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File #: 203798

August 30, 2024

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
P.O. Box 3265
Harrisburg, PA 17105-3265

**Re: PA PUC, et al. v. Columbia Gas of Pennsylvania, Inc.
Docket Nos. R-2024-3046519, et al.**

Dear Secretary Chiavetta:

Attached for filing please find Appendices “E” through “J” to the Joint Petition for Settlement, which contain the Joint Petitioners’ Statements in Support of the Settlement and the letter of non-opposition to the Settlement of the Pennsylvania Weatherization Providers Task Force, on behalf of Columbia Gas of Pennsylvania, Inc. in the above-referenced proceeding. Copies are being provided as indicated on the Certificate of Service.

Respectfully submitted,



Megan E. Rulli

MER/kl
Attachments

cc: The Honorable Jeffrey A. Watson (*via email; w/attachment*)
Mary Swarner, Legal Assistant (*via email; w/attachment*)
Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing have been served upon the following persons, in the manner indicated, in accordance with the requirements of § 1.54 (relating to service by a participant).

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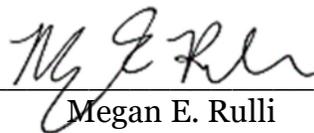
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Dated: August 30, 2024



Megan E. Rulli

APPENDIX E

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket No.	R-2024-3046519
Office of Small Business Advocate	:		C-2024-3047905
Office of Consumer Advocate	:		C-2024-3047675
Ronald T. Bernick	:		C-2024-3048339
Linda Allison	:		C-2024-3048588
Philip Bloch	:		C-2024-3048478
Pennsylvania State University	:		C-2024-3048624
Daniel E. Skvarla	:		C-2024-3049677
	:		
v.	:		
	:		
Columbia Gas of Pennsylvania, Inc.	:		

**STATEMENT OF COLUMBIA GAS OF PENNSYLVANIA, INC.
IN SUPPORT OF THE JOINT PETITION FOR SETTLEMENT**

TO ADMINISTRATIVE LAW JUDGE JEFFREY A. WATSON:

I. INTRODUCTION

Columbia Gas of Pennsylvania, Inc. (“Columbia” or the “Company”) hereby submits this Statement in Support of the Joint Petition for Settlement (“Settlement”) entered into by Columbia, the Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), the Office of Small Business Advocate (“OSBA”), the Office of Consumer Advocate (“OCA”), and The Pennsylvania State University (“PSU”) (hereinafter collectively referred to as the “Joint Petitioners” or “Parties”), parties to the above-captioned proceedings. The Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), and the Pennsylvania Weatherization Providers Task Force, Inc. (“PA Task Force”) have indicated they do not oppose the Settlement. Columbia respectfully requests that Administrative Law Judge Jeffrey A. Watson (the “ALJ”) recommend approval of, and the

Commission approve, the Settlement, including the terms and conditions thereof, without modification.

The Settlement, if approved, will resolve all issues raised by the Joint Petitioners in this proceeding, exclusive of the Company's proposed Municipal Levelization Charge. The settled issues include revenue requirement, rate structure and rate design, energy efficiency, universal service matters and other issues. The Settlement is in the best interest of Columbia, its customers, and the Joint Petitioners, and is in the public interest. Accordingly, it should be approved.

The Settlement was achieved only after a comprehensive investigation of Columbia's claims and operations. In addition to informal discovery, Columbia responded to over 760 formal discovery requests, not including subparts. The Joint Petitioners filed multiple rounds of testimony and accompanying exhibits, including direct, rebuttal, surrebuttal and rejoinder testimony. Moreover, the Joint Petitioners participated in numerous settlement discussions and formal negotiations, which ultimately led to the Settlement.

Finally, the Joint Petitioners in this proceeding, and their counsel and experts, have considerable experience in rate proceedings. Their knowledge, experience, and ability to evaluate the strengths and weaknesses of their litigation positions provided a strong foundation upon which to build a consensus on the settled issues. Nearly all of the Joint Petitioners and/or their counsel were active in Columbia's last base rate proceeding and were therefore familiar with many of the issues that are addressed in this case.

The Settlement reflects a carefully balanced compromise of the interests of the Joint Petitioners to this proceeding. For these reasons and the reasons set forth below, the Settlement is just and reasonable and should be approved.

II. STANDARDS FOR APPROVAL OF SETTLEMENT

Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. Settlements lessen the time and expense that the parties must expend litigating a case, and at the same time, conserve precious administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. *See* 52 Pa. Code § 69.401. The Commission has explained that parties to settled cases are afforded flexibility in reaching amicable resolutions, so long as the settlement is in the public interest. *Pa. PUC v. MXenergy Electric Inc.*, Docket No. M-2012-2201861, 2013 Pa. PUC LEXIS 789 (Opinion and Order entered Dec. 5, 2013). In order to accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. PUC v. Windstream Pennsylvania, LLC*, Docket No. M-2012-2227108, 2012 Pa. PUC LEXIS 1535 (Opinion and Order entered Sept. 27, 2012); *Pa. PUC v. C.S. Water and Sewer Assoc.*, Docket No. R-881147, 74 Pa. PUC 767 (Opinion entered Jul. 22, 1991). As explained in the next section of this Statement in Support, Columbia believes that the Settlement is just, reasonable, in the public interest, and should be approved without modification.

III. SPECIFIC SETTLEMENT TERMS

A. REVENUE REQUIREMENT

1. Reasonableness of Revenue Allowance

The Settlement provides for rates to be designed to produce an increase in annual operating revenues of \$74.0 million over current base rates based upon the pro forma level of operations for the twelve months ended December 31, 2025. (Settlement ¶ 21.) The \$74.0 million increase in tariff rates will go into effect on December 14, 2024, which is the effective date of rates under the Commission's April 4, 2024, suspension order. (Settlement ¶ 31.) The Settlement increase is approximately 59.6% of Columbia's original request of \$124.1 million. (Columbia Exhibit 102,

Sch. 3, p. 3.) The \$74.0 million increase, although less than that requested by the Company, will enable the Company to continue to provide safe and reliable service to its customers.

As explained by Mark Kempic, President of Columbia, one primary reason in support of the revenue increase is to provide the Company with an opportunity to earn a return on the significant capital investments made to its distribution system. (Columbia Statement No. 1, pp. 5-7.) Columbia has made, and continues to make, substantial capital investments in its system. (Columbia Statement No. 1, pp. 5-7.) Since Columbia started its accelerated pipeline replacement program in 2007, Columbia has replaced over 1,408 miles of cast iron and bare steel (“CIBS”) pipe, 274 miles of pre-1971 ineffectively coated steel pipe and 142 miles of pre-1982 plastic pipe.¹ (Columbia Statement No. 1, p. 7.) Columbia plans to continue its increased level of capital expenditures in the 2024 to 2028 timeframe, with a planned spending program ranging between \$387 and \$463 million budgeted annually over the 5-year period. (Columbia Statement No. 1, p. 14; Columbia Gas Statement No. 7, p. 3; SDR GAS-ROR-014 Att. A.)

