

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY )  
COMMISSION )  
v. ) Docket R-2018-2647577  
Columbia Gas of Pennsylvania )  
)

SURREBUTTAL TESTIMONY OF

ROGER D. COLTON

ON BEHALF OF THE  
OFFICE OF CONSUMER ADVOCATE

July 19, 2018

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

2 A. My name is Roger Colton. My business address is 34 Warwick Road, Belmont, MA  
3 02478.

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

8 A. Yes.

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

11 A. The purpose of my Surrebuttal Testimony is to respond to the Rebuttal Testimony of  
12 Deborah Davis (CGPA Statement 14-R) presented on behalf of Columbia Gas of  
13 Pennsylvania (“Columbia Gas” or “the Company”) regarding Universal Service issues. In  
14 addition, I respond to the Rebuttal Testimony of Paula Strauss (CGPA Statement 12-R)  
15 regarding low-income usage and the residential customer charge.

16

17 **Part 1. Response to CGPA Witness Deborah Davis.**

18 **Q. PLEASE EXPLAIN THE FIRST ISSUE TO WHICH YOU RESPOND TO THE**  
19 **REBUTTAL TESTIMONY OF DEBORAH DAVIS.**

20 A. In my Direct Testimony, I recommended that Columbia Gas “should reassess the  
21 continuing affordability of the CAP payment option under which CAP participants are  
22 currently taking service. This review should occur irrespective of whether a CAP  
23 participant’s reverification period falls within this time period.” (OCA Statement 4, at 4).

1 Ms. Davis opposes this recommendation, stating that “to review all 24,000 accounts  
2 individually, researching current income, household size, historic payment levels, and  
3 current budget would take more than 400 hours at one minute per account.” (CGPA  
4 Statement 14-R, at 2). Ms. Davis states that “it would be impossible to develop a logic to  
5 automate a review to determine if a payment plan option was the most a customer could  
6 afford on a monthly basis.” (Id.). Ms. Davis over-states the effort needed to undertake  
7 the analysis I recommend.

8  
9 Ms. Davis is correct in that Columbia Gas offers a CAP payment option that does not  
10 directly vary based on affordability. The “average of monthly payments” option instead  
11 bases the customer’s bill on the average payment which the program participant made  
12 prior to enrollment in the Company’s CAP. Since the rate increase proposed in this  
13 proceeding would have no effect on that retrospective analysis of customer payments, the  
14 Company could easily develop a “logic to automate a review” of such customers that  
15 finds that the rate case has no such impact. In the 12 months ending March 2018 (the  
16 most recent 12 month period for which data is available), of the average monthly CAP  
17 participation of 22,427, 7,522 CAP participants (34% of the total) took CAP service  
18 under this payment option. (OCA-III-16). Moreover, the Company’s “logic to automate  
19 a review” would exclude CAP participants taking service under the percentage of income  
20 option (including the minimum bill option). Under this option, which includes 5,042 of  
21 the 22,427 CAP participants (22.5% of the total) (OCA-III-16), an increase in rates/bills  
22 would not have an impact on affordability, since participant bills are already set on a  
23 percentage of income basis.

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In contrast, however, in the 12 months ending March 2018, an average of 9,863 (44%) of all of the Company’s CAP participants took their CAP service under the percentage of bill option. (OCA-III-16). It is these CAP participants taking service under the percentage of bill option for whom any rate/bill increase could push total bills above an affordable percentage of income. For these CAP participants, it would not be difficult to write a logic to determine whether the rate/bill increase resulting from this proceeding would mean that the participants should be transferred to the percentage of income program (holding all other aspects of their participation –e.g., income, household size— constant. CGPA witness Davis’ argument about the difficulty of making such a determination should be rejected.

