.
19 4, at 61). She does, however, acknowledge that customers enrolled in the “percentage of
20 bill” CAP program component will experience higher bills, though she justifies that by
21 asserting that “even those on the Percent of Budget. . .will realize only half of the impact
22 of any rate increase.” (CGPA St. 13-R, at 9). Many of those customers on the percentage
23 of bill plan will experience an increase of in their natural gas burdens of more than 50%

1 ((5.23% - 3.44%) / 3.44% = 0.52). Ms. Davis reports that customers on the CGPA
2 percentage of bill plan will, on average, have a bill burden of 5.23% given the
3 Company's rate proposal, an increase from the range of "between 3.44% and 5.24%."
4 (CGPA St. 13-R, at 10).

5
6 **Q. DO YOU HAVE ANY FINAL RESPONSE TO THE REBUTTAL TESTIMONY**
7 **OF MS. DAVIS?**

8 A. Yes. CGPA witness Davis responds to the recommendation of CAUSE-PA witness
9 Mitchell Miller for CGPA to reduce the energy burden for the percentage of income
10 component of the Company's CAP as part of this proceeding. (CGPA St. 13-R, at 16 –
11 18). I agree with Ms. Davis' ultimate conclusion that the appropriate level of the
12 Columbia Gas percentage of income burden should be determined in the Company's
13 proceedings regarding its Universal Service and Energy Conservation Plan (USECP)
14 (CGPA St. 13-R, at 15 – 16). The Columbia Gas USECP was most recently approved in
15 January 2020 and an aspect of that USECP that is as fundamental to that USECP as the
16 appropriate burden to use to define "affordability" for purposes of the percentage of
17 income CAP program component should not be revisited this quickly.

18
19 Ms. Davis identifies "other factors" that should be taken into account in considering
20 whether to reduce the percentage of income burdens in the Company's CAP. One of
21 those "other factors" is the cost impact to CAP non-participants, including customers
22 who are income-eligible but do not participate and those who are sufficiently low-income
23 to have difficulties paying their bills but not sufficiently low-income to income-qualify

1 for programs such as CAP. Ms. Davis argues that reducing the burdens may substantially
2 increase the cost of CAP, while acknowledging that CAUSE-PA witness Miller “asserts
3 the cost to be only \$2.67 per year per customer.” (CGPA St. 13-R, at 18).

4
5 This discussion of costs, however, somewhat misses the point. It has never been CAP
6 policy that affordability should be pursued at any cost. The appropriate burdens to be
7 implemented through CAP weigh the benefits to CAP participants against the resulting
8 cost burdens imposed on other customers. Controlling total CAP costs, however, does
9 not occur exclusively through a determination of what burden should be defined to be
10 affordable. The Commission’s CAP Policy Statement has an entire section that is
11 devoted to “control features.” (CAP Policy Statement, Section 29.265(3) (“The utility
12 should include the following control features to limit program costs”). The CAP Policy
13 Statement includes, for examples, “control features” such as minimum payment terms,
14 consumption limits, high usage treatments, and maximum CAP credits. (Section
15 23.265(i) – (v)). Even each of these “control features,” however, has permissible
16 “exemptions.” (Section 23.265(vi)).

17
18 Any determination of what burden is to be deemed to be most appropriate for Columbia
19 Gas should take affordability into account. However, any such determination must also
20 take the cost impact on CAP non-participants into account as well. In balancing those
21 factors, the Commission has provided for a consideration of “cost control features” that
22 exist outside the percentage of income burdens that are deemed to be appropriate. This
23 process of determining costs, balancing those costs against affordability, and considering

1 what control features can/should be implemented as part of that balancing process, should
2 occur within the USECP process, not within a base rate case.