In addition to capital costs associated with Columbia’s accelerated pipeline replacement effort, the Company is incurring increasing operating and maintenance (“O&M”) costs associated with maintaining pipeline safety and improving customer satisfaction. For example, as explained by Columbia witness Mr. Kempic, Columbia’s Quality Management organization is responsible for systematically reviewing operations, documentation and processes to assure that work is completed, and tools and equipment are used, in a safe and compliant manner. The Company’s Process Safety review continues to examine whether there needs to be additional layers of

¹ At the Public Meeting held August 1, 2024, the Commission adopted a Motion by Chairman DeFrank, at Docket No. M-2024-3050313, that proposes to direct natural gas distribution companies to include replacement of older plastic pipe in the Long Term Infrastructure Improvement Plans (“LTIIP”). Columbia’s currently-effective LTIIP already includes older plastic pipe as priority pipe to be replaced. *Petition of Columbia Gas of Pennsylvania, Inc. for Approval of its Third Long-Term Infrastructure Improvement Plan*, Docket No. P-2022-3037388, Order entered April 20, 2023 September 21, 2017, Order at 9.

protection for worker safety and pipeline safety. Columbia has implemented a new incident and near miss reporting tool to identify and examine incidents, and near misses, to identify and share lessons learned. Further employee safety processes include digital tools that offer instant assistance to improve employee job performance, training and resources to enable employees to identify energy-based hazards on the jobsite and enhancing worker safety through wearable safety devices to detect and communicate job hazards, virtual technology training and advanced, automated technology to enhance worker safety, such as automated flagging. (Columbia St. No. 1, pp. 51-53.) Columbia continues to examine ways to improve the customer experience, with online information and payment options responsive to the needs of new generations of customers. These include improved messaging services, expanded paperless billing and additional payment processes. The Columbia Gas Mobile App allows customers to perform a variety of self-service transactions, with more than 300,000 transactions completed through the app in 2023. (Columbia St. No. 1, p. 48.) The Company also rolled out a new chatbot feature in 2022 that enables customers to obtain basic information online. (Columbia St. No. 1, p. 39.) These costs support the level of the revenue increase reached by the Settlement.²

In this proceeding, Columbia, I&E and OCA presented testimony on Columbia's overall revenue requirement and related issues. The Settlement revenue increase of \$74.0 million reflects a reasonable compromise of Joint Petitioners' positions in this proceeding. Columbia notes that in its rebuttal testimony, it took issue with virtually all of the proposed adjustments advanced by I&E and OCA. The Joint Petitioners, while supporting their revenue requirement positions for

² Columbia remains cognizant of the need to control costs. In 2023, The Company established a dedicated team, consisting of field employees, who were tasked with reviewing the Company's largest cost drivers and working with subject matter experts and leadership to find opportunities to increase efficiencies and reduce costs. (Columbia St. No. 14, p. 29.)

litigation purposes, recognized that the Commission likely would have accepted certain adjustments proposed by Joint Petitioners, but would not have accepted all of the adjustments.

Under the Settlement, with only a few select exceptions further explained herein, the settlement revenue requirement is a “black box” amount. Under a “black box” settlement, parties do not specifically identify revenues, expenses and return that are allowed or disallowed. Columbia believes that “black box” settlements facilitate agreements, as parties are not required to identify a specific return on equity or identify specific revenues and/or expenses that are allowed or disallowed.

One expense item specifically identified in the Settlement is the Pennsylvania Corporate Net Income Tax Rate (“CNIT”) reflected in the determination of revenue allowance. The Settlement reflects the adoption of the 7.99% CNIT rate to be effective in the Fully Projected Future Test Year (“FPFTY”). (Settlement ¶ 22.) The Settlement acknowledges that future changes to the CNIT in subsequent years will either be reflected in the Company’s State Tax Adjustment Surcharge (“STAS”) or future rate cases. This provision is in the public interest as it reduces the amount of the settled rate increase and avoids the need to implement a STAS adjustment for this tax rate change effective January 1, 2025.

Given the entire Settlement, Columbia believes that the revenue requirement is reasonable and will provide the Company with the additional revenues that are necessary to provide reliable service to customers. In addition, Columbia believes that the Settlement appropriately balances the need of the Company to have an opportunity to earn a reasonable rate of return with its customers’ need for reasonable rates.

2. Distribution System Improvement Charge (“DSIC”)

The Commission approved Columbia’s DSIC by Order entered May 22, 2014, at Docket No. P-2012-2338282. With the DSIC, plant additions not included in base rates may be reflected

in the DSIC calculation. Therefore, for future DSIC purposes, it is necessary to establish relevant plant balances for the Company out of this proceeding. The Settlement provides that following the effective date of rates in this proceeding, Columbia will be eligible to include plant additions in the DSIC at the later of (1) the end of the FPFTY or (2) upon attaining total FPFTY plant in service of \$4,815,151,833 as projected by Columbia at December 31, 2025 per Exhibit No. 108, Schedule 1. (Settlement ¶ 23.) The Joint Petitioners agree that this provision is included solely for purposes of calculating the DSIC and is not determinative for future ratemaking purposes of the projected additions to be included in rate base in a FPFTY filing.

The Settlement also provides that, for purposes of calculating its DSIC, Columbia shall use the equity return rate for gas utilities contained in the Commission’s most recent Quarterly Report on the Earnings of Jurisdictional Utilities and shall update the equity return rate each quarter consistent with any changes to the equity return rate for gas utilities contained in the most recent Quarterly Earnings Report, consistent with 66 Pa. C.S. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa. C.S. § 1358(b)(1). (Settlement ¶ 24.)

These provisions are consistent with terms in prior settlements and are necessary provisions in the context of a settlement, in order to ensure that the DSIC is properly implemented in the future. Therefore, these provisions are in the public interest and should be approved.

3. Tax Repair Allowance and Mixed Service Cost Normalization Treatment

In 2008, Columbia sought and obtained permission from the Internal Revenue Service to change its definition of “unit of property” for tax purposes. Under the Settlement, Columbia will continue to use normalization accounting with respect to the benefits of the tax repairs deduction. (Settlement ¶ 25.) The Settlement acknowledges the Parties’ agreement that the existing treatment of the repairs deduction is in the public interest and should continue.

The Joint Petitioners have also agreed that Columbia will continue to use normalization accounting with respect to the tax treatment of Internal Revenue Code Section 263A mixed service costs (“MSC”). (Settlement ¶ 26.) This treatment was established in the settlement of Columbia’s 2012 rate case at Docket No. R-2012-2321748. (Columbia Statement No. 10, p. 13). No party objected to the continuation of the previously approved normalization accounting treatment for MSC. The Parties’ agreement that such treatment will continue is in the public interest and should be approved.

