

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,

v.

Columbia Gas of Pennsylvania, Inc.

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Docket No. R-2018-2647577

**DIRECT TESTIMONY
OF ANTHONY CUSATI, III
ON BEHALF OF
SHIPLEY CHOICE, LLC, AND
INTERSTATE GAS SUPPLY, INC.**

NGS Parties' Statement No. 2
June 7, 2018

1 **Q. Please state your name and business address for the record.**

2 A. My name is Anthony Cusati, III, and my business address is 1379 Butter Churn Drive,
3 Herndon, VA 20170-2051.
4

5 **Q. By whom are you employed and in what capacity?**

6 A. By Interstate Gas Supply, Inc., d/b/a IGS Energy as the Director of Regulatory Affairs-
7 Eastern Division.
8

9 **Q. For whom are you appearing in this proceeding?**

10 A. I am appearing here today on behalf of SHIPLEY CHOICE, LLC, AND INTERSTATE
11 GAS SUPPLY, INC., d/b/a IGS ENERGY collectively known as the "NGS Parties."
12

13 **Q. Briefly describe your educational experience and relevant qualifications.**

14 A. I attended Roger Williams College in Bristol, Rhode Island and studied Business
15 Administration with a major in Accounting. I have been employed by IGS Energy since
16 January 2008 as the Director of Regulatory Affairs-Eastern Division and in that capacity,
17 I am responsible for regulatory affair matters in markets on the East Coast, which
18 includes existing markets as well as new market development. Prior to this, I was
19 employed by two competitive energy supply companies, Commerce Energy, Inc. and
20 ACN Energy, Inc. in similar capacities from 2000 through the end of 2007. Prior to my
21 employment in the competitive energy supply arena, I was employed in the for-profit
22 sector of healthcare, holding various financial management positions ranging from
23 Controller to Chief Financial Officer. In summary, I have considerable experience in

1 many states covering customer choice issues.

2

3 **Q. Have you participated previously in regulatory cases in Pennsylvania?**

4 A. Yes, I have submitted testimony in several matters before the Pennsylvania Public Utility
5 Commission ("Commission") involving issues of competition in natural gas markets.

6

7 **Q. Have you provided testimony in utility regulatory proceedings in other states?**

8 A. Yes. I have provided testimony in proceedings in New York, Maryland, Texas, Illinois
9 and California.

10

11 **Q. What is the purpose of your direct testimony?**

12 A. The purpose of my testimony is to address the discriminatory practice currently engaged
13 in by Columbia of allowing a single select company to bill for non-commodity products
14 on the utility bill, while simultaneously refusing to allow licensed Natural Gas Suppliers
15 ("NGS") operating on its system to have access to bill non-commodity products and
16 services on Columbia's utility bill.

17

18 **Q. Does Columbia currently allow for non-commodity products to be billed on the
19 utility bill?**

20 A. Yes. Columbia currently allows access to this service, billing for non-commodity
21 products and services, to a non-NGS that was previously an affiliate of Columbia. My
22 understanding is that this entity called Columbia Service Partners ("CSP") provides
23 warranty services that cover such things as gas and water/sewer service lines and HVAC

1 system. The products and services for CSP are currently being billed on the utility bill.
2 Other NGS, including the NGS Parties, provide similar products/services, and yet we
3 have unequal access to provide the convenience to the customer by having them billed by
4 the utility.

5
6 **Q. Why is it discriminatory for Columbia to allow a single entity to bill on the utility**
7 **bill, but not allow other NGS?**

8 A. Columbia is a regulated monopoly, which has unique access to customers in its monopoly
9 service territory. Further, the utility bill is a distribution asset, paid for by distribution
10 rate-payers. By allowing Columbia's former affiliate (CSP) to benefit from a distribution
11 monopoly asset, it discriminates against all other players in the market who offer similar
12 services. Further, it is harmful to customers; allowing only one entity on the utility bill,
13 will keep prices artificially high because CSP will have a lessened incentive from
14 competition to lower prices and offer better service. Moreover, it would be particularly
15 discriminatory if CSP was providing royalty payments to Columbia, or its parent
16 NiSource, and Columbia did not account for those payments in its rate of return.

17
18 **Q. Is Columbia or its parent Company NiSource receiving any royalty payments for**
19 **allowing CSP to bill on the utility bill.**

20 A. We have asked that question in discovery and we are waiting for Columbia to provide a
21 response. I reserve my right to address this topic in rebuttal testimony once we get a
22 response from Columbia.

1 **Q. Is Columbia accounting for any royalty payments for allowing CSP to bill on the**
2 **utility bill in its rate of return calculations?**

3 A. We have asked that question in discovery and we are waiting for Columbia to provide a
4 response. I reserve my right to address this topic in rebuttal testimony once we get a
5 response from Columbia.