3
4 **Part 4. Response to Columbia Industrial Intervenors Witness Frank Plank.**

5 **Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?**

6 A. In this section of my testimony, I respond to the Rebuttal Testimony of Industrial
7 Intervenors Witness Frank Plank. Mr. Plank argues that he “believe[s] that changing the
8 policy with respect to allocation of low-income program costs would further exacerbate
9 the issues faced by Rate LDS customers at this time.” (CII St., 1-R, at 2). Mr. Plank’s
10 “belief,” however, is contrary to the extensive academic research that I presented in my
11 Direct Testimony. (OCA St. 5, at 40 – 52). Moreover, his conclusion is at odds with the
12 conclusions of the benefits arising to large industrial employers as set forth by the U.S.
13 Chamber of Commerce and the National Association of Manufacturers. (OCA St. 5, fn
14 35, and accompanying text, at 40-41). As research by the Chamber and the National
15 Association of Manufacturers have reported: “employers have good reason to be
16 concerned that large numbers of working people with low family incomes do not take
17 advantage of the public benefits intended to help them and their families achieve
18 economic sufficiency--benefits that also help employers by contributing to the economic
19 stability of their workforces.” (OCA St. 5, at 40 – 41, 49 - 50). CAP programs benefit
20 large industrial employers by reducing health care costs (Id., at 44 – 45, 49 - 50),
21 improving employee productivity (Id., at 43 – 44), reducing absenteeism (Id., at 46 – 47,
22 49 - 50), and reducing turn-over. (Id., at 46, 49 - 50). The fact that large employers
23 benefit has not been found simply by academic researchers, the Chamber of Commerce,

1 and National Association of Manufacturers, but also by industry groups such as the
2 International Foundation of Employee Benefit Plans (Id., at 46 – 47), and
3 Pricewaterhouse Cooper. (Id., at 44).

4
5 Finally, Mr. Plank’s argument that the allocation of universal service costs amongst all
6 customer classes would result in substantial harm to industrial customers in Pennsylvania
7 is simply not credible. The argument is the same argument that was presented to and
8 rejected by, the Commission in the PUC’s general affordability proceeding. In
9 responding to that argument in its September 19, 2019 Final Order on the CAP Policy
10 Statement, the PUC said: “OSBA and the Industrial Customers have argued that
11 recovering costs of universal service programs from industrial and commercial customers
12 may negatively impact businesses in the Commonwealth. However, we have not seen
13 evidence that the economic climate in Philadelphia has been negatively impacted as a
14 result of universal service costs charged by PGW. Further, as noted by multiple parties in
15 the *Review* proceeding, many states recover the cost of utility low-income programs from
16 all ratepayer classes, including New York, New Jersey, Ohio, Illinois, Maine, and New
17 Hampshire. We are not aware that this practice has negatively impacted the business
18 climate of any these states.” (2019 Final CAP Policy Statement Order, supra, at 98).
19 There is no more evidence in this proceeding of such negative impacts than there was in
20 that proceeding in which the PUC rejected the existence of such impacts.

21
22 **Part 5. Response to OSBA Witness Robert Knecht.**

23 **Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?**

1 A. In this section of my testimony, I respond to the Rebuttal Testimony of OSBA witness
2 Robert Knecht.⁷

3

4 **Q. PLEASE RESPOND TO MR. KNECHT’S DISCUSSION OF THE**
5 **PENNSYLVANIA COMMISSION’S RECENT POLICY STATEMENT**
6 **REGARDING THE ALLOCATION OF UNIVERSAL SERVICE COSTS**
7 **AMONGST CUSTOMER CLASSES.**

8 A. Mr. Knecht’s primary argument in opposition to spreading universal costs over all
9 customer classes is that he disagrees with the Pennsylvania PUC’s recent decision
10 regarding cost allocation. Mr. Knecht erroneously asserts that the Commission’s
11 “rationale for considering a change to the policy appears to be that the low-income
12 assistance programs have become unaffordable to those residential customers who are
13 ineligible or who otherwise do not participate in the programs.” (Knecht Rebuttal, at 3).
14
15 Mr. Knecht mis-represents the Commission’s decision. Rather than the limited decision
16 that Mr. Knecht portrays, the Commission identified specific factors that it said should be
17 taken into consideration in any review of the allocation of universal service costs. While

⁷ Mr. Knecht criticizes my testimony on cost allocation as being “fluid,” noting differences in my recommendations between PGW, UGI Gas and Columbia. (OSBA St. 1-R, at footnote 8, page 4). However, my PGW testimony supported the continuation of PGW’s pre-existing cost allocation methodology. Moreover, in considering differences in cost allocations for UGI and Columbia Gas, my testimony was responding to the PUC’s September 19, 2019 Final Policy Statement and Order in the PUC’s generic investigation into energy affordability in Pennsylvania (Docket M-2019-3012599). In that Order, the Commission made clear that cost allocation was to be determined on a utility-by-utility basis in individual rate cases based on the facts specific to that specific utility. Based on the PUC’s reference to “poverty, poor housing stock and other factors that contribute to households struggling to afford utility service,” it is clear that the PUC identified factors that may differ between utilities. Those different fact patterns may well merit different recommendations. For example, poverty in the CGPA service territory is substantially different than poverty in the UGI service territory. Moreover, the impacts on the near-poor (i.e., those who have income sufficiently high to not qualify for CAP, but sufficiently low to have difficulties paying their bills) are different between the utilities.