4. Amortizations

i. Blackhawk Storage

The Settlement specifies the continued amortization of costs related to Blackhawk Storage. This amortization was established in Columbia’s 2008 rate case settlement at Docket No. R-2008-2011621 and will continue. (Settlement ¶ 27(i).) No party objected to the Company’s inclusion of this amortization amount in its rate filing.

This amortization is a continuation of a previously approved amortization and was unopposed by any party. The amortization is in the public interest and should be approved.

ii. Pension Prepayment

The Final Order approving the settlement of the Company’s 2018 Base Rate Filing, at Docket No. R-2018-2647577, permitted Columbia to amortize and recover the deferred prepaid pension O&M expense of \$8.45 million over a ten-year period starting December 16, 2018. The Settlement in this case provides for the continuation of the previously approved ten-year amortization of \$8.45 million that began December 16, 2018. (Settlement ¶ 27(ii).) No party opposed this provision. This Settlement term is reasonable and should be approved because it continues the agreement established in the Commission-approved settlement of the Company’s 2018 Base Rate Filing.

iii. COVID-19 Related Uncollectible Accounts Expense

The Final Order approving the settlement of the Company's 2022 Base Rate Filing, at Docket No. R-2022-3031211, permitted Columbia to amortize and recover deferred COVID-19 related uncollectible accounts expenses of \$2,832,363 over a four-year period starting December 17, 2022. (Columbia St. No. 4, p. 25.) The Settlement in this case provides for the continuation of the previously approved four-year amortization. (Settlement ¶ 27(iii).) No party opposed this provision. This Settlement term is reasonable and should be approved because it continues the agreement established in the Commission-approved settlement of the Company's 2022 Base Rate Filing.

5. Other Post-Employment Benefits

The Settlement includes provisions concerning accounting for Columbia's ongoing contributions to trusts for Other Post-Employment Benefits ("OPEBs"). (Settlement ¶¶ 28-29.) These provisions were first established in the settlement of Columbia's 2012 base rate case at Docket No. R-2012-2321748. (Columbia St. No. 4, p. 10.) These provisions were unopposed by any party and are in the public interest as they confirm the ongoing treatment of OPEB expense.

6. Reporting on Actual Capital Expenditures, Plant Additions, and Retirements

I&E witness Mr. Sakaya recommended that the Company provide certain updates to Columbia Exhibit No. 108. (I&E St. No. 3, pp. 3-4.) Columbia did not oppose this recommendation. Accordingly, Columbia has agreed in the Settlement that on or before April 1, 2025, it will provide I&E, OCA and OSBA with an update to Columbia Exhibit No. 108, Schedule 1, which will include actual capital expenditures, plant additions, and retirements by month for the twelve months ending December 31, 2024. (Settlement ¶ 30.) On or before April 1, 2026, Columbia will update Exhibit No. 108, Schedule 1 for the twelve months ending December 31,

2025. (Settlement ¶ 30.) However, it is recognized by the Joint Petitioners that this is a black box settlement that is a compromise of Joint Petitioners' positions on various issues. This Settlement term is in the public interest and should be approved because it will provide the statutory parties with ongoing information concerning Columbia's capital investments. This information can be used as a metric to gauge Columbia's actual capital investment, plant additions, retirements and expenses in future base rate proceedings.

7. Depreciation

Columbia presented its claim for depreciation expense and depreciation reserve based upon the same methods and procedures that have been in use for decades. (Columbia St. No. 5, p. 4.) OCA proposed a substantial change in those procedures. OCA proposed that the Company convert from the Equal Life Group ("ELG") procedure to the Average Life Group ("ALG") procedure. (OCA St. 4, p. 13.) OCA proposed a \$43.88 million reduction to Columbia's depreciation expense with its proposal.

Columbia strongly opposed OCA's proposal. Columbia explained that the proposal improperly shifted costs properly charged to current customers to future customers. (Columbia St. No. 5-R, p. 15.) Columbia further demonstrated conclusively that within a fairly short period of time, the OCA proposal would result in increased rates to customers. This is because the reduction to depreciation expense will cause a greater increase to rate base, as a result of a lower resulting depreciation reserve. (Columbia St. No. 5-R, pp. 13-16.)

In the Settlement, Columbia's as-filed depreciation and amortization rates will be used. The parties continue to disagree regarding the proper depreciation method, and reserve their rights to present positions in a future base rate case. (Settlement ¶ 32.) This provision is in the public interest and should be accepted. The agreement preserves the use of the current depreciation

methodology, and avoids questions regarding what depreciation rates are to be booked following this case.

8. IT Transformation

In testimony, Columbia described NiSource Inc.'s plans to transform its Information Technology ("IT") systems over the next five years. This Work Asset Management ("WAM") transformation program will be replacing outdated legacy IT systems with integrated, secure and reliable systems. (Columbia St. No. 16, p. 3.) Many of these legacy systems are no longer supported and cannot support the technology needed for 21st Century operations and to meet customer expectations. A primary aspect of the WAM transformation will be the adoption of SAP software, which is a proven software platform used by many large utilities. (Columbia St. No. 16, p. 11.) Columbia described the expected schedule of WAM implementation. (Columbia Exhibit GS-1.) Columbia's share of WAM program costs for the FTY and FPFTY are \$26.6 Million in capital costs and \$5.0 Million in one-time O&M expenses. (Columbia St. No. 15, p. 9.)

No party opposed the Company's WAM program or cost projections. The Settlement accepts the WAM plan and schedule, as well as the allocation of costs to Columbia. (Settlement ¶ 34.)

This provision of the Settlement is in the Public Interest and should be approved. The IT system used by Columbia and its affiliates is out of date and needs to be replaced. The new systems will enable Columbia to improve operations and provide better service for customers.

9. Cash Working Capital Study

Columbia has historically not prepared a cash working capital (lead-lag) study. OCA argued that such a study should be prepared, and proposed to disallow the Company's Material and Supplies claim based upon the belief that the Company has a negative cash working capital. (OCA St. No. 2, pp. 17-18.) In Settlement, Columbia has agreed to submit a Cash Working Capital

Study in its first rate case filed after January 1, 2026. (Settlement, ¶ 33). This provision resolves a dispute in this proceeding, is in the public interest and should be approved.

B. ALTERNATIVE RATEMAKING

1. Weather Normalization Adjustment

Columbia initially proposed in this proceeding to modify its pilot Weather Normalization Adjustment (“WNA”) to eliminate the existing 3% deadband. (Columbia St. No. 6, p. 35.) After it was brought to the Company’s attention that the pilot WNA was approved by settlement of the Company’s 2021 rate proceeding at Docket No. R-2021-3024296 to operate until a final order is entered in Columbia’s first rate case filed after May 31, 2026, the Company withdrew its proposed change. (Columbia St. No. 6-R, p. 32.) However, OCA continued to argue that the WNA should be eliminated. (OCA St. No. 5SR, p.22.) In the interest of resolving the issues in this proceeding through settlement, the Company has agreed to revise the term of the WNA to provide that it will continue to operate until a final order is entered in Columbia’s first rate case after December 14, 2024. (Settlement ¶ 35.) All parties reserve their rights to propose or oppose a WNA in that next base rate case.