6
7 **Q. Why is it important that NGSs have the ability to offer non-commodity products**
8 **and services to customers?**

9 A. One of the major benefits of competition is that it encourages the development of
10 innovative products and services that add value to customers beyond the natural gas
11 commodity. Suppliers such as the NGS Parties have developed new products and services
12 that provide additional value to customers. The market is evolving to offer even more
13 sophisticated products and services including commodity bundled with energy efficiency
14 products, smart thermostats, distributed solar generation, products bundled with loyalty
15 rewards and products bundled with home protection, to name a few. These value-added
16 products and services not only add value to customers, but also many of these products
17 enable customers to use natural gas more efficiently, reduce energy costs and enhance
18 reliability.

19
20 **Q. Will expanding the ability of NGSs to bill for a diverse range of products enhance**
21 **the competitive market?**

22 A. Yes. As competitive markets and technology evolve, customers will start seeing
23 natural gas as more than just the commodity, but rather a package of products and

1 services that include the natural gas commodity. Thus, it is becoming increasingly
2 more important for NGS providers to be able to bill for these products and services in a
3 manner that is convenient for customers.
4

5 **Q. Does the Natural Gas Competition Act or the Commission's regulations address**
6 **this issue?**

7 A. Yes. I have been advised by counsel that the *Public Utility Code*¹ prohibits
8 discrimination in service generally, and that the *Natural Gas Choice and Competition*
9 *Act*² specifically prohibits discrimination in the operation of the distribution system
10 and the use of distribution assets. The Commission also has regulations that include
11 standards of conduct for NGDC's and suppliers³, including affiliated suppliers.
12 Because of the nature of the products and services, we suggest that the Commission
13 could inform its consideration of this issue with a review of these regulations as they
14 might apply to affiliated or formerly affiliated entities that provide natural gas-related
15 services.
16

17 **Q. If NGSs were allowed to bill for non-gas products on the utility bill, mechanically**
18 **how would it work?**

19 A. It would be very similar to how Columbia already bills natural gas commodity service
20 for NGSs. The NGS each month provides in electronic fashion its rate for commodity
21 services to Columbia and the utility applies this rate to the usage consumed for the

¹ 66 Pa. C.S. § 1502.

² 66 Pa. C.S. § 2203(4).

³ 52 Pa. Code § 62.142.

1 same period and bills the customer the product of that calculation to the customer,
2 along with distribution service charges. The relationship for non-commodity products
3 and services would work in a similar fashion, whereas the NGS would supply to
4 Columbia electronically the monthly charge for non-commodity products and services
5 and Columbia would add these charges to their monthly invoice to the customer. As I
6 mentioned above, Columbia already does this for its former affiliate CSP.

7
8 **Q. Have the NGS Parties requested that Columbia allow this?**

9 A. Yes, on October 12, 2017 two of the NGS parties met with Executives of Columbia
10 and explained their desire to provide non-commodity products and services to
11 customers and have Columbia bill for those services on the utilities bill.

12
13 **Q. Wouldn't this cost Columbia more money to produce bills?**

14 A. There would not be a significant cost because Columbia must send bills to customers
15 for the distribution services it provides along with billing for commodity services,
16 which are either provided by Columbia or a Natural Gas Supplier. Further, Columbia
17 has already built out the functionality to bill for non-natural gas service for its former
18 affiliate CSP. There may be minimal start-up costs associated with setting up an NGS
19 on their system to bill for non-commodity services. However, the NGS parties would
20 be willing to pay reasonable costs to build out this functionality and certainly would
21 pay fair compensation for the incremental billing costs.

22

1 **Q. Would the payments for these services be included in the POR?**

2 A. No. NGSs would be paid for non-commodity services by Columbia outside of the
3 Purchase of Receivables program, and only after payments by consumers are applied
4 to past-due balances, distribution services and commodity services. NGSs would
5 assume the risk of bad debt for any un-paid non-commodity services.

6
7 **Q. Are there any benefits to customers or Columbia for providing this service?**

8 A. Yes, there would be to both. The customer would enjoy the benefit of receiving
9 additional services from an NGSs, and receiving one invoice for those services,
10 without the added hassle of receiving more than one bill for the non-commodity
11 products and services provided by NGSs. For Columbia, since customers would be
12 receiving one invoice, this would cut customer confusion dramatically thereby
13 eliminating unnecessary calls to Columbia's call center.

14
15 **Q. What are you recommending in this case?**

16 A. The Commission should require Columbia to end the discriminatory practice of only
17 allowing only its former affiliate to bill for non-commodity service on the distribution
18 utility bill. Rather, if Columbia continues to allow its former affiliate to bill on the utility
19 bill, the Commission should require that all NGSs be allowed to bill for non-commodity
20 products on the utility bill as well.

21
22 **Q. Does this conclude your direct testimony?**

23 A. Yes, it does.