1 my Direct Testimony assessed each of those factors one-by-one (OCA St. 5, at 30 – 40),
2 Mr. Knecht has failed to consider any of them.

3
4 In its September 2019 Final Order quoted above, the Pennsylvania PUC identified several
5 factors that “contribute to households struggling to afford utility service” and indicated
6 that such factors “are not just residential class problems.” Amongst those factors which
7 the PUC identified were “poverty, poor housing stock, and other factors.” In my Direct
8 Testimony, I considered the various aspects of Poverty and how each of those aspects are
9 not caused by the residential class. (OCA St. 5, at 30 – 40). My discussion of the
10 Commission-identified factors (i.e., poverty, poor housing, “other factors”), which
11 included the wage levels throughout the Company’s service territory, demonstrates that
12 the residential class is not the “cause” of the need for CAP.

13
14 I conclude that the observation in my Direct Testimony remains accurate, that “the
15 Pennsylvania PUC was correct when it observed in September 2019 that Poverty is a
16 broad-based social problem not associated with any particular customer class, including
17 specifically not being associated with the residential class exclusively. I find that a
18 substantial number of wage-earning customers participate in CGPA’s universal service
19 programs. I find further that one reason that these customers income qualify for CGPA’s
20 universal service programs is because a substantial number of people throughout the
21 CGPA service territory are working at Poverty wages.” (OCA St. 5, at 39).

1 **Q. PLEASE RESPOND TO THE ARGUMENT BY MR. KNECHT THAT**
2 **ALLOCATING A PORTION OF UNIVERSAL SERVICE COSTS TO THE**
3 **COMMERCIAL AND INDUSTRIAL CLASSES WOULD HARM THE**
4 **COMPETITIVENESS OF PENNSYLVANIA INDUSTRY AND SMALL**
5 **BUSINESS.**

6 A. OSBA witness Knecht argues (without data or analysis) that “it is also possible that the
7 [universal service costs] will simply be passed on to customers in higher prices, it will be
8 passed back to workers in the form of lower wages, or it will result in business closures.”
9 (Knecht Rebuttal, at 8).

10

11 The arguments raised in the testimony of witness Knecht are simply not credible. Mr.
12 Knecht warns of layoffs and plant closings despite the fact that less than \$34,000 would
13 have been allocated to the Main Line Distribution Service (Class I and Class II) in 2018,
14 and less than \$31,000 would have been allocated to those classes in 2019. (OCA St. 5,
15 Schedule RDC-4).

16

17 **Q. PLEASE RESPOND TO MR. KNECHT’S DISCUSSION OF THE MERITS OF**
18 **COLLECTING UNIVERSAL SERVICE COSTS THROUGH UTILITY RATES.**

19 A. OSBA witness Knecht presents an extensive discussion of his views on the advantages
20 and disadvantages of recovering universal service costs through utility rates. When asked
21 “is there an advantage to recovering the cost of programs that assist low-income
22 customers through utility rates,” Mr. Knecht replied that “there are strong political
23 advantages.” (Knecht Rebuttal, at 4). When asked “are there disadvantages,” he replied

1 “Several. . .[U]sing ratepayer bills to finance low-income customer programs comes with
2 a fairness downside.” (Id.) He contrasted using ratepayer funds to “the alternative model
3 [which] is the government policy tax model.” (Knecht, at 5). Irrespective of Mr.
4 Knecht’s perspectives on whether universal service costs should be recovered through
5 utility rates, Pennsylvania has determined that providing such assistance is a proper
6 utility function, the costs of which should be included in rates. His discussion of whether
7 universal service costs should be taxpayer-funded or ratepayer-funded is simply a
8 discussion of an issue that is not presented in this proceeding.
9

