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1 **I. Introduction**

2 **Q. Please state your name and address.**

3 A. My name is Paula A. Strauss and my business address is 290 W. Nationwide Blvd.
4 Columbus Ohio, 43215.

5 **Q. Are you the same Paula A. Strauss who submitted Direct Testimony in
6 this proceeding?**

7 A. Yes.

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

9 A. In my rebuttal testimony, I respond to revenue allocation and rate design issues
10 raised by Witness Ethan H. Cline on behalf of the Bureau of Investigation and
11 Enforcement (“I&E”), Witnesses Jerome D. Mierzwa and Roger D. Colton on
12 behalf of the Pennsylvania Office of the Consumer Advocate (“OCA”), Witness
13 Robert D. Knecht on behalf of the Pennsylvania Office of Small Business Advocate
14 (“OSBA”), Witness Mitchell Miller on behalf of The Coalition for Affordable Utility
15 Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), Witness Susan A.
16 Moore on behalf of the Community Action Association of Pennsylvania (“CAAP”)
17 and Witness James L. Crist on behalf of The Pennsylvania State University
18 (“PSU”).

19 **Q. Are you presenting any Exhibits with your Rebuttal Testimony? If yes,
20 please list the Exhibits.**

21 A. The list of Exhibits included with this Rebuttal Testimony is shown below:

1	<u>Exhibit Number</u>	<u>Topic</u>
2	Exhibit PAS-1R:	Potential Conservation Savings with RNA
3	Exhibit PAS-2R:	PA PUC Secretarial Letter authorizing the DSIC
4		for April 1, 2018 - June 30, 2018
5	Exhibit PAS-3R:	Discovery Response CAAP 1-022
6		

7 **II. Response to Witness Ethan H. Cline - Bureau of Investigation and**
8 **Enforcement / I&E Statement No. 3**

9 **Q. What topics in Witness Cline’s Direct Testimony are being addressed**
10 **in this testimony?**

11 A. This testimony addresses Witness Cline’s Direct Testimony concerning Columbia’s
12 proposed Weather Normalization Adjustment (“WNA”), Revenue Normalization
13 Adjustment (“RNA”), revenue allocation and scale back of revenue allocation.

14 **Q. Does Witness Cline agree with Columbia’s proposal to make the WNA**
15 **a permanent tariff for the months of November through May?**

16 A. Yes. On page 8 lines 15 through 17, Witness Cline recommends that Columbia’s
17 WNA be made a permanent tariff for the months of November through May.
18 However, he disagrees with the Company’s proposal to remove the 5% deadband.

19 **Q. Did Witness Cline provide a possible alternative concerning the**
20 **removal of the 5% deadband on the WNA?**

- 1 A. Yes. Please refer to page 9, lines 17 through 19 of Witness Cline's Direct Testimony.
2 He states, "Should the Commission decide to not include a deadband provision or
3 authorize a smaller deadband, I recommend that the WNA continue as a pilot
4 program for an additional five (5) years so that the effects of the deadband change
5 can be studied."
- 6 **Q. Does Columbia agree with continuing the WNA as a pilot for five (5)**
7 **more years, if the deadband is completely eliminated or reduced?**
- 8 A. No. Columbia's WNA has been a pilot and no Party opposes making the WNA a
9 permanent tariff. Even with the elimination of the deadband, Columbia does not
10 agree with maintaining WNA as a pilot. The WNA should be made a permanent
11 tariff for the months of November through May.
- 12 **Q. Refer to Witness Cline's Direct Testimony, beginning on page 8, line 21**
13 **through page 9, line 13. In this section, Witness Cline discusses his**
14 **reasons for not eliminating the WNA's 5% deadband. He states, "...I**
15 **believe such a departure from traditional ratemaking should only**
16 **occur due to circumstances that are an extraordinary departure from**
17 **normal operating conditions, such as abnormal weather." Do you**
18 **agree with Witness Cline that WNA is an extreme weather fix, only?**
- 19 A. I do not agree that WNA is an extreme weather fix, only. By design, the WNA
20 calculation includes every daily temperature variation within a billing month, and

1 not just “extreme days.” The 5% deadband applies to the total for the billing
2 month, so “extreme days” could be offset by small variances throughout the month.

3 **Q. Please explain why Columbia has proposed to eliminate the deadband**
4 **for the WNA.**

5 A. Columbia agreed to the WNA deadband as part of a joint settlement agreement.
6 The goal of the WNA is to eliminate revenue and bill variations due to warmer and
7 colder than normal weather. Under the WNA, distribution rates billed to
8 residential customers are reduced if winter weather is colder than normal and,
9 correspondingly, increased if weather is warmer than normal. In a base rate
10 proceeding, residential rates are set using normal weather. The WNA without a
11 deadband provides a reasonable opportunity for the Company to bill the customer
12 for revenues approved in a base rate proceeding by eliminating the effects of
13 weather on a real time basis. If the deadband were allowed to continue, revenues
14 billed within the deadband would not be adjusted for shifts in weather, and
15 customers would be billed more or less than was intended by the Commission
16 simply because of rate design. Having a deadband in place undermines the
17 purpose of the WNA, which is the elimination of the impact of weather on the
18 revenue requirement approved by the Commission. For instance, if the deadband
19 is eliminated and the weather is 4.5% colder than normal, then the Company would
20 be able to lower customers’ bills, to reflect the abnormal weather. However, with

1 a 5% deadband in place, those revenues would be retained by the Company. There
2 is no sound rationale for maintaining this artificial deadband.

3 **Q. Is it possible to estimate how much a typical residential customer**
4 **would be impacted by the WNA's 5% deadband, if actual weather was**
5 **4.5% colder than normal for a few months?**

6 A. Yes. Refer to Tables PAS-1R and PAS-2R below:

7 **Table PAS-1R**
8

Year	Month	Normal Usage Dth	Customer Charge \$18.25	Distribution Charge \$6.4140	Distribution Bill (Normal)
2019	Jan	16.89	\$18.25	\$108.33	\$126.58
2019	Feb	16.37	\$18.25	\$105.00	\$123.25
2019	Mar	<u>13.49</u>	\$18.25	\$86.52	<u>\$104.77</u>
Three Month Total		46.75			\$354.60

9
10 **Table PAS-2R**

Year	Month	4.5% Colder Usage Dth	Customer Charge \$18.25	Distribution Charge \$6.4140	Distribution Bill 4.5% Colder
2019	Jan	17.59	\$18.25	\$112.82	\$131.07
2019	Feb	17.05	\$18.25	\$109.36	\$127.61
2019	Mar	<u>14.03</u>	\$18.25	\$89.99	<u>\$108.24</u>
Three Month Total		48.67			\$366.92

1 **Q. Please explain the assumptions used to compute the distribution bills**
2 **shown in Table PAS-1R and Table PAS-2R.**

3 A. The normal monthly residential usage levels for January through March (2019), in
4 Table PAS-1R, are taken from Exhibit No. 10, Schedule No. 2, page 8 of 8
5 sponsored by Company Witness Chen. In order to compute the monthly usage,
6 given 4.5% colder than normal weather, the temperature-sensitive consumption
7 for each month was multiplied by 1.045. This computation resulted in the monthly
8 usage levels shown in Table PAS-2R. In both Tables PAS-1R and PAS-2R, monthly
9 distribution bills were computed using Columbia's proposed residential rate
10 design.

11 **Q. In this scenario, how much more would a typical residential customer**
12 **be billed for distribution service in the months of January through**
13 **March due to the 5% deadband?**

14 A. Please refer to Table PAS-3R shown below:

15 **Table PAS-3R**

Year	Month	Distribution Bill Normal	Distribution Bill 4.5% Colder	Distribution Bill Difference
2019	Jan	\$126.58	\$131.07	\$4.49
2019	Feb	\$123.25	\$127.61	\$4.36
2019	Mar	<u>\$104.77</u>	<u>\$108.24</u>	<u>\$3.46</u>
Three Month Total		\$354.60	\$366.92	\$12.31

1 Table PAS-3R demonstrates that, assuming weather is 4.5% colder than normal,
2 this typical residential customer would be billed \$12.31 more for the months of
3 January through March, as a result of the 5% WNA deadband.