**Q. DOES MS. DAVIS ARTICULATE A COLUMBIA GAS POLICY THAT IS CONTRARY TO PREVIOUS PENNSYLVANIA PUC UNIVERSAL SERVICE HOLDINGS?**

A. Yes. According to Ms. Davis, “The Company believes it is the customers’ responsibility to contact the Company when they become unable to afford their existing CAP payment option.” (CGPA Statement 14-R, at 2). The Company cannot say how frequently such requests for a review of the CAP payment option have been made historically. (CAUSE-PA-IV-3).

In any event, this procedure is contrary to multiple holdings of the PUC, which has found that, when utilities offer both a percentage of bill CAP payment option and a percentage

1 of income CAP payment option, it is the responsibility of the utility to ensure that  
2 customer bills are routinely reviewed to ensure that the CAP payments under the  
3 percentage of bill option do not exceed the affordable percentage of income. This review  
4 is to occur irrespective of whether any given customer has asked for a review or has  
5 determined on his or her own that they are not being billed pursuant to the least-cost  
6 payment option.

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8 **Q. PLEASE EXPLAIN THE SECOND ISSUE DISCUSSED BY COLUMBIA GAS**  
9 **WITNESS DAVIS TO WHICH YOU WISH TO RESPOND.**

10 A. The second issue addressed by Columbia Gas witness Davis to which I respond involves  
11 the Company's offer of Budget Billing. In my Direct Testimony, I recommended that: (1)  
12 Columbia Gas offer budget billing plans of 10 and 11-months; (2) that Columbia Gas  
13 offer year round enrollment in budget billing; and (3) that Columbia Gas implement an  
14 automated enrollment in levelized budget billing at the completion of a payment plan.  
15 (OCA Statement 4, at 4-5).

16  
17 **Q. WHAT IS YOUR RESPONSE TO MS. DAVIS' REBUTTAL TESTIMONY?**

18 A. Ms. Davis explains that a customer may "join the standard budget plan anytime. . ."  
19 (CGPA Statement 14-R, at 3). However, what Ms. Davis only indirectly acknowledges is  
20 that under the Columbia Gas procedures, irrespective of the month in which a customer  
21 enrolls in the "standard budget plan," that budget billing plan will *end* in April. (See,  
22 OCA Statement 4, at 27). As she states, "customers can join the standard budget plan  
23 anytime, however, fewer months of enrollment may result in higher monthly payments."

1 (CGPA Statement 14-R, at 3). If a customer enrolls in budget billing in December, for  
2 example, their budget billing is for only five months (Dec/Jan/Feb/Mar/Apr), and, as a  
3 result, their monthly budget bills are higher since they cannot use the warm weather  
4 months over which to spread those winter bills. Contrary to the PUC’s stated purpose for  
5 levelized budget billing plans, when Columbia Gas customers seek to enroll in budget  
6 billing in cold weather months, the Company’s procedures do not include an extended  
7 “period to eliminate, to the extent possible, seasonal fluctuations in utility bills.” 52 Pa.  
8 Code § 56.12(7).

9  
10 **Q. WHAT DO YOU CONCLUDE?**

11 A. In short, Columbia Gas does not offer year-round enrollment into a 12-month (or to a 10  
12 or 11-month) budget billing plan. It should be directed to do so, in compliance with PUC  
13 regulation Section 56.12(7), which states: “A gas, electric and steam heating public utility  
14 shall provide its residential customers, on a year-round rolling enrollment basis, with an  
15 optional billing procedure which averages estimated public utility service costs over a 10-  
16 month, 11-month or 12-month period to eliminate, to the extent possible, seasonal  
17 fluctuations in utility bills.” 52 Pa. Code § 56.12(7).