10 **Q. PLEASE RESPOND TO MR. KNECHT’S ARGUMENT THAT IF ALL**
11 **CUSTOMER CLASSES PAY SOME PORTION OF THE COMPANY’S**
12 **UNIVERSAL SERVICE COSTS, THOSE COSTS SHOULD BE SEPARATELY**
13 **IDENTIFIED ON THE CUSTOMER’S BILL.**

14 A. There is no more reason to separately identify universal service costs on a customer’s bill
15 than there is to identify any other line item component of rates on a customer’s bill. There
16 is no more reason to separately identify universal service charges on a customer’s bill
17 than there is to identify executive compensation, affiliate expenditures, or any other line-
18 item expenditure.
19

20 **Q. PLEASE RESPOND TO MR. KNECHT’S DISCUSSION OF THE PURPOSE OF**
21 **THE UNIVERSAL SERVICE PROGRAMS OF PENNSYLVANIA’S GAS AND**
22 **ELECTRIC UTILITIES.**

1 A. OSBA witness Knecht presents an extensive discussion of his perspective on whether the
2 cost of providing universal service programs should be included in utility rates at all.
3 (OSBA St. 1-R, at 4 – 7). He creates a distinction, for example, between “two general
4 philosophies” of providing universal service: (1) the “tax” model; or (2) the “insurance”
5 model. He then discusses his opinion about the relative advantages and disadvantages of
6 using one of those “general philosophies” or the other. (Id., at 6 – 7).

7

8 Mr. Knecht does not acknowledge that the question of whether there should be utility-
9 funded universal service programs in Pennsylvania is no longer a question. Nor, is the
10 question of which of Mr. Knecht’s “general philosophies” presented to the Commission
11 in this proceeding. Mr. Knecht’s Rebuttal Testimony approaches the issue of universal
12 service as though it is newly being determined whether such programs are appropriate or
13 not. (OSBA St. 1-R, at 4 – 11). As the PUC noted in its September 2019 Final CAP Policy
14 Statement order, however, that is simply not the case. The Commission has stated,
15 however, that:

16 Universal service and energy conservation” is a collective term for the
17 “policies, protections and services that help low-income customers^[8] to
18 maintain service” as mandated by statute.⁹ The four universal service
19 programs are: (1) CAPs, which may provide discounted pricing, arrearage
20 forgiveness, and/or other benefits for enrolled low-income residential
21 customers; (2) Low-Income Usage Reduction Programs (LIURP),¹⁰ which

⁸ A low-income customer is one with a household income at or below 150% of the Federal Poverty Income Guidelines (FPIG).

⁹ Section 2803 of the Electricity Generation Customer Choice and Competition Act, 66 Pa. C.S. §§ 2801–2816 (1997), and Section 2202 of the Natural Gas Choice and Competition Act, 66 Pa. C.S. §§ 2201–2212 (1999), (respectively Electric Competition Act and Natural Gas Competition Act; collectively Competition Acts).

¹⁰ LIURP is intended to assist low-income customers in conserving energy and reducing residential energy bills. The Commission’s LIURP regulations at 52 Pa. Code §§ 58.1–58.18 (promulgated in 1993 and last amended in 1998) require covered energy utilities to establish fair, effective, and efficient energy usage reduction programs for

1 provide weatherization and usage reduction services to help customers reduce
2 their energy utility bills; (3) Customer Assistance and Referral Evaluation
3 Services (CARES), which provide information and referral services for low-
4 income, special needs customers; and (4) Hardship Fund programs,¹¹ which
5 provide grants to help customers address utility debt, restore service, or stop a
6 service termination. EDCs and NGDCs are required to offer these universal
7 service programs in each distribution territory¹² and to submit updated
8 USECPs every three years for Commission approval.¹³

9
10 (PUC Final CAP Policy Statement Order, at 3). The Commission continued:

11
12 We note there is no statutory or appellate prohibition that limits the recovery
13 of CAP costs, whether specifically calculated or as part of total universal
14 service costs, to funding from the residential class.¹⁴ Universal service
15 funding from non-residential classes, while not mandatory, is permissible:

16
17 Thus, under *Lloyd*, there is no statutory requirement that the funding
18 for special programs come only from those who benefit from the
19 programs. However, the lack of such a requirement does not mean
20 that funding for special programs must come from those who do not
21 benefit.