2. Revenue Normalization Adjustment

The Company proposed a Revenue Normalization Adjustment (“RNA”) in this proceeding. The RNA proposed by the Company would provide benchmark distribution revenue levels regardless of changes in customers’ actual usage levels and would adjust actual non-gas distribution revenue for the non-CAP residential customer class. (Columbia St. No. 6, pp. 36-47.) The OCA, I&E, and OSBA opposed the concept of implementing Rider RNA in this proceeding. (OCA S. No. 5, pp. 17-28; I&E St. No. 3, pp. 9-13; OSBA St. No. 1, pp. 21-24.) In the interest of resolving the issues in this proceeding through settlement, the Company has agreed to withdraw the RNA proposal. (Settlement ¶ 36.)

C. REVENUE ALLOCATION AND RATE DESIGN

Appendices B and C to the Settlement set forth the agreed to revenue allocation and rate design to the classes. (Settlement ¶ 37.) As described below, these items were the subject of extensive litigation and negotiation and reflect a compromise of the positions of all the Joint Petitioners. The Settlement strikes a balance that is in the best interest of all of Columbia's customers, and the revenue allocation and rate design Settlement terms should be approved.

1. Revenue Allocation

As in many base rate cases, the revenue allocation issues in this proceeding were contentious. The Joint Petitioners proposed several class cost of service studies and cost allocation methodologies. Moreover, even to the extent certain Joint Petitioners agreed on the basic overall methodology,³ these Joint Petitioners still disagreed on how much movement toward cost of service was appropriate. Despite the fact that the Joint Petitioners were not able to agree on a specific class "cost of service" in the Settlement, they were able to agree to a revenue allocation that is within the range of revenue allocations proposed by the Joint Petitioners in this proceeding, and Columbia believes that this revenue allocation meets the "cost of service" standards adopted by the Courts and the Commission.

All Parties supported their respective cost of service studies for litigation purposes. However, the Parties were willing to compromise in order to achieve a settlement of the revenue allocation issues. The resulting class increases, as compared to the Company's as-filed increases, are as follows:

³ Columbia presented three cost allocation studies – a demand-commodity study, a demand-customer study, and an average of the two studies. *See* Columbia Exhibit No. 111, Schedules 1-3. OCA, I&E and OSBA support the use of the customer-demand study, while Penn State supported a modified customer-demand study. *See* OCA St. 5, p. 9; I&E St. No. 3, p. 17; OSBA St. No. 1, p. 12; PSU Statement No. 1, p. 18.

Customer Group	As Filed	Percentage of Proposed Increase⁴	As Settled	Percentage of Settled Increase
Residential (RS/RDS)	\$86,302,967	69.52%	\$48,442,452	65.46%
Small General Service 1 (SGSS1/SGDS1/SCD1)	\$11,242,051	9.06%	\$7,287,802	9.85%
Small General Service 2 (SGSS2/SGDS2/SCD2)	\$12,393,385	9.98%	\$8,399,452	11.35%
Small Distribution Service (SDS/LGSS)	\$8,137,115	6.55%	\$5,144,731	6.95%
Large Distribution Service (LDS/LGSS)	\$6,061,742	4.88%	\$4,725,171	6.39%
Mainline Distribution Service (MLDS/NSS)	\$4	0%	\$0	0%
Flex	\$1,314	0%	\$392 ⁵	0%
Total	\$124,138,478	100%	\$74,000,000	100%

As noted above, the revenue allocation under the Settlement represents a compromise and falls within the litigation positions of the Joint Petitioners. Columbia notes that because of the disagreement over cost allocation studies and the “black box” nature of the Settlement, it is not possible to precisely calculate the extent to which the Settlement moves rates closer to cost of service for all Joint Petitioners. However, Columbia believes that the Settlement achieves progress in the movement toward cost-based rates.

⁴ Columbia Exhibit No. 103, Schedule 8, p. 4.

⁵ There are slight increases to revenues for Mainline and Flex customers due to increased customer charges.

2. Rate Design

a. Residential Rate Design

In this proceeding, Columbia proposed to increase the customer charges for residential customers from \$16.75 to \$26.00 per month. (Columbia St. No. 6, p. 21.) I&E proposed a residential customer charge of \$20.46 per month. (I&E St. No. 3, p. 22.) However, the requested increase was opposed by OCA and the Task Force. (OCA St. 5, p. 14; Task Force St. No. 1, p. 4.) As part of the Settlement, the Joint Petitioners have agreed that the residential customer charge will increase by \$0.50, to \$17.25/month. (Settlement ¶ 38.)

This Settlement term is in the public interest and should be approved. Columbia's residential customer charge has not changed since the Company's 2012 base rate case. (Columbia St. No. 6-R, p. 12.) Over that time, residential customer-based costs excluding costs related to distribution main improvements have increased approximately 72%, driven in no small measure due to replacement of service lines, regulators and meters as part of infrastructure improvements. (Columbia St. No. 6, p. 22; Columbia St. No. 6-R, p. 13.) The residential customer-based costs, exclusive of mains, is \$28.71 per month. (Columbia Ex. 111, Sch. 2, p. 25.)

The Commission has recognized that it is appropriate to set a customer charge that ensures the recovery of those fixed costs that are "clearly more customer-related than usage-related, while still allowing some revenue to be recovered through usage-based charges." *Pa. PUC v. PPL Electric Utilities Corporation*, Docket No. R-2012-2290597, 2012 Pa. PUC LEXIS 1757 (October 19, 2010 R.D.; Order entered December 28, 2012) (rejecting I&E's and OCA's position of "no increase" to the customer charge because it was not based on a proper cost analysis) citing *Pa. PUC v. Aqua Pennsylvania, Inc.*, Docket No. R-00038805, 2004 Pa. PUC LEXIS 39, 236 P.U.R.4th 218 (August 5, 2004). In particular, the Commission noted that an increase to the customer charge is reasonable when usage-based charges still comprise a greater portion of the

total bill so that customers will still have a clear opportunity to reduce their total bills through conservation. The small increase to the customer charge contained in the Settlement will still result in usage charges comprising most of a residential customer's annual bill, so that customers can reduce bills through conservation.