4 **Q. If the WNA deadband were to be eliminated, would this residential**
5 **customer's bill be \$12.31 lower for this three-month period?**

6 A. Yes. This customer's bill would be lowered by \$12.31 in real time.

7 **Q. Is it in the interest of residential customers, along with Columbia to**
8 **eliminate the 5% deadband?**

9 A. Yes. For both residential customers and Columbia, elimination of the WNA
10 deadband helps to further normalize bills for weather variations.

11 **Q. What did Witness Cline state concerning the 1% deadband that**
12 **Philadelphia Gas Works ("PGW") has for its WNA?**

13 A. On page 8, lines 8 through 11, Witness Cline states, "The high percentage of low
14 income customers served by PGW in conjunction with the lack of shareholders
15 willing to bear investment risk makes a higher degree of revenue stability through
16 a smaller deadband appropriate for PGW."

17 **Q. Do you agree with Witness Cline's argument for a smaller deadband for**
18 **PGW's WNA?**

19 A. No. Just because Columbia has a lower percentage of low income customers and
20 shareholders is no justification for maintaining a higher WNA deadband.

21 Columbia's low income customers deserve the same opportunity to have stable

1 bills in the winter period. As demonstrated in Table PAS-3R, Columbia's
2 residential customers could pay more for distribution service when weather is
3 colder than normal due to the 5% deadband being in place with the existing WNA.

4 **Q. Is there another reason that Columbia proposed to eliminate the**
5 **WNA's 5% deadband?**

6 A. Yes. By charging or crediting revenues for the full impact of weather, in real time,
7 through the WNA, the Company's proposed RNA is mitigated to charging or
8 crediting distribution revenues that deviate from test year revenues, exclusive of
9 distribution revenues adjusted through the WNA. Because Rider WNA
10 adjustments are based on each customer's individual usage behavior and are billed
11 monthly, the adjustments occurring through the RNA would be less impactful to
12 customers due to the existence of the WNA without a deadband.

13 **Q. On page 11, lines 5 through 14 of his Direct Testimony, Witness Cline**
14 **argues that the Company has not demonstrated the need for more**
15 **revenue stability or indicated that the RNA will result in fewer base**
16 **rate increases. Please comment on Witness Cline's statements.**

17 A. Rate case timing is dependent upon many factors, including capital additions,
18 fluctuations in the cost of capital and operations and maintenance expenses. The
19 Company is not able to state with certainty that implementing a residential RNA
20 would lead to fewer rate cases. However, the stability provided by the RNA is
21 beneficial for both the Company and its residential customers, because the

1 Company would credit or collect any distribution revenues over or under the
2 benchmark revenue per customer that is established as part of a base rate
3 proceeding.

4 **Q. Please refer to page 11, lines 16 through 21 of Witness Cline's Direct**
5 **Testimony. On these lines, Witness Cline asserts that the proposed**
6 **RNA can "cause harm." Do you agree?**

7 A. No. Witness Cline makes two incorrect assumptions to support his assertion that
8 the RNA can "cause harm." I will address both errors. First, on lines 17 and 18 of
9 page 11, he states, "In order for customers to benefit from the RNA, they would
10 need to use more gas to trigger the refund, contrary to conservation efforts."

11 **Q. Why is this statement flawed?**

12 A. Witness Cline fails to recognize the many reasons that a residential customer's
13 usage could increase. Granted, residential customers could make the decision to
14 turn up the heat on a cold day. However, this would not help them to lower their
15 bills, because they would pay for using the additional gas commodity.
16 Additionally, residential customers' consumption patterns could change for other
17 reasons. Perhaps a customer has decided to work at home and is raising the heat
18 because the house will be occupied. This could also lead to the use of more hot
19 water in the residence. Aside from additional usage related to existing appliances,
20 a customer could decide to purchase a gas dryer or replace an electric water heater
21 with a gas water heater. Increased usage for these reasons is not contrary to

1 conservation efforts. Further, RNA adjustments, unlike WNA adjustments, are not
2 calculated on a customer-specific basis, but rather on a class-wide basis.

3 **Q. Please comment on Witness Cline's second error in this response.**

4 A. Refer to page 11, lines 18 through 21 of Witness Cline's Direct Testimony. On these
5 lines, he states, "Customers who undertake conservation efforts will see their
6 investment payback time increase as the Company is permitted to increase rates in
7 response to usage declines." This is simply not true. First, the RNA, unlike the
8 WNA, does not result in real time billing adjustments. If a residential customer
9 reduces consumption, unrelated to weather variations, then that customer will
10 experience immediate savings on their bill. Secondly, the proposed RNA would
11 reflect what normally happens in a rate case when customers implement
12 conservation measures. If usage is reduced, then in the Company's next base rate
13 case, fixed costs are spread over lower volumes, and rates for all residential
14 customers would increase. Conservation savings from individual residential
15 customers is spread among all residential customers.

16 **Q. Please demonstrate how a residential customer's reduced usage,
17 unrelated to weather variations, results in immediate and long-term
18 savings on their bill with the Company's RNA proposal?**

19 A. Refer to Exhibit PAS-1R for calculations which demonstrate how a residential
20 customer's reduced usage would result in savings on their bill with the Company's
21 RNA proposal.

1 **Q. Please explain the assumptions and calculations on Exhibit PAS-1R.**

2 A. Column 4 of Exhibit PAS-1R shows normalized usage for an average residential
3 customer for the Fully Projected Future Test Year, 2019, as presented by Company
4 Witness Chen on Exhibit No. 10, Schedule No. 2, page 8 of 8. Columns 5 through
5 8 are used to compute the monthly total bills for this typical residential customer.
6 Row 13, column 8 shows a total annual residential bill of \$1,130.55 using the
7 Company's proposed residential rates. Columns 9 through 12 show three possible
8 conservation measures that a residential customer could install. These measures
9 include: a new furnace, attic insulation and wall insulation. Each conservation
10 measure is associated with a hypothetical annual consumption reduction. On line
11 13, estimated annual bill savings corresponding with each of the conservation
12 measures are computed. For example, if a residential customer installed a new,
13 more efficient furnace, this analysis assumes that the customer could save 13.9 Dth
14 annually. Given the proposed rates and including gas costs, this customer is
15 estimated to save about \$146 per year due to the installation of the new furnace.

16 **Q. Will the RNA eliminate all bill savings associated with the installation**
17 **of the new furnace?**

18 A. No. Initially, the customer will experience the full savings of \$146 per year.
19 Therefore, the customer is able to associate a reduced bill with the installation of a
20 conservation measure. On a lagged basis, the RNA may erode some of the savings.
21 Similar to the normal rate case process, if consumption decreases, then the

1 Company's costs would be spread over fewer volumes, so rates would increase. In
2 this example, two hypothetical RNA rates were used to demonstrate how the RNA
3 operates. Refer to lines 15 through 19 of Exhibit PAS-1R. Scenario A assumes an
4 RNA rate of \$0.25 per Dth. In the new furnace example, the residential customer's
5 bill savings of \$146 would be reduced by about \$18 in a future period. Scenario B
6 uses a higher RNA rate and, as a result, the customer saves less in this scenario.
7 However, in both scenarios, the customer that undertakes conservation efforts will
8 continue to realize substantial savings, even after application of the RNA.

9 **Q. Refer to page 12, lines 1 through 3, of Witness Cline's Direct**
10 **Testimony. Witness Cline states, "Further, customers who lack the**
11 **financial means to undertake conservation efforts will be penalized by**
12 **the RNA, which increases rates to address usage reductions." Please**
13 **comment on Witness Cline's statement.**

14 A. Witness Cline portrays the RNA as one-sided. He has testified concerning usage
15 reductions and bill increases. I would like to reiterate that the RNA is designed as
16 a balanced rate adjustment mechanism. Under the proposed RNA, Columbia
17 would either charge or return dollars due to variations from the revenue
18 benchmarks approved as part of a general base rate proceeding. Also, as stated
19 previously, Witness Cline is merely pointing out how the normal rate case process
20 works. If usage decreases, then the Company's costs would need to be spread over
21 fewer volumes for recovery.