22
23 *MEIUG v. Pa. PUC*, 960 A.2d 189, 202 (2008), citing *Lloyd v. Pa. PUC*, 904
24 A.2d 1010 (Pa. Cmwlth. 2006).

25
26 Consistent with the comments of the Low Income Advocates and OCA, the
27 Commission concludes that the General Assembly clearly identified the
28 public purpose of these programs in the Competition Acts by requiring that
29 their costs be nonbypassable¹⁵ when a customer switches energy providers.

30

their low-income customers. Chapter 58 was effective January 16, 1993. See 23 Pa.B. 265. Sections 58.2, 58.3, 58.8, and 58.10 were amended effective January 3, 1998. See 28 Pa.B. 25. See 52 Pa. Code § 58.2 for the definition of “covered utility.” A utility may spend up to 20% of its annual LIURP budget on customers having an arrearage and whose household income is at or below 200% of FPIG. See 52 Pa. Code §§ 58.1, 58.2, and 58.10.

¹¹ CARES and Hardship Funds, unlike CAPs, are not covered by express policy statements. CARES and Hardship Funds, unlike LIURP, do not have extensive regulatory or policy provisions.

¹² 66 Pa. C.S. §§ 2203(8) and 2804(9).

¹³ 52 Pa. Code §§ 54.74 and 62.4.

¹⁴ In PGW’s 2017 rate case, the Commission noted that recovering universal service costs from all ratepayers does not appear to be a violation of Title 66 or Commission regulations. *Pa. PUC, et al. v. PGW* at 74.

¹⁵ Some documents use the term “non-bypassable.”

1 (Id., at 98 – 99). Mr. Knecht’s critiques based on his opinions as to the nature of, or the
2 legitimacy of the existence of, universal service programs should be rejected.

3
4 **Part 6. Response to PSU Witness James Crist.**

5 **Q. PLEASE DESCRIBE THE PURPOSE OF THIS SECTION OF YOUR**
6 **TESTIMONY.**

7 A. In this section of my testimony, I respond to the rebuttal testimony of James Crist
8 presented on behalf of Penn State University. More specifically, I respond to Mr. Crist’s
9 Rebuttal Testimony regarding the allocation of universal service costs.

10
11 **Q. PLEASE RESPOND TO WITNESS CRIST’S COMMENTS ABOUT UNIVERSAL**
12 **SERVICE COSTS BEING A “TAX.”**

13 A. PSU witness Crist raises the same objection to the allocation of universal service costs as
14 OSBA witness Knecht does. According to Crist, allocating universal service costs to all
15 customer classes is an “attempt to impose a tax on other customers to fit their social
16 wants and that is a question for the Legislature and the public, not for these parties to
17 impose by an additional charge or tax upon other customers.” (PSU St. 1-R, at 16). The
18 response to Mr. Crist is the same.

19
20 The PUC has considered this argument when previously advanced by PSU, and has
21 properly rejected it. The Commission correctly found in its September 2019 order on the
22 CAP Policy Statement that “there is no statutory or appellate prohibition that limits the
23 recovery of CAP costs, whether specifically calculated or as part of total universal service

1 costs, to funding from the residential class. Universal service funding from non-
2 residential classes, while not mandatory, is permissible.” (2019 CAP Policy Statement
3 Order, at 98, internal notes omitted).

4
5 **Q. PLEASE RESPOND TO MR. CRIST’S ASSERTION THAT TO ALLOCATE**
6 **COSTS AMONGST ALL CUSTOMER CLASSES IS “TOTALLY**
7 **INCONSISTENT WITH ITS PRIOR OPINIONS AND ORDERS.”**

8 A. Mr. Crist’s assertion that the allocation of universal service costs amongst all customer
9 classes is “totally inconsistent with its prior opinions and orders” is not correct. As the
10 Commission, itself, noted in its September 2019 Order regarding the CAP Policy
11 Statement, “In PGW’s 2017 rate case, the Commission noted that recovering universal
12 service costs from all ratepayers does not appear to be a violation of Title 66 or
13 Commission regulations. *Pa. PUC, et al. v. PGW* at 74.” (2019 CAP Policy Statement
14 Order at footnote 148, page 98). Nothing in that footnote limited the Commission’s
15 holding to PGW. Moreover, as I previously noted, the Commission explicitly noted in its
16 September 2019 CAP Policy Statement Order, “Consistent with the comments of the
17 Low Income Advocates and OCA, the Commission concludes that the General Assembly
18 clearly identified the public purpose of these programs in the Competition Acts by
19 requiring that their costs be ‘nonbypassable’ when a customer switches energy
20 providers.” (Id., at 98 – 99, internal notes omitted). The Commission clearly held: “there
21 is no statutory or appellate prohibition that limits the recovery of CAP costs, whether
22 specifically calculated or as part of total universal service costs, to funding from the