18  
19 **Q. DO YOU DISAGREE WITH MS. DAVIS’ REBUTTAL TESTIMONY**  
20 **REGARDING BUDGET BILLING IN OTHER REGARDS?**

21 A. Yes. Ms. Davis argues that “the Company is currently offering the budget at ten and  
22 eleven months as well as year round.” (CGPA Statement 14-R, at 3). The Company’s  
23 procedures, however, do not offer an “optional billing procedure which averages

1 estimated public utility service costs” over a 10- or 11-month period. The Company  
2 effectively requires its customers to enter into its “standard budget plan” of 12-months in  
3 length beginning only in May. If a customer wishes to enter into a shorter budget plan,  
4 irrespective of the enrollment date, that plan must end in April. The customer is then  
5 placed in the “standard” plan of May through April. This budget billing procedure of  
6 ending any budget billing plan in April, irrespective of the enrollment date, does not  
7 fulfill the PUC’s directive to offer enrollment in 12-month plans on a year-round rolling  
8 basis, and it does not meet the objectives that I identified in my Direct Testimony. Ms.  
9 Davis did not respond to the need to meet those objectives, nor to the advantages to  
10 customers from meeting those objectives.

11  
12 **Q. DOES MS. DAVIS OFFER OTHER ARGUMENTS REGARDING BUDGET**  
13 **BILLING?**

14 A. Yes. Ms. Davis cites the “Extended Budget Payment Plan” (“EBPP”) as an additional  
15 example of how the Company offers budget billing through options other than what Ms.  
16 Davis refers to as the “standard budget plan.” (CGPA Statement 14-R, at 3). As Ms.  
17 Davis acknowledges, however, the EBPP is not made available to all residential  
18 customers. It is instead made available only to customers in arrears. As Ms. Davis states  
19 “once customers successfully complete the EBPP, they are enrolled in the Budget  
20 payment plan.” (CGPA Statement 14-R, at 3). Ms. Davis’ argument that the existence of  
21 the EBPP is a reason not to adopt the recommendations I set forth in my Direct  
22 Testimony should be rejected.

23

1 Q. PLEASE RESPOND TO MS. DAVIS' TESTIMONY REGARDING  
2 MAINTAINING CUSTOMERS ON BUDGET BILLING ONCE THEY  
3 COMPLETE A DEFERRED PAYMENT PLAN THROUGH WHICH TO RETIRE  
4 ARREARS.

5 A. Ms. Davis argues in her Rebuttal Testimony that "the Company does not agree with  
6 automated entry of customers on any payment plan, including the budget. The Company  
7 supports the right for customers to determine how they want to pay their bills."  
8 (Company Statement 14-R, at 5). She then provides an illustration of where the  
9 Company does *not* abide by that stated approach. She acknowledges that "the  
10 Company's deferred payment arrangements are typically the budget, plus a specified  
11 amount toward their balance. When asked to count budget customers, we do not consider  
12 those on payment agreements to be on the budget. *However, the plan is derived using the*  
13 *same budget calculations.*" (CGPA Statement 14-R, at 4 – 5) (emphasis added).

14  
15 The result of this approach could be problematic for the customer. Assume a customer  
16 has an arrears and seeks to enter into a deferred payment agreement ("DPA"):

17       > If the customer enters into that DPA in June, the customer cannot choose to  
18       pay his or her June/July/August non-heating bills plus the prescribed portion  
19       of the arrears. The customer must *also pre-pay a portion of the upcoming*  
20       *winter month heating bills* in addition to the prescribed portion of their  
21       arrears. The prepayment of heating bills for the upcoming winter comes in the  
22       form of the budget billing plan.

1           > If the customer enters into that DPA in December, the customer cannot choose  
2           to pay a budget amount which would eliminate the winter seasonal  
3           fluctuations in heating bills by levelizing bills over the next twelve months.  
4           Under CGPA's budget billing process, the "budget amount" would only  
5           reflect levelized payments through April. Accordingly, the customer would  
6           still have to pay the full monthly winter heating bills in addition to the  
7           prescribed portion of their arrears.  
8