b. Small Commercial and Industrial Rate Design

In this proceeding, Columbia proposed to increase the customer charges for small commercial and industrial customers. Specifically, Columbia proposed an increase to the customer charge for customers under Rate Schedules Small General Sales Service ("SGSS"), Small Commercial Distribution ("SCD"), and Small General Distribution Service ("SGDS") using up to 6,440 therms annually from \$29.92 per month to \$36.55 per month, which is at the lower range of the customer cost of \$31.68 (excluding mains) and \$81.63 (including mains) for this rate class. (Columbia Statement No. 6, p. 29.) The Company proposed that the customer charge for customers under Rates Schedules SGSS, SCD, and SGDS using more than 6,440 therms annually be set at \$69.63, which is proportional to the overall base revenue increase for the class. (Columbia Statement No. 6, p. 30.) I&E and OSBA recommended that the proposed customer charges for these classes be lowered to reflect a customer cost analysis that does not include the cost of mains. (I&E Statement No. 3-SR, p. 20; OSBA St. No. 1, p. 21.) The customer charges provided for in the Settlement are \$33.00 per month for SGSS/SCD/SGDS customers using up to 6,440 therms and \$63.00 per month for SGSS, SCD, and SGDS using more than 6,440 therms annually. (Settlement Appendix "C", pp. 6-7.) The customer charges agreed to by the Joint Petitioners are within the range of the customer charges proposed by Columbia, I&E and OSBA for these rate classes. The customer charges for the Small C&I class as provided for in the Settlement represent a reasonable compromise between the positions of the parties and should be approved.

c. Large Commercial and Industrial Rate Design

In this proceeding, Columbia initially proposed a 22.14% increase in base rates for the Large Distribution Service (“LDS”)/Large General Sales Service (“LGSS”) class based on the amount of the Company’s requested revenue increase. (Columbia Exhibit No. 103, Schedule 8, p. 1.) PSU opposed this increase and, based upon the results of a customer-demand study that directly assigned mains cost to the LDS class, proposed that the LDS class receive a rate decrease. (PSU S. No. 1, p. 21.) On the other hand, OCA and OSBA proposed two times the system average increase to the LDS/LGSS class based on their testimony that other classes are subsidizing LDS/LGSS customers. (OCA St. No. 5, p. 12.; OSBA St. No. 1, p. 18.) As a compromise, the Joint Petitioners agreed to allocate 6.39% of the settled revenue increase to the LDS/LGSS class, which represents an approximately 1.43 times the system average increase. (Settlement Appendix “B”.)

Columbia also proposed proportionate increases to Large C&I customer charges. In the Settlement, these customer charges are scaled back, as provided in the proof of revenues. (Settlement Appendix “C”, pp. 8-9.)

D. ENERGY EFFICIENCY AND CONSERVATION (“EE&C”)

As part of its 2022 Rate Case (Docket No. R-2022-3031211), Columbia Gas filed for approval of a voluntary 3-year natural gas energy efficiency plan (“EE Plan”). The EE Plan was approved under the Order adopted December 8, 2022, with a budget of \$4 million for the years 2023 to 2025. The EE Plan projects savings to Columbia’s residential customers of 1.3 million Dth of natural gas over the lifetime of the measures installed. (Columbia St. No. 13, pp. 2-3.) The EE Plan has two programs; the Residential Prescriptive (“RP”) Program, which provides incentives for high-efficiency natural gas fired equipment, and the Online Audit Kit (“OAK”)

Program, which provides customers with customized online audit that then allows them to receive a space heating and/or water heating kit at no cost. *Id.*

In this proceeding, Columbia filed an updated EE Plan. Columbia experienced robust demand in its OAK Program and a slower than projected demand for the RP Program. The OAK Program had very strong customer participation as the programs launched, with 6,277 kits being requests by customers via the online audit within the first five months of program launch. This initial surge of interest nearly reached the 6,920 kits projected for the entirety of the three-year plan. The RP Program had a slower, although steady, ramp-up in customer participation. (Columbia St. No. 13, pp. 3-4.)

The Updated EE Plan will allow the continuation of the OAK Program for the three years by shifting funds from the underspending of the RP Program in 2023. Columbia Gas also proposed the addition of insulation with air sealing and natural gas fired heat pumps to its RP Program to provide its customers with a wider range of measures and assist in meeting the Company's savings goals.

No party opposed Columbia's updates to its EE Plan, and the Settlement accepts the updates. (Settlement ¶ 40.) This provision is in the public interest and should be accepted. The updates to the EE Plan recognize that certain components of the original plan have greater interest than others, and shift funds accordingly to stay within the approved budget.

E. UNIVERSAL SERVICE

In direct testimony, OCA and the PA Task Force proposed a variety of changes to the Company's tariff and other modifications to provisions concerning the Company's Universal Service and Energy Conservation Plan ("USECP"). (OCA Statement No. 6; OCA Statement No. 7; PA Task Force Statement No. 1.) In rebuttal, Columbia opposed certain proposals, and expressed willingness to adopt other proposals. Columbia has agreed to undertake several

initiatives to address the OCA's and PA Task Force's concerns, and the Settlement includes several provisions related to Columbia's Universal Service Programs. Columbia is an industry leader in programs to assist low-income customers. The commitments to Universal Service contained in the Settlement reflect the Company's continued support for these programs, are in the public interest and should be approved.

1. Plain Language Notices

OCA proposed that the Company adopt a variety of plain language notices that OCA believes will be of assistance to low-income customers. The Settlement adopts several of these proposals, on a pilot basis. (Settlement ¶¶ 41-44.) The cost of these pilots will be recovered through Columbia's Universal Service Rider, and Columbia will report on the results and costs of the pilots in its next USECP filing.

These provisions are in the public interest and should be adopted. As pilots, these provisions will examine whether the notices actually assist low-income customers in understanding their service.

2. Speech Analytics

OCA proposed that the Company adopt speech analytics software to assist with monitoring of call center phone calls involving or potentially involving low-income customers. OCA suggests that this could confirm that phone calls for low-income customers are being properly handled. (OCA St. 6, p. 65.) Columbia stated that it was willing to consider the ability and costs associated with speech analytics in a future proceeding. (Columbia St. No. 18-R, p. 1.) The Settlement provides that the Company will present a pilot program, at the earlier of its next USECP review or base rate proceeding, involving the use of speech analytics. The costs will be recovered through Columbia's Universal Service Rider. (Settlement ¶ 45.) The provision is in the public interest and should be approved.

3. Security Deposits

OCA's witness proposed several changes to Columbia's tariff and reporting requirements regarding security deposits. (OCA St. 6, p. 58.) Columbia submitted rebuttal testimony responding to these recommendations. (Columbia Statement No. 18-R, pp. 11-14.) In compromise, the Settlement adopts several of OCA's recommendations. (Settlement ¶¶ 46-47.) These provisions are in the public interest and should be approved.

4. Call Scripting

OCA offered testimony expressing concerns about the number of customers receiving CAP and other low-income customer benefits. (OCA St. 6.) In response to these concerns, the Settlement provides that Columbia will review with its USAC the call scripting and checklists for its Customer Service Representatives ("CSR") to assist in screening customers for eligibility and refer low-income customers to available assistance programs, including CAP, before placing them on a payment arrangement. (Settlement ¶ 48.) This provision is in the public interest, as it reinforces Columbia's continued efforts to assist low-income customers and to place them on the most appropriate program for them.