1 **Q. Refer to page 23, lines 1 and 2 of Witness Cline’s Direct Testimony.**
2 **He states, “In fact, Columbia’s rate case filings have occurred with**
3 **such frequency that the Company has not been eligible for a DSIC**
4 **between rate cases.” Is this statement accurate?**

5 A. No. In fact, Columbia began billing a DSIC on April 1, 2018 and is currently billing
6 a DSIC to its customers. The Company did not file a rate case in 2017 and, thus,
7 the DSIC is being utilized to recover investments put in service since the end of
8 2017. During the years between rate cases, the RNA would help to stabilize
9 Columbia’s revenues and bills for residential customers by “breaking the link”
10 between residential non-gas cost revenues and consumption.

11 **Q. Please provide a copy of the Commission’s Secretarial Letter**
12 **authorizing Columbia to bill a DSIC for the period April 1, 2018 through**
13 **June 30, 2018.**

14 A. The Secretarial Letter authorizing Columbia to bill a DSIC for the period April 1,
15 2018 through June 30, 2018 is attached as Exhibit PAS-2R.

16 **Q. Are there any other parts of Witness Cline’s Direct Testimony that**
17 **relate to DSIC and merit comments from Columbia?**

18 A. Yes. Refer to page 24, lines 3 through 7 of Witness Cline’s Direct Testimony. He
19 states, “In the Company’s base rate cases in 2009 and 2010, Columbia Witness Fox
20 testified that ‘A gas DSIC would enable natural utilities to invest in infrastructure
21 at an accelerated pace, while holding down the regulatory costs associated with

1 *full-scale base rate cases, which are ultimately borne by customers.* (Docket No.
2 R-2009-2149262, Columbia St. No. 1, p.5; Docket No. R-2010-2215623, Columbia
3 St. No. 1, p. 5). In fact, in the 2010 base rate case, Columbia Witness Krajovic
4 proposed a DSIC and testified that ‘One of Columbia’s primary concerns is the
5 regulatory lag and the expense associated with litigating frequent base rate cases.’
6 (Docket No. R-2010-22151623, Columbia St. No.3, p. 3).”

7 **Q. When was the language of Act 11 finalized and signed by Governor**
8 **Corbett?**

9 A. On February 12, 2012, Governor Corbett signed Act 11 of 2012.

10 **Q. Was the testimony from Witnesses Fox and Krajovic written prior to**
11 **knowing the final language of Act 11?**

12 A. Yes.

13 **Q. Explain why this timing is pertinent to fully understanding the**
14 **Company’s testimony related to a potential DSIC in the future.**

15 A. In 2009, 2010, and 2011, Company Witnesses Fox and Krajovic did not have the
16 final Act 11 language. Therefore, the Company was not aware that DSIC filings
17 would be completed using historic capital additions, while the Company would be
18 able to use capital from a fully projected future test year period for a rate case filing.
19 This difference in timing has a tremendous impact on the regulatory lag associated
20 with investing capital to improve Columbia’s system. In fact, Witness Krajovic’s
21 statement mentioned the importance of regulatory lag. She stated, “One of

1 Columbia's primary concerns is the regulatory lag ... associated with litigating
2 frequent base rate cases." (Docket No. R-2010-22151623, Columbia St. No.3, p. 3).
3 Nor could these witnesses have known that the DSIC would include a cap equal to
4 5% of distribution revenues, which limits the usefulness of the DSIC for Columbia
5 due to the Company's high rate of infrastructure replacement.

6 **Q. What does Witness Cline recommend concerning revenue allocation?**

7 A. Refer to page 52, lines 1 through 3 of Witness Cline's Direct Testimony. He states,
8 "I recommend the Commission use the peak and average ACOS study provided by
9 the Company on Columbia Exhibit No. 111, Schedule 2 to allocate the final revenue
10 increases among the different customer classes."

11 **Q. Do you agree with relying on a single class cost of service study?**

12 A. No. A single class cost study should not be relied upon for revenue allocation.
13 Witness Balmert's studies produce a range of alternatives that can be used to
14 benchmark or guide revenue allocation. The Customer/Demand Study (Exhibit
15 No. 111, Schedule 1) produces results that are generally more favorable to industrial
16 customers, while the Peak & Average Study (Exhibit N. 111, Schedule 2) produces
17 results that are generally more favorable to residential customers.

18 **Q. Why does the Company rely on the Average Study as a basis or guide to**
19 **allocate revenue requirement?**

20 A. The Average Study, as presented by Witness Balmert, in Exhibit No. 111, Schedule
21 3 is an average of the Customer/Demand Study and the Peak & Average Study.

1 Columbia believes that the Customer/Demand Study and the Peak & Average
2 Study provide a reasonable range of results. The Average Study, with its equal
3 weighting of the two previously-mentioned studies, provides results that can be
4 used as an appropriate benchmark or guide in revenue allocation. Please see
5 Company Witness Balmert's Rebuttal Testimony for detailed support of the
6 Company's allocated cost of service approach.

7 **Q. Have you compared Witness Cline's revenue allocation to Columbia's**
8 **proposed revenue allocation and other revenue allocations proposed**
9 **in this proceeding?**

10 A. Yes. Please refer to Table PAS-4R for a comparison of the revenue allocations
11 submitted by the Company, I&E, OCA and OSBA in this proceeding. The
12 Company's revenue allocation results in a higher revenue requirement for
13 residential customers and a lower revenue requirement for commercial and
14 industrial customers, when compared to Witness Cline's revenue allocation. These
15 results occur due to the reliance on different allocated cost of service studies.

16 **Table PAS-4R**

Class*	CPA	I&E	OCA	OSBA
RS/RDS	37.63M	33.21M	29.87M	36.85M
SGSS/SCDS/SGDS	2.38M	5.40M	4.74M	3.57M
SGSS2/SCDS2/SGDS2	2.16M	3.67M	5.30M	0.0M
SDS/LGSS	2.50M	2.50M	4.31M	3.25M
LDS/LGSS	2.13M	2.13M	2.46M	3.17M
MLDS	0.04M	0.04M	0.15M	0.0M
Total	\$46.84M	\$46.95M	\$46.93M	\$46.84M

17 *Totals may not be exact due to rounding.

1 **Q. Are there area(s) of agreement between the Company and intervening**
2 **Parties concerning revenue allocation?**

3 A. Yes. Generally, the Parties agree that an Allocated Cost of Service Study or a range
4 of Allocated Cost of Service Studies should be used, as a guide, in establishing
5 revenue requirements by customer classes. However, there are different opinions
6 concerning the most appropriate way to measure allocated costs. Company
7 Witness Balmert addresses the claims raised by I&E, OCA and OSBA concerning
8 cost allocation methodologies.

9 **Q. Does Columbia continue to support the revenue allocation presented**
10 **in Table PAS-4R and its March 16, 2018 Rate Case Filing?**

11 A. Yes. Columbia continues to support its proposed revenue allocation.

12 **Q. On pages 61 through 64, Witness Cline presents rate of return goals**
13 **that should be used for revenue allocation purposes. Do you agree with**
14 **his arguments?**

15 A. No. Because Witness Cline uses the results of only the Company's Peak & Average
16 Study, the arguments that he presents for revenue allocation and movement
17 towards parity are flawed. Again, Columbia's revenue allocation relies on the
18 results of Witness Balmert's Average Study.

19 **Q. Has Witness Cline proposed a method for scaling back rates?**

1 A. Yes. Witness Cline addresses scaling back rates on pages 64 and 65 of his Direct
2 Testimony. He proposes to use Columbia's Peak & Average Study and explains a
3 method for targeting certain rates of return for two groups of customer classes.