9   **Q.    IS MS. DAVIS INCORRECT IN HOW SHE CHARACTERIZES YOUR**  
10   **PROPOSAL?**

11   A.    Yes. Ms. Davis' comments have my recommendation backwards. Under my  
12    recommendation, customers would *continue* the budget billing under which they were  
13    taking service when they enter into a DPA. It is under the Company's current processes  
14    that the billing to the customer is automatically changed (from budget billing to non-  
15    budget billing) upon completion of the DPA. It is the Company's current processes, not  
16    my proposal, which automatically, and without customer consent, moves the customer  
17    from budget billing to non-budget billing. In contrast, my proposal is simply to continue  
18    the budget billing that the customer had already been using through his or her payment  
19    plan unless and until that customer affirmatively indicates that he or she no longer wishes  
20    to be on budget billing.  
21

22   **Q.    WHAT ARE YOUR CONCLUSIONS?**

1 A. My first conclusion is that Ms. Davis' argument that "the Company does not agree with  
2 automated entry of customers on any payment plan, including the budget" as a reason not  
3 to continue customers on budget billing once they complete their DPAs should be  
4 rejected. The Company does not operationalize that position.

5

6 My second conclusion is that the Company's integration of budget billing with its DPAs  
7 is another reason why the Company should be directed to allow customers to enroll in 12-  
8 month budget billing in any month of the year. Not allowing a customer in arrears in  
9 June to enter into a DPA and pair the arrearage payment with lower warm weather gas  
10 bills, or conversely, forcing a customer in arrears in December to enter into a DPA and  
11 not have the option of spreading high-cost winter heating bills through budget billing,  
12 should be disapproved.

13

14 **Q. PLEASE RESPOND TO MS. DAVIS' COMMENTS REGARDING THE**  
15 **TARGETING OF HIGH CAP CREDIT CUSTOMERS WITH**  
16 **WEATHERIZATION.**

17 A. Ms. Davis' comments regarding the Company's continued targeting of high CAP credit  
18 customers with weatherization are welcome. Ms. Davis states that the Company "will  
19 continue to utilize this approach until such a time the Company reviews the savings  
20 analysis with the parties *and parties agree it is not cost effective.*" (CGPA Statement 14-  
21 R, at 5). In parsing this statement, it appears to have three important components: (1) the  
22 Company will review the savings from the targeting; (2) the Company will review the  
23 savings analysis with the parties; and (3) no change will be made unilaterally by the

1 Company, but instead only if the parties agree that such targeting “is not cost effective.”  
2 Those three components, taken as a whole, are an acceptable resolution to OCA’s  
3 concerns.

4  
5 **Q. IS THERE A FINAL ISSUE ADDRESSED BY MS. DAVIS TO WHICH YOU**  
6 **WISH TO RESPOND?**

7 A. Yes. Ms. Davis addresses Mr. Miller’s Direct regarding the CAP Plus fee on page 13 of  
8 her Rebuttal, as follows:

9 Do you agree with Mr. Miller’s recommendation not to charge the CAP Plus  
10 fee to customers below 50% of poverty or to any customers paying the  
11 minimum CAP bill?

12  
13 No. Eliminating the CAP plus fee to those customers below 50% of poverty  
14 would increase shortfall by more than \$500,000 on a yearly basis. Please  
15 note: the average LIHEAP grant for this segment of customer is nearly  
16 \$500.00. The minimum annual CAP payment with CAP plus and a \$5.00  
17 copay is \$396.00. Therefore, in general LIHEAP grants are sufficient to  
18 cover annual CAP charges minus the \$5 copay for those customers on the  
19 minimum payment plan. The Company does not agree with eliminating the  
20 CAP plus fee for any segment of CAP customers.