5. Low Income Usage Reduction Program

PA Task Force proposed that Columbia's Low Income Usage Reduction Program ("LIURP") budget be increased by the same percentage as the increase applied to residential customer rates. (PA Task Force St. No. 1, p. 6.) Columbia responded to this proposal by pointing out that the Company continues to carry over LIURP funds from prior years. The Company further expressed concerns that its contractors for LIURP also work with the state weatherization assistance program and are struggling to complete all of the work they currently have. (Columbia St. No. 18-R, p. 15.) Columbia further noted that its customers paid over \$40 million for Universal

Service Program in 2022, which is the second highest level for gas companies in Pennsylvania.
Id.

In settlement, the parties have agreed that Columbia will increase its annual LIURP budget by \$800,000 beginning in 2026. (Settlement ¶ 50.) The delay will enable Columbia to further spend down excess funds remaining from prior years. These terms are in the public interest and should be approved.

F. OTHER ISSUES

Testimony was submitted by PSU regarding an incident where a person made a seemingly valid request to transfer gas service on a PSU account to another name. (PSU St. No. 1, p. 22.) PSU did not contact Columbia when it did not receive bills, nor did it contact Columbia when a final bill notice was provided to the service address. When the named person on the account failed to pay bills, service was terminated. As soon as PSU notified Columbia of the situation, service was reinstated. (Columbia St. No. 17-R, p. 6-7)

It is standard practice to disconnect an existing customer when a new applicant seeks to connect gas service in their name and the new applicant provides all of the required information to enable the Company to run a credit check on them and establish service in their name. However, given this event, Columbia has agreed to implement a process to initiate an email to an existing customer, if an email is available, upon any request to start or transfer gas service of an active account into another name. (Settlement ¶ 51.) Columbia also will work with PSU to implement comments on PSU's accounts. This provision is in the public interest and should be adopted. Although this event was not a result of an intrusion into Columbia's IT systems, Columbia seeks to provide its customers with enhanced customer service and believes this provision will do just that.

G. BILL IMPACTS

In the Settlement, the Joint Petitioners have proposed that rates be designed to produce an additional \$74.0 million in annual base rate operating revenues instead of the Company's filed increase request of approximately \$124.1 million. Upon approval of the Settlement, Columbia will receive an increase in existing base rate operating revenues of approximately 9.41% instead of the 15.79% increase proposed in Columbia's filing. A typical residential sales customer using 70 therms of gas per month will see an increase in their monthly bill from \$118.16 to \$128.06, or by 9.06%, instead of the monthly increase from \$118.16 to \$136.92 per month, or 15.88%, that was originally proposed in the filing. A typical small commercial sales customer using 150 therms of gas per month will see an increase in their monthly bill from \$196.43 to \$215.72, or by 9.82%, instead of the monthly increase from \$196.43 to \$226.24 per month, or 15.18%, that was originally proposed in the filing.

IV. CONCLUSION

The Settlement is the result of a detailed examination of Columbia's proposals, multiple rounds of discovery, direct, rebuttal, surrebuttal, and rejoinder testimony, and compromise by all active parties to this Settlement. Columbia believes that fair and reasonable compromises have been achieved on the settled issues in this case. Columbia fully supports this Settlement and respectfully requests that the ALJ and the Commission review and approve the Settlement in its entirety without modification.

Respectfully submitted,

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Date: August 30, 2024

APPENDIX F

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2024-3046519
	:	
Columbia Gas of Pennsylvania, Inc.	:	
Base Rates	:	

**BUREAU OF INVESTIGATION AND ENFORCEMENT’S
STATEMENT IN SUPPORT OF
JOINT PETITION FOR SETTLEMENT**

TO: ADMINISTRATIVE LAW JUDGE JEFFREY A. WATSON:

I. INTRODUCTION AND PROCEDURAL HISTORY

1. The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), by and through its Prosecutor, Scott B. Granger, hereby respectfully submits that the terms and conditions of the preserved/foregoing *Joint Petition for Settlement* (“Joint Petition” or “Settlement”) are in the public interest and represent a fair, just, and reasonable balance of the interests of Columbia Gas of Pennsylvania, Inc. (“Columbia” or the “Company”), I&E, the Office of the Consumer Advocate (“OCA”); the Office of Small Business Advocate (“OSBA”); and the Pennsylvania State University (“Penn State” or “PSU”) (parties in this Joint Petition and hereinafter collectively referred to as “Joint Petitioners” or “Settlement Parties”), as well as the individual complainants and Columbia’s ratepayers.

Additionally, the Coalition for Affordable Utility Service and Energy Efficiency in Pennsylvania (“CAUSE-PA” or “CAUSE”) and the Pennsylvania Weatherization Providers Task Force, Inc. (“PWPTF”) do not oppose the Joint Petition.

2. I&E now submits this *Bureau of Investigation and Enforcement’s Statement in Support of Joint Petition for Settlement* (“Statement in Support”).

3. I&E is charged with representing the public interest in Commission proceedings related to rates, rate-related services, and applications affecting the public interest. In negotiated settlements, it is incumbent upon I&E to identify how amicable resolution of any such proceeding may benefit the public interest and to ensure that the public interest is served. Based upon I&E’s analysis of the Columbia base rate filing and all of the record evidence presented by the various parties, acceptance of this proposed Settlement is in the public interest and I&E recommends that the Administrative Law Judge and the Commission approve the Settlement in its entirety.

4. On March 15, 2024, Columbia Gas of Pennsylvania, Inc. (“Columbia” or Company”) filed Supplement No. 374 to Tariff Gas Pa. P.U.C. No. 9 (“Supplement 374”) pursuant to 66 Pa. C.S. § 1308, seeking a general rate increase. Supplement 374 issued March 15, 2024, to be effective May 14, 2024, proposes changes to Columbia’s base distribution rates, and removes, revises, and adds various tariff provisions.

5. Columbia’s filing reflects an overall revenue increase of approximately \$124.1 million per year.¹ The filing also includes a request for approval of a Revenue

¹ See Columbia St. No. 1, p. 7.

Normalization Adjustment mechanism² and a request to remove the 3% dead band associated with the currently effective Weather Normalization Adjustment.³

6. Additionally, Columbia’s filing includes a request for approval of a Municipal Levelization Charge (“MLC”),⁴ which would further increase bills issued to residents of the City of Pittsburgh and Perryopolis and decrease bills issued to residents of Roscoe Borough and New Sewickley. This issue has been carved out of the Joint Petition and has been reserved for briefing.

7. Finally, pursuant to the proposed rates, which includes the most recently effective gas cost rates, the total bill for a residential customer who purchases 70 therms of gas from Columbia per month, would increase from \$118.16 to \$136.92 per month, or by 15.88 percent. The total bill for a small commercial customer using 150 therms of gas purchased from Columbia per month would increase from \$196.43 to \$226.24, or by 15.18 percent. Rates for a small industrial customer using 1,215 therms of gas from Columbia per month would increase from \$1,281.25 to \$1,452.98 per month, or by 13.40 percent.