4 **Q. Does the Company agree with Witness Cline's scale back method?**

5 A. No. The Company does not agree with Witness Cline's scale back method, because
6 it is based upon a single ACOS, Columbia's Peak & Average Study, and it targets
7 unitized rates of return other than 1.0 for certain customer classes to accommodate
8 the flex rate customers who do not pay their full cost of service. Columbia's rate
9 design considers flex rate customers by separately evaluating bill impacts for non-
10 flex customers within a customer class including flex customers. The Company
11 targets class-level bill impacts within 2% of the system average bill increase.

12 **Q. How does Witness Cline propose to address the revenue shortfall**
13 **caused by LDS customers under the Flexible Rate Provision of the**
14 **Company's tariff?**

15 A. Witness Cline began by adding to Exhibit 111, Schedule 2, Page 1 (Rate of Return
16 by Class – Proforma @ Proposed Rates) four new lines to calculate the current
17 relative rate of return of 1.13 for the combined RSS/RDS, SGSS1/SCD1/SGDS1,
18 and SGSS2/SCD2/SGDS2 rate classes using the Peak & Average Study (see I&E
19 Exhibit No. 3, Schedule No. 12). Then, he set the target relative rate of return for
20 the three rate classes to remain at 1.13 for proposed rates. Mr. Cline justifies the
21 1.13 goal, because the Company has flex rate and large usage customers who do not

1 pay the full cost of service indicated in the Peak & Average Study. As stated above,
2 Columbia does not agree with targeting different rates of return by customer class.

3 **Q. How does Columbia propose to scale back revenue requirements to an**
4 **approved level?**

5 A. The Company proposes using its proposed revenue allocation to proportionally
6 scale back all revenue requirements.

7 **Q. On lines 21 and 22 of his Direct Testimony, Witness Cline recommends**
8 **that all customer charges and usage rates for each rate class that**
9 **received a proposed increase should also be scaled back. Is Columbia**
10 **opposed to this recommendation?**

11 A. No. However, Columbia proposes to use its proposed revenue allocation and rate
12 design to scale back all customer charge and usage rates.

13
14 **III. Response to Witnesses Jerome D. Mierzwa and Roger D. Colton - Office**
15 **of Consumer Advocate / OCA Statement Nos. 3 and 4**

16 **Q. What topics in Witness Mierzwa's Direct Testimony does this**
17 **testimony address?**

18 A. This testimony addresses Witness Mierzwa's Direct Testimony concerning
19 Columbia's proposed revenue allocation, revenue scale back method, residential
20 customer charge, WNA and RNA.

1 **Q. Witness Mierzwa provides a summary of Columbia’s proposed revenue**
2 **allocation on page 34 of his Direct Testimony. Has Witness Mierzwa**
3 **accurately presented Columbia’s revenue allocation on his Table 7?**

4 A. No. The totals that Witness Mierzwa presents for “Proposed Rates” and “Increase”
5 appear to have typographical errors. For “Proposed Rates,” he states a total of
6 \$420,935,126. The correct total is \$423,935,126. He shows a total of \$46,035,526
7 for “Increase” and this total should be \$46,835,526.

8 **Q. Do you agree with the principles of a sound revenue allocation as**
9 **presented by Witness Mierzwa beginning on line 11 of page 34 of his**
10 **Direct Testimony?**

11 A. Yes.

12 **Q. Does Columbia’s proposed revenue allocation abide by the principles**
13 **listed by Witness Mierzwa on page 10 of his Direct Testimony?**

14 A. Yes. Columbia’s revenue allocation:

- 15 • Utilizes a class cost-of-service study as a guide;
- 16 • Provides stability and predictability of the rates themselves, with a minimum
17 of unexpected changes that are seriously adverse to ratepayers or the utility
18 (gradualism);
- 19 • Yields the total revenue requirement;

- 1 • Provides for simplicity, certainty, convenience of payment, understandability,
2 public acceptability and feasibility of application; and
- 3 • Reflects fairness in the apportionment of the total cost of service among the
4 various classes.

5 **Q. Please comment on the revenue allocation proposed by Witness**
6 **Mierzwa in Table 8 on page 35 of his Direct Testimony.**

7 A. Witness Mierzwa's proposed revenue allocation has multiple flaws and does not
8 abide by all of the principles of a sound revenue allocation that he presented on
9 page 34 of his Direct Testimony. First, the Company does not agree with using
10 OCA's Peak & Average Study as the foundation for its revenue allocation. Specific
11 reasons for not using this Study are presented in the Rebuttal Testimony of
12 Witness Balmert. Second, an increase of 24.4% for the SDS/LGSS customer class
13 violates the principle of gradualism and is not a fair apportionment of costs to this
14 class of customers. Columbia targets class level bill impacts of no more than 2%
15 above the average rate increase. Additionally, Witness Mierzwa allocated an
16 inequitably low percentage of incremental revenue requirement to the residential
17 customer class and recommends a system average increase for MLDS customers.
18 According to Witness Balmert's Average Study, the residential customer class
19 should receive a higher allocation of revenue requirement to move this class
20 towards parity. MLDS customers are paying rates well above the cost to serve these
21 customers, and as a result, should get no increase with the exception of charges to

1 cover the C&I Network. Exhibit No. 111, Schedule No. 1, page 31 and Exhibit No.
2 103, Schedule No. 8, page 1 of 10, lines 36 through 47 show the revenue
3 requirement associated with the C&I network by customer class. These allocated
4 revenue requirements for the C&I Network were developed by Witness Balmert
5 and explained on pages 21 and 22 of his Direct Testimony, Statement No. 11 in this
6 proceeding. This allocation is summarized below in Table PAS-5R:

7 **Table PAS-5R**

Class	C&I Network Revenue
Residential	\$0
SGSS1SCD1/SGDS1	\$0
SGSS2/SCD2/SGDS2	\$521,587
SDS/LGSS	\$1,649,136
LGSS/LDS	\$345,159
Mainline	\$42,182
Total	\$2,558,064

8
9 **Q. Do you agree with Witness Mierzwa that a scale back method should**
10 **be used in the event that Columbia's authorized increase is less than**
11 **the requested increase?**

12 A. Yes. On page 36, lines 7 and 8 of his Direct Testimony, Witness Mierzwa states,
13 "...In the event that CPA's authorized increase is less than its requested increase,
14 I recommend a proportionate scale-back of the increase for each rate class."

1 Columbia's supports a proportional scale back of the Company's proposed revenue
2 allocation.

3 **Q. Does Witness Mierzwa accurately re-state Columbia's proposed**
4 **residential rates on page 36, line 16 of his Direct Testimony?**

5 A. No. Line 16 of page 36 states that Columbia has proposed a volumetric rate of
6 \$6.1887 per Dth. Columbia's proposed volumetric rate for residential customers
7 is \$6.4140 per Dth.

8 **Q. What does Witness Mierzwa state concerning the Company's proposed**
9 **residential customer charge?**

10 A. On page 37, lines 13 through 18 of his Direct Testimony, Witness Mierzwa states
11 the following, "The Company's calculated customer charge of \$46.05 is
12 unreasonable because it includes an allocated portion of mains investment that has
13 consistently been rejected by the Commission. The calculated customer charge of
14 \$19.66 is unreasonable because it includes an allocation of costs not properly
15 reflected in the fixed monthly charge: ..."

16 **Q. Is the Company proposing a customer charge of \$46.05 or \$19.66?**

17 A. No. The Company's proposed customer charge is \$18.25.

18 **Q. Has Witness Mierzwa presented a solid argument for not accepting**
19 **Columbia's proposed residential customer charge of \$18.25?**

1 A. No. Witness Mierzwa's Direct Testimony includes arguments for not approving
2 customer charges of \$46.05 and \$19.66. Refer to page 39, lines 4 and 5 of Witness
3 Mierzwa's testimony. His Direct Testimony states, "Based on CPA's requested
4 increase, a cost-based customer charge would be \$18.61." Additionally, he testifies
5 that, even at the OCA's recommended return, a cost-based residential customer
6 charge would be higher than Columbia's existing Residential customer charge of
7 \$16.75. For these reasons, along with the evidence provided by Columbia's cost
8 studies and gradualism approach, the Company continues to support a proposed
9 residential customer charge of \$18.25.