1 residential class.” (Id., at 98, internal note omitted).¹⁶ Mr. Crist’s argument fails to cite,
2 let alone to dispute, the PUC’s explicit holding that “We conclude, instead, that the
3 General Assembly has specifically assigned the role of allocating CAP costs in particular
4 and universal service costs in general to this Commission.” (2019 CAP Policy Statement
5 Order, at 97).

6
7 **Q. PLEASE RESPOND TO MR. CRIST’S COMMENTS THAT UNIVERSAL**
8 **SERVICE COSTS ARE “CAUSED” ONLY BY THE RESIDENTIAL CLASS.**

9 A. Mr. Crist on a number of occasions argues that no customer class other than the
10 residential class is responsible for “causing” Columbia Gas to incur the Company’s
11 universal service costs. (see, e.g., PSU St. 1-R, at 17, 18, 19). This is precisely the same
12 argument that PSU advanced in the PUC’s generic proceeding on the CAP Policy
13 Statement. Just as the Commission rejected this argument at that time, it should reject
14 that argument here.

15
16 In its 2019 CAP Policy Statement Order, the Commission agreed that universal service
17 costs cannot be attributed exclusively to the residential class on “cause causation”
18 grounds. The PUC observed that “OCA and the Low Income Advocates contend that the
19 true “cost-causers” of universal service programs are the socio-economic conditions that
20 create poverty, not residential ratepayers. In its 1992 *Final Report on The Investigation*

¹⁶ Mr. Crist cites case law which he asserts bars the allocation of costs amongst all customer classes. (PSU St. 1-R, at 18). He does not acknowledge that the Commission specifically considered that case and held that it does not stand for the proposition that Mr. Crist cites it for. (2019 CAP Policy Statement Order, at 98). Other than that factual observation, I will leave the discussion of case law to the legal arguments to be filed in briefs.

1 *of Uncollectible Balances*¹⁷ at Docket No. I-00900002, BCS also opined that the origins
2 and impacts of energy unaffordability are not limited to residential ratepayers.” (2019
3 CAP Policy Statement Order, at 95). The Commission then said: “*The Commission*
4 *agrees* that poverty, poor housing stock, and other factors that contribute to households
5 struggling to afford utility service are not just “residential class” problems.” (Id., at 96)
6 (emphasis added).

7
8 **Q. PLEASE RESPOND TO MR. CRIST’S COMMENTS ABOUT THE NEED TO**
9 **REVIEW UNIVERSAL SERVICE PROGRAMS FOR ALL CUSTOMER**
10 **CLASSES SHOULD COSTS BE ALLOCATED TO ALL CUSTOMER CLASSES.**

11 A. Mr. Crist argues that if universal service costs are to be allocated to all customer classes,
12 then the PUC “should make such recovery condition to a requirement that programs are
13 expanded to serve other non-residential classes.” (PSU St. 1-R, at 20). This argument
14 should be recognized for what it is. The argument is simply a restatement of Mr. Crist’s
15 proposition, which the Commission has rejected, that the residential class is the sole
16 “causer” of universal service costs and that the residential class is the exclusive recipient
17 of the benefits of universal service programs. Both of those arguments have been
18 addressed elsewhere in this Surrebuttal Testimony.

19
20 **Q. PLEASE RESPOND TO MR. CRIST’S ARGUMENT THAT NON-RESIDENTIAL**
21 **RATEPAYERS SHOULD BE ALLOWED TO REVIEW UNIVERSAL SERVICE**
22 **PROGRAMS IN THE EVENT THAT UNIVERSAL SERVICE COSTS ARE**
23 **ALLOCATED TO ALL CUSTOMER CLASSES.**

¹⁷ <http://www.puc.pa.gov/pcdocs/1524987.pdf>. This docket number is sometimes cited as Docket No. I-900002.