8. On March 18, 2024, the PWPTForce filed a Petition to Intervene.

9. On March 20, 2024, the OCA filed its Formal Complaint.

10. On March 21, 2024, I&E filed its Notice of Appearance.

11. On March 27, 2024, the OSBA filed its Notice of Appearance and Formal Complaint.

² *Id.*, pp. 8-9.

³ *Id.*, p. 9.

⁴ *Id.*, pp. 9-10.

12. On April 4, 2024, CAUSE-PA filed a Petition to Intervene in this base rate proceeding.

13. On April 4, 2024, 2024, the Commission entered an Order suspending Columbia's Tariff Supplement 374 by operation of law until December 14, 2024. The Commission also stated the investigation shall include consideration of the lawfulness, justness, and reasonableness of Columbia's existing rates, rules, and regulations.

14. The case was assigned to the Office of Administrative Law Judge for the prompt scheduling of such hearings as may be necessary culminating in the issuance of a recommended decision.

15. A telephonic Prehearing Conference was held on Wednesday, April 17, 2024, at 10:00 am before Administrative Law Judge Jeffrey A. Watson (the "ALJ" or "ALJ Watson") during which the parties agreed to a schedule for the conduct of the case including the service of testimony among the parties and the dates for evidentiary hearings.

16. On April 22, 2024, Penn State filed a Formal Complaint.

17. Four (4) public input hearings were held. Two (2) in-person hearings were held on May 21, 2024, at 1:00 p.m. and 6:00 p.m. in Washington, Pa. And, two (2) telephonic hearings were held on May 22, 2024, at 1:00 p.m. and 6:00 p.m.

18. All parties undertook comprehensive discovery in this proceeding after the filing was made and continued to conduct discovery throughout the litigation and settlement negotiation process.

19. In accordance with the procedural schedule established at the prehearing conference, I&E served to all active parties the following eight (8) pieces of testimony and accompanying six (6) exhibits from four (4) I&E witnesses:

Christian Yingling (sponsored by Christine Wilson, Supervisor)

- I&E Statement No. 1 (PROPRIETARY/Non-Proprietary)
- I&E Exhibit No. 1 (PROPRIETARY/Non-Proprietary)
- I&E Statement No. 1-R
- I&E Statement No. 1-SR (PROPRIETARY/Non-Proprietary)

D. C. Patel

- I&E Statement No. 2
- I&E Exhibit No. 2
- I&E Statement No. 2-SR

Esyon Sakaya

- I&E Statement No. 3
- I&E Statement No. 3-SR

20. The evidentiary hearing was held August 1, 2024. All Parties agreed to the waiver of all cross examination and the admission of the preserved testimony and exhibits into the record by stipulation and witness verification which was granted by ALJ Watson.

21. Additionally, in consideration of Commission policy encouraging settlements at 52 Pa. Code § 5.231 and § 69.401 as they often achieve results preferable to a fully litigated proceeding, I&E participated in extensive settlement discussions with Columbia and the Parties. Eventually, the Parties were able to reach a unanimous settlement on all issues as set forth in the Joint Petition.

II. STANDARDS FOR APPROVAL OF SETTLEMENT

22. As stated *supra*, I&E is charged with representing the public interest in Commission proceedings related to rates, rate-related services, and applications affecting the public interest. In negotiated settlements, it is incumbent upon I&E to identify how amicable resolution of any such proceeding may benefit the public interest and to ensure that the public interest is served.

23. “The prime determinant in the consideration of a proposed Settlement is whether the settlement is in the public interest.”⁵ The Commission has recognized that a settlement “reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest.”⁶

24. Settlements conserve precious administrative resources and provide regulatory certainty with respect to the disposition of issues with results that are often preferable to those achieved at the conclusion of a fully-litigated proceeding; and, provide a final resolution of adversarial proceedings which, in the Commission’s judgement, is preferable.⁷ The very nature of a settlement requires a review and discussion of all issues raised by the parties’ and a negotiated compromise on the part of all parties.

25. I&E submits that this Settlement balances the interests of the Company, its customers, and the Joint Petitioners in a fair and equitable manner and presents a resolution for the Commission’s adoption that best serves the public interest.

⁵ *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).

⁶ *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 PA PUC 767, 771 (1991).

⁷ See generally 52 Pa. Code § 5.231 and § 69.401.

Furthermore, the negotiated Settlement demonstrates that compromises are evident throughout the Joint Petition. Accordingly, for the specific reasons articulated below to achieve the full scope of benefits addressed in the Settlement; I&E requests that the Settlement be recommended by ALJ Watson, and approved by the Commission, without modification.

III. SPECIFIC SETTLEMENT TERMS

A. Revenue Requirement (*Joint Petition* ¶¶ 21-22, 33-34).

1. Revenue Allowance (*Joint Petition* ¶ 21).

The Joint Petitioners agree that the terms of this Settlement reflect a carefully balanced “black box” compromise of the interests of the Joint Petitioners. The Joint Petitioners also agree that the Settlement is in the public interest and should be approved subject to the terms and conditions set forth in the Joint Petition. The Settlement as to revenue requirement shall be a “black box” settlement, except for the items specifically set forth in the Joint Petition. Specifically, the settlement terms regarding revenue requirement are as follows.

Upon the entry of a Commission Order approving the Settlement, Columbia shall be permitted to increase rates by amounts designed to produce increased operating revenues of \$74.0 million over current base rates based upon the pro forma level of operations for the twelve months ended December 31, 2025. Also, the state income tax rate in this proceeding will be set at 7.99% and has been reflected in the Settlement revenue requirement. The Company will reflect subsequent state tax adjustments to the state income tax rate for the post-2025 tax years through the Company’s State Tax

Adjustment Surcharge, currently Tariff Gas – Pa. P.U.C. No. 9, or in future base rate proceedings.

To summarize, Columbia originally filed for an increase in annual operating revenues of approximately **\$124.14 million** (or 15.8%).⁸ In contrast, I&E’s final litigation position in surrebuttal testimony proposed an annual increase in operating revenue of **\$70.75 million** (or 9.00%).⁹ The final negotiated settled upon increase of **\$74.00 million** is well within a reasonable range as compared to I&E’s final litigation position.

I&E witness Christian Yingling, whose testimony was eventually sponsored by his Supervisor, Christine Wilson, provided I&E’s comprehensive operating and maintenance (“O&M”) expense analysis in his direct,¹⁰ rebuttal,¹¹ and surrebuttal¹² testimony and the accompanying exhibit.¹³

I&E witness D. C. Patel provided a comprehensive return on equity and overall rate of return analysis of Columbia.¹⁴

I&E witness Esyan Sakaya provided I&E’s rate base, cost-of-service, present rate revenue, customer cost analysis, customer charges, gradualism and scale back of rates analysis in Mr. Sakaya’s direct,¹⁵ and surrebuttal testimony.¹⁶

⁸ I&E St. No. 1, pp. 2-4.