10 **Q. Please reiterate the Company's justification for proposing a customer**
11 **charge of \$18.25.**

12 A. The Company recognizes the need to gradually increase fixed charges and strike a
13 balance between gradualism and moving towards the cost to serve residential
14 customers. Columbia also realizes that fixed cost studies rely on various methods
15 and produce a range of results. However, in the spirit of gradualism, the
16 Company's proposed residential customer charge of \$18.25 is lower than the
17 results produced by the customer cost studies presented by Witness Balmert.
18 Further support for the increased customer charges appears on page 59, line 4 of
19 I&E Statement No. 3, where Witness Cline states the following:

20 ***"Q. DO YOU AGREE WITH THE COMPANY'S***
21 ***RECOMMENDED INCREASE TO THE RESIDENTIAL AND***

1 ***SMALL GENERAL SERVICE RATE CUSTOMER***
2 ***CHARGES?***

3 *A. Yes. Despite the fact that I disagree with the items included in the*
4 *Company's requested increases to the residential and small general*
5 *service rate customer charges are acceptable because the increases do*
6 *not violate the concept of gradualism.*

7 ”

8 **Q. In OCA Statement No. 4, Witness Colton states the following**
9 **concerning the residential customer charge: “One impact of the**
10 **Company's proposed increase in the fixed monthly customer charge is**
11 **that a higher percentage of total rates will be unavoidable.” Is**
12 **Witness Colton's statement accurate?**

13 A. No. The Company's proposed customer charge actually causes a lower
14 percentage of a residential customer's bill to be “unavoidable.” Fixed costs as a
15 percentage of a residential customer's total bill are decreasing as a result of the
16 Company's rate design proposal which includes a modest proposed customer
17 charge increase. Refer to Exhibit PAS-3R, which shows the Company's response
18 to discovery request No. CAAP 1-022. In this request, CAAP asked Columbia to
19 compute the fixed “...percentage of a typical residential customer's monthly bill
20 purchasing 70 therms of gas per month.” Table PAS-6R shows the results on a
21 total bill basis and Table PAS-7R depicts the results without the Purchased Gas
22 Commodity Costs (“PGCC”) and Purchased Gas Demand Costs (“PGDC”) Riders.
23 Table PAS-6R is also included on Exhibit PAS-3R.

Table PAS-6R

	Residential Usage Therms	Customer Charge	Total Bill	Percent Fixed
Current	70	\$16.75	\$91.63	18.28%
Proposed	70	\$18.25	\$99.88	18.27%

Table PAS-7R

	Residential Usage Therms	Customer Charge	Bill without PGCC & PGDC	Percent Fixed
Current	70	\$16.75	\$62.32	26.88%
Proposed	70	\$18.25	\$70.57	25.86%

Q. Turning to the OCA's position on the WNA, is the OCA opposed to Columbia's WNA becoming a permanent tariff?

A. No. Please refer to page 40, lines 6 through 13 of Witness Mierzwa's Direct Testimony. However, Witness Mierzwa does recommend a lower return on equity ("ROE") be coupled with the permanent WNA tariff. Witness Moul addresses the Company's position on ROE.

Q. What is the OCA's position concerning eliminating the month of October from the WNA and eliminating the 5% deadband?

A. Refer to page 40 of Witness Mierzwa's Direct Testimony, beginning on line 20, where he addresses these proposed WNA changes. The OCA is not opposed to

1 “discontinuing assessing the WNA in the month of October.” However, the OCA
2 would like the 5% deadband maintained in a permanent WNA tariff.

3 **Q. Please address the OCA’s concern with removing the 5% deadband**
4 **from the WNA tariff.**

5 A. Refer to page 40 of Witness Mierzwa’s Direct Testimony. Beginning on line 25, he
6 states, “It is unreasonable to assume that weather and natural gas usage is
7 abnormal if a particular day is only a few HDDs warmer or colder than normal. If
8 the deadband is eliminated, the WNA would be applied if actual weather was only
9 one HDD colder or warmer than normal.” This is a true statement, but Columbia
10 points out that, under the current 5% deadband scenario, the WNA would also not
11 be applied if weather was 4.5% colder or warmer than normal. As shown on Table
12 PAS-3R, (page 6, line 16 of this Rebuttal Testimony), at 4.5% colder than normal,
13 a typical residential customer could be charged more than an additional \$12 for
14 distribution service due to the 5% deadband. The Company supports removing the
15 deadband and billing less to residential customers, when weather is colder than
16 normal. Additionally, as noted in my response to Witness Cline, the WNA is not
17 an “extreme weather fix,” only. By design, the WNA calculation includes every
18 daily temperature variation within a billing month, and not just “extreme days.”
19 The 5% deadband applies to the total for the billing month, so “extreme days” could
20 be offset by small variances throughout the month.

1 **Q. On page 41 of his Direct Testimony, Witness Mierzwa states a few**
2 **reasons for recommending that the Commission not approve the**
3 **Company's RNA proposal. Do you agree with his testimony concerning**
4 **RNA? Please elaborate.**

5 A. I do not agree with Witness Mierzwa's reasons for recommending that the RNA
6 not be approved. On page 41, lines 20 and 21, he states, "The proposed Rider RNA
7 could increase earnings beyond those that the Company would ordinarily be
8 entitled to." On the next page of his testimony, Witness Mierzwa offers a one-sided
9 argument for defending his statement. He states that "a new customer is likely to
10 have purchased a more energy efficient gas appliance than an average customer,
11 and would have lower usage...." However, he fails to mention other possibilities,
12 such as the new customer purchases a larger than average home or installs more
13 gas appliances compared to the average residential customer. This is precisely why
14 the RNA benchmark uses an average customer as its basis. New customers could
15 have consumption levels above or below the average usage amount. Furthermore,
16 the Company's new customer projections assume average usage, which is
17 consistent with the Company's RNA benchmark approach.

18 **Q. Witness Mierzwa also states that Rider RNA unreasonably applies to**
19 **customers with constant usage. Why is this argument flawed?**

20 A. As Witness Balmert explains, the cost to serve a residential customer is relatively
21 static despite usage differences among residential customers. Because the cost to

1 serve residential customers does not vary with usage, it is reasonable to apply the
2 RNA to all residential customers, regardless of usage.

3 **Q. Beginning on line 19 of page 42 of his Direct Testimony, Witness**
4 **Mierzwa presents a “take-or-pay” argument to defend OCA’s position**
5 **concerning RNA. Is this argument applicable to gas distribution**
6 **service provided to residential customers?**

7 A. No. A “take-or-pay” argument may be applicable to the purchase of a commodity,
8 such as gas. However, the same argument does not make sense for providing
9 distribution service. Columbia must have the same infrastructure in place to serve
10 a residential customer, regardless of consumption.

11 **Q. Witness Mierzwa also claims that Rider RNA could lead to**
12 **“inappropriate rate adjustments.” Does the Company agree with this**
13 **claim?**

14 A. No. On page 43, lines 10 through 13, Witness Mierzwa states, “For example, if
15 Residential usage per customer were to fall over time, while SGSS₁/SCD₁/SGDS₁
16 deliveries increased, CPA’s Residential rates would be increased under Rider RNA
17 with no recognition of the increased SGSS₁/SCD₁/SGDS₁ distribution service
18 revenues.” Witness Mierzwa’s statement is flawed for a few reasons. First, he
19 assumes that lower residential use per customer implies lower distribution costs.
20 However, a drop in average residential customer usage does not simply translate

1 to lower costs for Columbia. On the contrary, he assumes that higher commercial
2 usage is not associated with higher costs. It is possible that increased
3 SGSS1/SCD1/SGDS1 usage could result in incremental costs, but the level of costs
4 would depend upon the unique set of circumstances surrounding the load growth.

