

1 **I. Introduction**

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

4 A. Michael Huwar, 121 Champion Way, Suite 100, Canonsburg, PA 15317.

5 **Q. Are you the same Michael Huwar who submitted Direct Testimony in**
6 **this proceeding?**

7 A. Yes.

8 **Q. What is the purpose of your Rebuttal testimony?**

9 A. I will respond to testimony of various parties who take issue with the effectiveness
10 of Columbia's management and question the need for the Commission to consider
11 management's performance when it establishes just and reasonable rates in this
12 proceeding. Specifically, I will be responding to certain issues raised by Office of
13 Consumer Advocate ("OCA") witness Griffing and Bureau of Investigation and
14 Enforcement ("I&E") witness Henkel.

15 **MANAGEMENT EFFECTIVENESS**

16 **Q. What is the purpose of Columbia's proposed adjustment of 20 basis**
17 **points to the return on equity for management performance?**

18 A. Columbia's counsel has advised me that, under Pennsylvania law, the
19 Commission shall consider the efficiency, effectiveness and adequacy of service of
20 each utility when determining just and reasonable rates. Title 66, Section 523
21 further provides that the Commission "shall give effect to this section by making

1 such adjustments to specific components of the utility's claimed cost of service as
2 it may determine to be proper and appropriate." In my direct testimony, as well
3 as in the testimony of other Columbia witnesses, we have offered examples of the
4 "efficiency, effectiveness and adequacy of service" to provide the Commission
5 evidence upon which to make such adjustments to specific components of the
6 utility's claimed cost of service as it may determine to be proper and appropriate.

7 **Q. Please summarize Mr. Griffing's position regarding the inclusion of**
8 **20 basis points in Columbia's proposed return for management**
9 **performance.**

10 A. Mr. Griffing has concluded that Company Witness Moul does not support the 20
11 basis point addition for management performance.

12 **Q. What is your response to Mr. Griffing position?**

13 A. On page 5, line 12 of Company witness Moul's testimony (Columbia Statement
14 No. 8), Mr. Moul states that witness Huwar addresses the company performance
15 regarding customer service and management efficiency. My direct testimony at
16 Columbia Statement No. 1 clearly demonstrates Columbia's commitments to
17 "efficiency, effectiveness and adequacy of service" and provides the Commission
18 ample evidence upon which to make such adjustments to specific components of
19 the utility's claimed cost of service, including Mr. Moul's recommendation
20 regarding 20 basis points.

1 **Q. Please summarize Mr. Henkel's position regarding the inclusion of 20**
2 **basis points in Columbia's proposed return for management**
3 **performance.**

4 A. Mr. Henkel's position is that Columbia's aggressive infrastructure replacement
5 program is funded by the rate payers. He also asserts that topics such as
6 reliability, customer satisfaction and a focus on safety are requirements of every
7 public utility under 66 Pa. C.S.A. §1501. He also asserts that Columbia has
8 benefitted through its use of a Distribution System Improvement Charge (DSIC)
9 that provides funding for infrastructure replacement without the need to file base
10 rate cases.

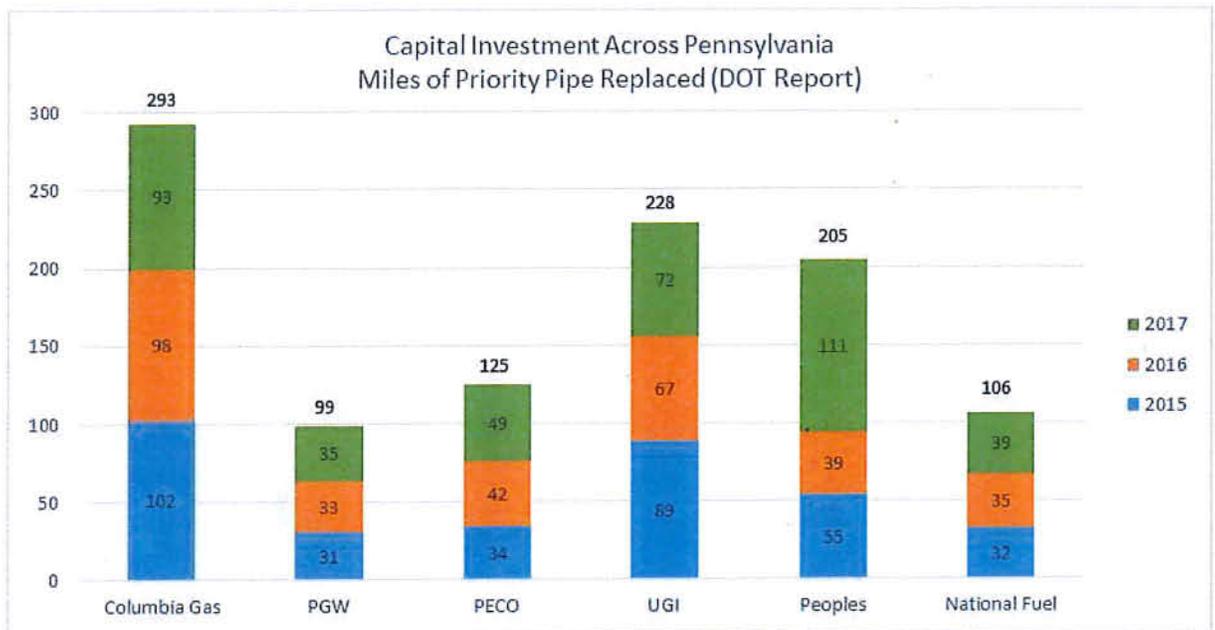
11 **Q. What is your response to Mr. Henkel's conclusion that topics such as**
12 **reliability, customer satisfaction and a focus on safety are**
13 **requirements of every public utility under 66 Pa. C.S.A. §1501 ?**