21  
22 **Q. WHAT IS YOUR RESPONSE?**

23 A. The issue of whether or not Columbia Gas should eliminate the CAP Plus fee should be  
24 addressed in the triennial review of the Company’s Universal Service and Energy  
25 Conservation Plan (“USECP”), not in this rate case. Eliminating the CAP Plus fee on  
26 populations at varying levels of poverty would not only have impacts on bills as a  
27 percentage of income, but would also have implications on the costs of CAP charged to  
28 non-participants. The impacts may differ based on the CAP payment option under which  
29 a program participant takes service. In assessing how, if at all, CAP Plus should be

1 modified, both the incidence of whether CAP participant bills exceed the PUC's  
2 maximum percentage deemed to be affordable, and the dollar amount by which  
3 maximum affordability percentages are exceeded should be considered both with and  
4 without the modification. The record in this proceeding lacks the type of depth of  
5 analysis that is needed upon which to make such a decision. I would not recommend  
6 making this change here in the factual and analytic vacuum that now exists.

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8 **Part 2. Response to CGPA Witness Paula Strauss.**

9 **Q. PLEASE EXPLAIN THE PURPOSE OF THIS SECTION OF YOUR**  
10 **TESTIMONY.**

11 A. In this section of my testimony, I respond to the Rebuttal Testimony of Paula Strauss  
12 regarding the impact of the Company's proposed customer charge on low-income, low-  
13 usage customers. Company witness Strauss takes issue with my observation that the  
14 Company's proposed increase in its fixed monthly customer charge would increase the  
15 portion of a bill that is unavoidable for low-income customers. She argues that at a usage  
16 of 70 therms per month, 18.28% of the total bill is "fixed" under current rates, while only  
17 18.27% of the total bill is "fixed" under proposed rates. (CGPA Statement 12-R, at 25-  
18 26).

19  
20 What Ms. Strauss does not acknowledge is how infrequently low-income usage reaches  
21 70 therms per month. I begin with the observation that CAP customers tend to have  
22 noticeably higher usage than do non-CAP low-income customers generally. (CAUSE-  
23 PA-I-4).

Weather Normalized Annual Usage (Dth)					
Poverty Level	Non-CAP Confirmed Low-Income	CAP: Pct of Income	CAP: Avg Ann Payment	CAP: 50% Budget Bill	CAP: Minimum Payment
0-50%	62.4	108.5	109.4	76.0	87.1
51-100%		119.3	105.7	81.2	67.2
>100%		116.2	109.5	90.7	80.1

SOURCE: CAUSE-PA-I-4.

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With that in mind, I then examine the monthly usage of CAP customers only. (Monthly usage of non-CAP confirmed low-income customers was not available.) In this analysis, one dekatherm equals roughly ten therms (so 70 therms would equal roughly 7 Dth). In response to discovery, the Company provided a monthly distribution of usage for CAP participants by Dth for the two years ending December 2016 and December 2017.

Average Monthly Consumption (Dth) of CAP Customers (January 2016 – December 2017)		
	2016	2017
Jan	15.0	15.9
Feb	18.3	13.6
Mar	14.5	9.3
Apr	11.5	11.4
May	4.4	5.9
Jun	2.6	4.7
Jul	1.2	3.0
Aug	1.1	2.7
Sep	1.2	2.3
Oct	1.3	2.9
Nov	4.4	4.2
Dec	13.4	11.6
Total	88.9	87.5

SOURCE: CAUSE-PA-I-5.

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In both years, not only was CAP consumption lower than the 70 therms used in Ms. Strauss’ Rebuttal Testimony, but it was substantially lower than the 70 therms relied upon by Ms. Strauss. Given the extent to which the usage of non-CAP, confirmed low-

1 income customers is lower than CAP customers, the accuracy of the statement in my  
2 Direct Testimony becomes evident.

3

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

5 A. I conclude that the testimony of CGPA witness Strauss, arguing that confirmed low-  
6 income customers will pay a smaller portion of their total bill in fixed charges, based on  
7 her analysis of the percentage of a total bill reflecting usage of 70 therms, should be  
8 rejected.

9

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

11 A. Yes it does.

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

VERIFICATION

I, ROGER D. COLTON, hereby state that the facts set forth in my Surrebuttal Testimony, OCA Statement No. 4-SR, 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).

Date

07-19-18

Signed:

  
Roger D. Colton