5 **Q. Witness Mierzwa’s final argument to reject Columbia’s proposed RNA**
6 **considers revenue stability. Please describe his argument.**

7 A. On page 44, lines 1 through 3, Witness Mierzwa states the following, “CPA’s current
8 system of rates and charges, which include fixed monthly customer charges, a
9 Purchased Gas Adjustment mechanism, and Rider RNA, provide for revenue
10 stability....” This statement is not accurate for a few reasons. First, Columbia does
11 not have a Rider RNA; the Company is proposing RNA, as part of this proceeding.
12 Second, the Purchased Gas Adjustment mechanism does not help to stabilize
13 revenues for distribution service. The gas cost adjustment is merely a tracker to
14 collect costs related to the gas commodity. Finally, Columbia’s residential
15 customer charge does not fully recover the fixed costs of service for residential
16 customers. Please refer to Witness Balmert’s testimony and schedules for detailed
17 customer cost studies.

18

1 **IV. Witness Robert D. Knecht - Pennsylvania Office of Small Business**

2 **Advocate / OSBA Statement No. 1**

3 **Q. Refer to page 27 of Witness Knecht's Direct Testimony. Does Witness**
4 **Knecht accurately restate the Company's revenue allocation in Table**
5 **IEc-5?**

6 A. The row labeled "Proposed Increase" accurately shows the Company's proposed
7 rate increase. The row labeled "Cost-based Increase" reflects Witness Knecht's
8 interpretation of costs. I do not agree with Witness Knecht's cost-based increases
9 and I have relied upon the Average Study produced by Witness Balmert.

10 **Q. On page 28, lines 10-12 of his Direct Testimony, Witness Knecht claims**
11 **that the Company "...does not explain how the revenue allocation was**
12 **developed, nor whether the *progress* toward cost-based rates is**
13 **consistent across rate classes." Did the Company explain these items**
14 **in Direct Testimony?**

15 A. Yes. Please refer to page 20 of my Direct Testimony, Columbia Statement No.12.

16 The following question begins on line 14:

17 ***"Q. How were the results of Columbia's average ACOS***
18 ***used in the proposed revenue allocation by customer***
19 ***class?***

20 ***A. Refer to Exhibit No. 103, Schedule No. 8, Page 5 of 10. Line 4***
21 ***shows the unitized rates of return by rate class according to***
22 ***Columbia's average ACOS (Exhibit 111, Schedule 1, Page 2, Line 14).***
23 ***Line 5 of Exhibit No. 103, Schedule No. 8, Page 5 of 10 shows the***
24 ***unitized rates of return proposed by Columbia in this proceeding***
25 ***and line 6 displays the change in unitized rates of return by***

1 *customer class. Line 6 demonstrates that Columbia proposes to*
2 *move all customer classes closer to parity with this revenue*
3 *allocation.”*

4
5 **Q. Do you agree with Witness Knecht’s revenue allocation**
6 **recommendation?**

7 A. No. Witness Knecht states on page 2, lines 24 and 25, of his Direct Testimony,
8 “...my revenue allocation proposal for the small business rate classes is, in
9 aggregate, not substantially different from that proposed by the Company.”
10 However, in making this statement, it appears Mr. Knecht is aggregating the
11 results of three separate rate classes, SG1, SG2, and SDS. By class, and not
12 aggregated, Witness Knecht’s revenue allocation is significantly different from the
13 Company’s proposed revenue allocation. Refer to Table PAS-4R on page 16 of this
14 Rebuttal Testimony for a comparison of the allocations, including those advocated
15 by I&E and the OCA.

16 **Q. Please elaborate on the differences between OSBA’s and Columbia’s**
17 **revenue allocation proposals.**

18 A. Witness Knecht uses a 75/25 weighting of Witness Balmert’s Peak & Average and
19 Customer Demand Studies. As discussed by Witness Balmert, an equally weighted
20 average of the two studies is more appropriate and this equally weighted Average
21 Study is the basis of the Company’s revenue allocation. The Company does not
22 agree with Witness Knecht’s assignment of no increase to the
23 SGSS2/SCDS2/SGDS2 class of customers. Columbia allocated a modest revenue

1 increase to this class, so that the unitized rate of return would decrease towards
2 1.0. While Witness Knecht does not assign a revenue increase to Large Flex
3 customers, he assigns a very substantial increase to the non-Flex Large customers.
4 The Company does not agree with this high increase for these customers. Please
5 refer to Table IEC-7 on page 34 of Witness Knecht's Direct Testimony. His increase
6 of 22.8% for the non-Flex Large customers violates the principle of gradualism.
7 On page 31, lines 3 and 4, Witness Knecht states, "...to reflect the principle of rate
8 gradualism, I limited the increase to any rate class to be no more than 2.0 times
9 the system average." Witness Knecht's interpretation of gradualism does not align
10 with the Company's principle of targeting class level rate increases within about
11 2% of the system average increase.

12 **Q. Does Witness Knecht comment on the Company's proposed customer**
13 **charges for the SGS/SGDS customer classes?**

14 A. Yes. Refer to page 36, lines 19 through 22 of Witness Knecht's Direct Testimony.
15 He states, "...I believe that the Company's proposals to modestly increase the SGS1
16 customer charge to \$22.75 and to hold the SGS2 customer charge at \$48 are both
17 reasonable, at the full revenue requirement. If the Company's overall increase is
18 scaled back, the increase in the customer charge for SGS1 should similarly be
19 scaled back."

1 **Q. Does the Company agree with Witness Knecht's concerning the scale**
2 **back of the SGS1 customer charge proposal in the event that the overall**
3 **increase is scaled back?**

4 A. Yes.

5 **Q. On page 2, lines 30 and 31, Witness Knecht recommends the following,**
6 **"The Company's proposal to implement a full rate decoupling**
7 **mechanism ... should be deferred pending ongoing Commission**
8 **deliberations and pending legislation regarding alternative**
9 **ratemaking methods." Does the Company agree with Witness Knecht**
10 **on this matter?**

11 A. No. The Company understands that the Commission is reviewing alternative rate
12 mechanisms in Pennsylvania in Docket No. M-2015-25118883. Completion of this
13 effort and/or pending legislation should not prevent the Commission from
14 approving Columbia's proposed RNA. PGW and the Company already have WNAs
15 that were approved by the Commission prior to the record being opened in Docket
16 No. M-2015-25118883, which demonstrates the Commission's willingness to
17 approve alternative rate methodologies where evidence supports doing so.

18

1 **V. Witness Mitchell Miller - The Coalition for Affordable Utility Services**
2 **and Energy Efficiency in Pennsylvania / CAUSE-PA Statement No. 1**

3 **Q. Refer to page 6, line 11 and lines 18 through 19 of Witness Miller's**
4 **Direct Testimony. Do you agree that recovery of costs through a fixed**
5 **charge and Rider RNA undermines efforts by residential consumers to**
6 **reduce bills through energy efficiency and conservation efforts?**

7 A. I do not agree with Witness Miller's statements concerning fixed charges and RNA.
8 Refer to Exhibit PAS-1R and the associated explanation beginning on page 10 of
9 this testimony. Exhibit PAS-1R demonstrates that the Company's proposed
10 customer charge of \$18.25 does not "undermine energy efficiency efforts." This
11 exhibit also shows how the proposed Revenue Normalization Adjustment would
12 reflect what normally happens in the rate case process, when customers implement
13 conservation measures. If residential usage is reduced, then in the Company's next
14 rate case, fixed costs are spread over lower volumes and rates for all residential
15 customers increase. Additionally, Columbia is proposing an increase to the
16 volumetric rate. In my response to Witness Colton, I demonstrate that the
17 percentage of a residential bill that is fixed is actually decreasing, as a result of the
18 Company's rate design proposal. Therefore, residential customers should have an
19 increased incentive to conserve. Also, as always, gas commodity costs provide
20 customers with a reason to conserve.