1 A. Mr. Crist advances the argument that should costs be allocated amongst all customer
2 classes, “representatives from the non-residential classes. . . must be engaged in
3 examination of the existing and proposed collection of universal service programs.” (PSU
4 St. 1-R, at 26). He asserts that “because those programs have never been examined by
5 non-residential parties such parties must be allowed the opportunity to conduct their own
6 reviews. If those parties conclude that certain programs or the funding amounts lack
7 sufficient benefits to them, they must be permitted to propose changes in the programs
8 and funding amounts.” (PSU St. 1-R, at 27).

9
10 The review of each utility’s Universal Service and Energy Conservation Plan (USECP)
11 occurs on a regular schedule. The Commission’s CAP Policy Statement specifically
12 provides that “other interested stakeholders” are allowed to participate in the review of
13 each utility’s USECP. (CAP Policy Statement, Section 69.263(b)). Moreover, the
14 Commission’s CAP Policy Statement specifically provides that “Before implementing,
15 revising or expanding a CAP, a utility should file its CAP proposal with the Commission
16 and serve copies on the Bureau of Consumer Services and on stakeholders from the
17 utility’s most recent USECP proceeding. This will allow for staff review, comments,
18 discovery and revisions prior to [for review and] Commission approval of design
19 elements.” The review of each utility’s USECP is a public process which is as open to,
20 using Mr. Crist’s words, “representatives from the non-residential classes” as it is to any
21 other stakeholder. As is clear from the CAP Policy Statement, Mr. Crist’s testimony does
22 not propose a new procedure. The open and public procedure is currently available for
23 any stakeholder that wishes to be involved.

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Q. PLEASE RESPOND TO MR. CRIST’S COMMENTS ABOUT ALLOCATING UNIVERSAL SERVICE COSTS TO “FLEX CUSTOMERS.”

A. Mr. Crist argues that should universal costs be allocated to non-residential customers, “those customers receiving service under a flex rate should not be allocated any costs.” (PSU St. 1-R, at 28). He argues first that “adding any additional cost to the flex rate would be a violation of the contract between Columbia and the flex customer.” He argues second that “flex customers, faced with such an unexpected cost addition would reconsider its other competitive options and then exit the Columbia distribution system as a customer.” (Id.)

The argument about whether allocating universal service costs to flex customers would be a contract violation is a legal conclusion. I have been informed by counsel that the argument will be appropriately addressed in legal briefs.

The argument that flex customers would “exit the Columbia distribution system as a customer” should be viewed the same way as the PUC viewed the argument that allocating universal service costs amongst all customer classes would adversely affect businesses in Pennsylvania. As the Commission noted with respect to that argument:

OSBA and the Industrial Customers have argued that recovering costs of universal service programs from industrial and commercial customers may negatively impact businesses in the Commonwealth. However, we have not seen evidence that the economic climate in Philadelphia has been negatively impacted as a result of universal service costs charged by PGW. Further, as noted by multiple parties in the *Review* proceeding, many states recover the cost of utility low-income programs from all ratepayer classes, including

1 New York, New Jersey, Ohio, Illinois, Maine, and New Hampshire. We are
2 not aware that this practice has negatively impacted the business climate of
3 any these states.
4

5 (2019 CAP Policy Statement Order, at 98 internal notes omitted). The same decision
6 should be reached in this instance. There is no evidence from other instances where
7 universal service costs have been allocated to “flex customers” that such customers have
8 chosen “to flee the public utility system.” As the Commission observed with respect to
9 the six specific states it cited, there is no evidence that the allocation of universal service
10 costs resulted in the asserted result. Mr. Crist’s argument to the contrary should be
11 rejected.
12

13 **Q. DOES THIS COMPLETE YOUR SURREBUTTAL TESTIMONY?**

14 **A.** Yes, it does.
15

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission

v.

Columbia Gas of Pennsylvania, Inc.

:
:
:
:
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Docket No. R-2020-3018835

VERIFICATION

I, Roger D. Colton, hereby state that the facts set forth in my Surrebuttal Testimony, OCA Statement 5-S, are true and correct (or are true and correct to the best of my knowledge, information, and belief) 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).

DATED: September 16, 2020
*296083

Signature:



Roger D. Colton

Consultant Address: Fisher, Sheehan, & Colton
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Belmont, MA 02478