14 A. Mr. Henkel is correct, however, he has failed to take into consideration
15 Columbia's exemplary performance as it relates to all of these topics. Under Mr.
16 Henkel's approach, a utility providing above average performance is treated no
17 differently from a utility providing average performance. This effectively would
18 write out of existence the provisions of Section 523.

19 **Q. Please explain Columbia's exemplary performance.**

20 A. As discussed in my direct testimony, Columbia continues to be a leader in pipe
21 replacement in the Commonwealth, as illustrated in the chart below, which

1 demonstrates Columbia accelerated infrastructure investment over the past three
2 years.



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4 In regards to customer service, Mr. Henkel's testimony demonstrates that he is
5 not very familiar with the content of the reports issued by Bureau of Consumer
6 Services (BCS), and undervalues the data related to the overall customer service
7 performance Columbia has achieved. The data contained in the Commission's
8 UCARE report is a strong indicator of how well a utility treats its customers
9 because it contains metrics selected by the BCS to best evaluate the utility's
10 management effectiveness in the area of customer service. In the last report
11 issued by BCS in 2016, Columbia had the lowest justified consumer complaint
12 rate of all utilities in Pennsylvania; the lowest justified payment arrangement
13 request rate of all utilities in Pennsylvania; and the best Commission infraction

1 rate of all utilities in Pennsylvania. My direct testimony and that of Columbia
2 witness Davidson further detail other measures showing Columbia's superior
3 performance in areas such as customer satisfaction and safety. These
4 accomplishments are undisputed and demonstrate the Company's commitment
5 to providing excellent customer service, and support Mr. Moul's recommendation
6 to add 20 basis points to the company's return on equity.

7 **Q. What is your response to Mr. Henkel's statement regarding Columbia**
8 **benefitting through the use of a DSIC that provides funding for**
9 **infrastructure replacement without the need to file base rate cases?**

10 A. Witness Henkel does not take into consideration the projected level of capital
11 spend relative to the existing recovery cap on DSIC of 5% of distribution
12 revenues. Columbia's most recent base rate case, Docket R-2106-2529660, was
13 filed in March 2016, utilizing a fully projected future test year ending December
14 31, 2017. Currently, Columbia is utilizing a DSIC to recover plant in excess of
15 capital spend recovered in base rates from Columbia's last base rate case, as
16 permitted in settlement in that docket. However, at the highly accelerated pace of
17 infrastructure replacement needed to remain on track under Columbia's Long-
18 Term Infrastructure Improvement Plan ("LTIIP"), Columbia will exceed the 5%
19 distribution revenue cap in less than one year.

20 **Q. Has the Company sought the Commission's approval to increase the**
21 **5% DSIC cap?**

1 A. Yes. The company filed a petition at Docket P-2016-2521993 to increase the DSIC
2 cap from 5% of non-discounted distribution revenues to 10% of non-discounted
3 distribution revenues.

4 **Q. What was Columbia's primary purpose in that petition?**

5 Columbia sought to increase the DSIC surcharge cap to 10% to ensure that
6 customers continue to receive safe and reliable service in the future, while
7 potentially extending the time between base rate filings. In that petition, the
8 Company stated that revenue provided by the DSIC with a 5% cap is not sufficient
9 for Columbia to maintain its level of investment in its DSIC-eligible distribution
10 infrastructure for even a single year.

11 **Q. What was the result of that proceeding?**

12 A. The petition was denied. Company Witness Krajovic will discuss the impact of
13 the order on Columbia's ability to use the DSIC in her rebuttal testimony.

14 **Q. Has the Company effectively maximized the regulatory recovery**
15 **mechanisms available to recover the costs of infrastructure**
16 **replacement outside of a base rate case?**

17 A. Yes. Not only will the Company have effectively maximized the use of the DSIC by
18 the time rates from this proceeding go into effect, an effort was made to increase
19 the revenue cap on the DISC in order to extend the time between base rate case
20 filings.

1 **Q. What is your conclusion regarding Mr. Henkel's assertion regarding**
2 **the benefits Columbia has received from the DSIC?**

3 A. Columbia has sought all regulatory alternatives available to recover infrastructure
4 replacement costs outside of a base rate case. The use of the DSIC in place of a
5 base rate case, as well as the effort to increase the DSIC revenue cap from 5% to
6 10% of distribution revenues is representative of strong management
7 performance that clearly supports an increase in the company's return on equity.

8 **Q. Does this complete your Prepared Rebuttal Testimony?**

9 A. Yes, it does.