1 **Q. Witness Miller repeats some of his RNA arguments on pages 22 and 23**
2 **of his Direct Testimony. What is he stating on these pages and do you**
3 **agree?**

4 A. Witness Miller states "...recovering revenue on a per customer basis, rather than a
5 usage basis, strips low income households of the ability to control their bill through
6 usage reduction and conservation...Moreover, the Rider RNA will require lower
7 usage customers to subsidize higher usage..." Witness Miller is not accurately
8 stating how the RNA will function. Benchmark revenues are set on a revenue per
9 customer basis. However, rates are designed in the traditional manner with a
10 customer charge and a volumetric charge. The Company's rate design proposal
11 does not significantly impact the ratio of fixed to volumetric charges for residential
12 customers. Therefore, a residential customer's incentive to conserve should not be
13 impacted by Columbia's rate design.

14 **Q. Refer to page 13, on lines 1 and 2, of Witness Miller's Direct Testimony,**
15 **where he addresses whether CAP customers are shielded from**
16 **Columbia's rate increase. Do you agree that some CAP customers will**
17 **eventually experience bill increases, when rates are increased?**

18 A. I acknowledge that some CAP customers' bills will likely increase subsequent to
19 the implementation of new base rates. However, the CAP customers that have an
20 increase will experience an increase that is no more than half of the full impact of

1 any rate increase. Moreover, as Columbia's Witness Davis explains, if the CAP
2 customer's bill becomes unaffordable, the customer's payment plan can be revised.

3 **Q. Did Witness Miller misrepresent your testimony by failing to re-state**
4 **the entire statement that is presented in your Direct Testimony?**

5 A. I believe he did. Witness Miller changed the meaning of my statement by excluding
6 a few words, and then, he referred to my testimony as inaccurate.

7 **Q. Do you agree with Witness Miller that your statement concerning CAP**
8 **customers is inaccurate?**

9 A. No. The complete statement in my Direct Testimony reads as follows, "For rate
10 design purposes, Columbia anticipates that current CAP customers will not receive
11 an increase in their required payment, and thus the revenue increment that is
12 assigned to CAP customers will likely be collected from other residential customers
13 through Rider USP." This is an accurate statement. I understand that some CAP
14 customers will experience bill increases, as a result of a base rate increase. Witness
15 Miller selectively deleted words, in this sentence, and as a result, he
16 misrepresented my statement. I was merely stating an assumption that Columbia
17 has repeatedly used for rate design purposes. I was not drawing a "conclusion"
18 concerning CAP customers' bills.

19 **Q Please explain why CAP customers' bills are held constant as part of the**
20 **rate design process.**

1 A. Consistent with past practice, Columbia held CAP customers' bills constant for the
2 purpose of rate design for a few reasons. First, it is not practical to factor in each
3 CAP customer's updated payment, as part of rate design, and the mix of CAP
4 payment plans changes over time. Additionally, the mix of customers who qualify
5 for CAP varies from year to year. Finally, in order to bill the full allowed revenue
6 requirement to residential customers, the revenue calculation first increases rates
7 to non-CAP and CAP customers the same, and then revenues above a CAP
8 customer's payment are charged to non-CAP customers through Rider USP. This
9 has no actual effect on billing, as the actual, reconciled, Rider USP charges will
10 reflect the actual CAP shortfall.

11 **Q. Refer to page 14, line 20 through page 15, lines 1 and 2. Witness Miller's**
12 **complete statement reads as follows, "If costs increase because of the**
13 **rate case, these costs are paid for either by CAP customers, non-CAP**
14 **residential customers, or both – depending on payment plan types, as**
15 **discussed above." Do you agree with Witness Miller's statement?**

16 A. Not entirely. As written, Witness Miller's statement could be interpreted to imply
17 that the Company would collect the same costs from both CAP and non-CAP
18 customers. I would like to clarify that Columbia's rate increase is only billed once.
19 A cost is either billed to CAP customers or through Rider USP to non-CAP
20 customers and not to both.

1 **Q. Beginning on page 19, line 5 of his Direct Testimony, Witness Miller**
2 **addresses Columbia’s proposed residential customer charge increase.**
3 **He states, “Increasing the costs recovered through a fixed charge – as**
4 **opposed to a volumetric based charge – undermines the ability for**
5 **customers to reduce bills through conservation and consumption**
6 **reduction.” Has Columbia reduced a residential customer’s ability to**
7 **reduce their bill?**

8 A. No. Columbia’s modest customer charge increase of \$1.50 coupled with the
9 volumetric rate increase has maintain about the same proportion of fixed versus
10 variable cost recovery from residential customers. Given the Company’s rate
11 design proposal, residential customers have about the same opportunity to achieve
12 savings through conservation, as they have today. This is demonstrated in Tables
13 PAS-6R and PAS-7R in this Rebuttal Testimony. For both current and proposed
14 rates, a residential bill of 70 therms is comprised of about 18% fixed charges with
15 gas costs and about 26% fixed without gas costs.

16
17 **VI. Witness Susan A. Moore - Community Action Association of**
18 **Pennsylvania / CAAP Statement No. 1**

19 **Q. Does Witness Moore oppose Columbia’s residential customer charge**
20 **increase?**

21 A. Yes. However, in her Direct Testimony on page 2, lines 20 through 22, she
22 acknowledges that the Company’s customer charge increase is modest. As stated

1 in my Direct Testimony, Columbia's proposed customer charge is below the
2 monthly customer-based costs computed by Witness Balmert. Exhibit No. 111,
3 Schedule 1, page 25, sponsored by Witness Balmert, shows the low end of the range
4 as a monthly residential customer cost (excluding mains) of \$19.66. Columbia's
5 proposed residential customer charge increase of \$1.50/month or \$18/annually
6 strikes a balance between gradualism and movement towards cost of service, while
7 preserving a residential customer's incentive to conserve by maintaining
8 approximately the same percentage of fixed versus variable charges on a bill. Refer
9 to Tables PAS-6R and PAS-7R, above, for a summary of the percentages.

10 **Q. Describe why Witness Moore does not support the Company's RNA**
11 **proposal.**

12 A. Refer to page 8, lines 1 through 13 concerning Witness Moore's opposition to
13 Columbia's RNA proposal. She states that the RNA, "will have a negative impact
14 on a low income customers' ability and motive to conserve." Witness Moore goes
15 on and states, "Additionally, because of the "lag-time" in the adjustment to rates a
16 customer would not see the connection between reducing consumption and a
17 reduced bill."

18 **Q. Please address Witness Moore's concerns that the Company's RNA**
19 **proposal will have a negative impact on a low-income customers'**
20 **ability to conserve.**

1 A. Refer to Exhibit PAS-1R for a demonstration of how a residential customer can
2 experience savings over time due to implementing conservation measures, such as
3 replacing their old furnace and adding insulation to their attic or walls. Exhibit
4 PAS-1R is described in this Rebuttal Testimony in response to Witness Cline. The
5 same response applies here. Additionally, no witness presented any evidence to
6 prove that residential customers stop conserving if the customer charge is
7 increased. It is unlikely that customer will abandon conservation habits due to a
8 modest customer charge increase, especially when gas costs and volumetric rates
9 still provide ample incentive to conserve.

10 **Q. Do you agree with Witness Moore's second concern that because of the**
11 **"lag-time" in the RNA adjustment customers would not see the**
12 **connection between reducing consumption and a reduced bill?**

13 A. No. Witness Moore's statement is flawed because it assumes that residential
14 customers will not experience immediate savings on their bills from Columbia, as
15 a result of implementing conservation measures. However, this is simply not true.
16 Customers with reduced usage will experience lower distribution charges and
17 lower gas commodity charges in the months that the lower usage occurs.

18 **Q. Describe the timing and method for applying the RNA charge.**

19 A. The timing of Columbia's proposed Rider RNA is explained on page 11, lines 5
20 through 13 of my Direct Testimony, Columbia Statement No. 12 in this case, where
21 I state, "The RNA computed for the Peak Period would be applied to the next Peak

1 Period. Likewise, the RNA computed for the Off-Peak Period would be applied to
2 the next Off-Peak Period. For example, the RNA computed for the Peak Period
3 beginning with October 2019 billing cycles and ending with March 2020 billing
4 cycles would be applied to residential customers' bills for the period beginning with
5 October 2020 billing cycles and ending with March 2021 billing cycles." Therefore,
6 customers with lower usage will experience savings in a timely way.

7 **Q. In future years, will residential customers continue to experience**
8 **savings as a result of implementing conservation measures even with**
9 **Columbia's Rider RNA proposal?**

10 A. Yes. Please refer to Exhibit PAS-1R for an example of how a typical residential
11 customer could experience savings in future periods with Columbia's proposed
12 Rider RNA. Exhibit PAS-1R is fully explained beginning on page 10 of this
13 testimony in response to Witness Cline. The same response applies here.
14

15 **VII. Witness James L. Crist - The Pennsylvania State University/PSU**
16 **Statement No. 1**

17 **Q. On pages 4 and 28-29 of his Direct Testimony, Witness Crist**
18 **recommends that "...a portion of the revenue increase assigned to the**
19 **LDS class be assigned to non-competitive customers of all classes..."**
20 **Do you agree with this recommendation?**
21

1 A. No. The Company already considered flex customers' individually negotiated
2 contracts in the proposed rate design. Refer to page 21, lines 15 and 16 of
3 Statement No. 12, my Direct Testimony in this case. "Flex rate agreements are
4 individually negotiated, and generally, the associated revenues are not increased
5 as a result of a rate case filing."

6 **Q. Describe how Witness Crist proposes to address the revenue shortfall**
7 **caused by LDS customers under the Flexible Rate Provision of the**
8 **Company's tariff.**

9 A. Witness Crist states, on page 28 of his Direct Testimony that "Offering flex rates to
10 retain customer load benefits all the classes of customers of the utility for those flex
11 rate customers are making a positive contribution to revenues, in excess of the
12 marginal costs to serve them. For this reason, the increase in revenue that the
13 Company has allocated to the non-competitive customers of the LDS class should
14 actually be allocated to all non-competitive customers of all classes." Witness Crist
15 states on page 29 of his Direct Testimony that competitive LDS customers
16 represent 50.8% of the class volumes and the non-competitive customers
17 represent 49.28% of the class. It is important to note that competitive LDS
18 customers actually represent 51.08% ($10,548,652.9 / 20,651,944.0$) of the class
19 volumes and the non-competitive customers represent 48.92% ($10,103,291.1 /$
20 $20,651,944.0$) of the class. Then, he recommends that 49.2% or \$875,928 of
21 Columbia's recommended \$1,780,343 should be allocated to the LDS class and

1 \$904,415 should be allocated to non-competitive customers in other classes except
2 MLDS/MLSS.

3 **Q. How has Columbia addressed the revenue shortfall caused by LDS**
4 **customers under the Flexible Rate Provision of the Company's tariff?**

5 A. The Company has advocated that a basic standard for allocating costs is cost
6 causation, that is, the costs are to be allocated to that rate class that causes the cost
7 to be incurred. Regarding the Flexible Rate Provision, only SGDS, SDS, LDS, and
8 MDS customers are eligible to participate in this program and thus, only SGDS,
9 SDS, LDS, and MDS customers cause the shortfall in recovery of revenue
10 requirement to be incurred. The Company believes that if the Company's Average
11 Study is used as a basis of revenue allocation to the rate classes, there would be a
12 more reasonable basis of cost allocation than the Peak & Average method used by
13 Witness Cline.

14 **Q. Please explain how the Company considered the impact of the revenue**
15 **increase to the LDS non-flex rate class in its filing?**

16 A. Columbia limited the base revenue increase to the LDS customer class, so that the
17 increase to non-flex LDS customers would not be more than 2% greater than the
18 system average increase of 11.04%. The LDS customer class increase is 9.95% and
19 this resulted in an increase of 12.83% to the non-flex LDS customers, which is just
20 1.79% higher than the system average increase of 11.04%. The Company's goal is
21 to keep all classes less than 13.04% or 2% higher than the system average increase.

1 The 12.83% increase for the non-flex LDS customer class is aligned with the
2 residential customer class increase of 12.90%.

3 **Q. Refer to page 7, lines 5 through 7, of Witness Crist's testimony. He**
4 **states, "Currently Columbia's DSIC is 0% since it had just completed a**
5 **base rate case and had included its capital improvements in base**
6 **rates." Do you agree with Witness Crist's statement?**

7 A. No. In fact, Columbia is currently billing a DSIC of 1.52% as of July 1, 2018 to its
8 customers. Prior to this, the Company billed a DSIC of 0.48% from April 1, 2018
9 through June 30, 2018. Columbia's most recent base rate case included capital
10 through December 2017. The currently effective DSIC includes capital placed in
11 service during 2018. Exhibit PAS-2R provides a copy of the Commission's
12 Secretarial Letter in Docket No. M-2018-3000639. This letter authorized
13 Columbia to bill a DSIC rate to its customers.

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

15 A. Yes, it does.



PENNSYLVANIA PUBLIC UTILITY COMMISSION
COMMONWEALTH KEYSTONE BUILDING
400 NORTH STREET, HARRISBURG, PA 17120

March 29, 2018

IN REPLY PLEASE
REFER TO OUR FILE

**MS. NICOLE PALONEY
DIRECTOR RATES AND REGULATORY AFFAIRS
COLUMBIA GAS OF PENNSYLVANIA
121 CHAMPION WAY, SUITE 100
CANONSBURG, PA 15317**

**RE: Distribution System Improvement Charge
Effective April 1, 2018
Docket No. M-2018-3000639**

Dear Ms. Paloney:

The Bureau of Audits has reviewed Columbia Gas of Pennsylvania's proposed Supplement No. 269 to Tariff Gas - Pa. P.U.C. No. 9 and the supporting rate computations submitted on March 22, 2018 to become effective on April 1, 2018.

Based upon staff review, it appears that the proposed Distribution System Improvement Charge (DSIC) rate for the three-month period of April 1, 2018 through June 30, 2018 is consistent with the tariff and, accordingly, is permitted to become effective as filed.

The DSIC is subject to continuous Commission review and audit as well as reconciliation reports in accordance with Section 1307(e) of the Public Utility Code, 66 Pa.C.S. § 1307(e).

Any subsequent submissions to the Commission related to this docketed case should reference Docket No. M-2018-3000639.

Very truly yours,

A handwritten signature in cursive script that reads "Rosemary Chiavetta". The signature is written in black ink and is positioned above the printed name and title.

Rosemary Chiavetta
Secretary

Contact Person: Barbara A. Sidor
412-423-9301

COLUMBIA GAS OF PENNSYLVANIA INC.

R-2018-2647577

Data Requests

Community Action Association of Pennsylvania (CAAP) – Set 1

Question No. CAAP 1-022:

If the Company's proposed increase in the monthly customer charge and Revenue Normalization Adjustment proposals are adopted, what percentage of a typical residential customer's monthly bill purchasing 70 therms of gas per month will be comprised of fixed charges?

Response:

Refer to Exhibit No. 111, Schedule No. 6, page 1 of 10. The Company's present and proposed bills for a residential customer using 70 therms of gas in a month are shown on this page. Please refer to the summary below for the information requested concerning the customer charge:

	Residential Usage (therms)	Customer Charge	Total Bill	Percent Fixed
Current	70	\$16.75	\$91.63	18.28%
Proposed	70	\$18.25	\$99.88	18.27%

The table above shows that the fixed percentage of a 70 therm residential gas bill actually decreases slightly with the Company's rate design proposal.

The Company's proposed Revenue Normalization Adjustment would be recovered or refunded through a volumetric charge on residential bills. The fixed percentage of a typical residential bill will increase if the Company is using the RNA to refund dollars and decrease if the RNA is a collection. The RNA charge or credit will change every 6 months.