⁹ I&E St. No. 1-SR, pp. 3-4.

¹⁰ I&E St. No. 1 PROPRIETARY/Non-Proprietary.

¹¹ I&E St. No. 1-R.

¹² I&E St. No. 1-SR PROPRIETARY/Non-Proprietary.

¹³ See I&E Exhibit No. 1 PROPRIETARY/Non-Proprietary.

¹⁴ See I&E St. No. 2, pp. 2-72; I&E St. No. 2-SR, pp. 3-43.

¹⁵ I&E St. No. 3, pp. 2-5, 13-23.

¹⁶ I&E St. No. 3-SR, pp. 3, 13-23.

Therefore, I&E fully supports the negotiated level of revenue increase. While the overall revenue requirement is a “black box” compromise, the overall revenue levels are within the levels advanced on the evidentiary record by I&E and reflect a full compromise of all revenue-related issues raised by the Parties. And, as a “black box” settlement, unless specifically addressed below, the Settlement does not reflect agreement upon individual issues. Therefore, in consideration of the extensive testimony presented by all of the Parties to this proceeding, I&E fully supports the negotiated level of annual operating revenue increase as a full and fair compromise that provides Columbia, the Joint Petitioners, affected ratepayers, and the Commission with resolution of the overall revenue increase, all of which is in the public interest.

2. Distribution System Improvement Charge (“DSIC”)
(Joint Petition ¶¶ 23-24).

In the Settlement, the Joint Petitioners agree that as of the effective date of rates in this proceeding, Columbia will be eligible to include plant additions in the Distribution System Improvement Charge (“DSIC”) at the later of (1) the end of the FPFTY; or (2) once the total FPFTY account balance exceeds \$4,815,151,833 as projected by Columbia at December 31, 2025 per Columbia Exhibit No. 108, Schedule 1. Further, for purposes of calculating its DSIC, Columbia shall use the equity return rate for gas utilities contained in the Commission’s most recent Quarterly Report on the Earnings of Jurisdictional Utilities and shall update the equity return rate each quarter consistent with any changes to the equity return rate for gas utilities contained in the most recent

Quarterly Earnings Report, consistent with 66 Pa. C.S. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa. C.S. § 1358(b)(1).

I&E witness Sakaya reviewed the Company's DSIC and Exhibit No. 108, Sch. 1.¹⁷ Further, I&E recognizes that 66 Pa. C.S. §§ 1350 *et seq.* provides the pertinent Commission statutory authority regarding the DSIC and the rate base treatment of DSIC eligible plant additions. I&E played an active role in the settlement negotiations regarding the DSIC issues and monitored the proposed settlement terms. Therefore, I&E does not oppose these settlement terms that provide Columbia, the Joint Petitioners and the Commission with regulatory certainty and resolution of these issues, which is in the public interest.

3. Tax Repair Allowance (*Joint Petition ¶¶ 25-26*).

In the Settlement, the Joint Petitioners agree Columbia will be permitted to continue to use normalization accounting with respect to the benefits of the tax repairs deduction. And Columbia will also be permitted to continue to use normalization accounting with respect to the tax treatment of Section 263A mixed service costs.

I&E's financial analysts reviewed the Company's testimony regarding the accounting treatment of the Company's tax repair deductions as set forth in the Joint Petition. And, after a complete review, I&E elected to not submit any testimony or opposing recommendations. Therefore, I&E fully supports the unopposed settled upon terms regarding the accounting treatment of the Company's tax repair deductions issue as

¹⁷ I&E St. No. 3, pp. 2-5.

a full and fair compromise that provides Columbia, the Joint Petitioners, ratepayers, and the Commission with regulatory certainty which is in the public interest.

4. Amortizations of Certain Costs (*Joint Petition ¶ 27*).

Blackhawk Storage - In the Settlement, the Company will be permitted to recover the amortization costs related to the continuation of the previously approved 24.5-year amortization of the total amount of \$398,865 to be included on books and in rate base as a regulatory asset to reflect the total original cost that began on October 28, 2008.

Pension Payment - In the Settlement, the Company will be permitted to recover the amortization costs related to the continuation of the previously approved ten-year amortization of \$8,449,772.00 that began December 16, 2018.

COVID-19 Related Uncollectible Accounts Expense - In the Settlement, the Company will be permitted to recover the amortization costs related to the Continuation of the previously approved 4-year amortization of \$2,832,363 that began December 17, 2022.

I&E's financial analysts reviewed the Company's testimony regarding the certain amortizations as discussed above and as set forth in the Joint Petition. And, after a complete review, I&E elected to not submit any testimony or opposing recommendations. Therefore, I&E fully supports the unopposed settled upon terms regarding the certain amortizations identified above as a full and fair compromise that provides Columbia, the Joint Petitioners, ratepayers, and the Commission with regulatory certainty which is in the public interest.

**5. Other Post-Employment Benefits (“OPEBs”)
(Joint Petition ¶¶ 28-29).**

In the Settlement, the Joint Petitioners agree, as established in the settlement of Columbia’s base rate proceeding at R-2012-2321748, Columbia will be permitted to continue to defer the difference between the annual OPEB expense calculated pursuant to FASB Accounting Standards Codification (“ASC”) 715, “Compensation – Retirement Benefits (SFAS No. 106) and the annual OPEB expense allowance in rates of \$0. Only those amounts attributable to operation and maintenance would be deferred and recognized as a regulatory asset or liability as subject to the terms set forth in the Joint Petition. Further, commencing with the effective date of rates, Columbia will deposit amounts in the OPEB trusts when the cumulative gross annual accruals calculated by its actuary pursuant to ASC 715 are greater than \$0 as subject to the terms set forth in the Joint Petition.

I&E’s financial analysts reviewed the Company’s testimony regarding the Company continuing to defer the difference between the annual OPEB expense calculated pursuant to FASB Accounting Standards Codification (“ASC”) 715, “Compensation – Retirement Benefits (SFAS No. 106) and the annual OPEB expense allowance in rates of \$0 as discussed above and as set forth in the Joint Petition. And, after a complete review, I&E elected to not submit any testimony or opposing recommendations. Therefore, I&E fully supports the settled upon terms regarding the annual OPEB expense identified above as a full and fair compromise that provides

Columbia, the Joint Petitioners, ratepayers, and the Commission with regulatory certainty which is in the public interest.

6. Reporting on Actual Capital Expenditures (*Joint Petition ¶ 30*).

In the Settlement the Joint Petitioners agree on or before April 1, 2025, Columbia will provide I&E, OCA and OSBA an update to Columbia Exhibit No. 108, Schedule 1, which will include actual capital expenditures, plant additions, and retirements by month for the twelve months ending December 31, 2024. On or before April 1, 2026, Columbia will update Exhibit No. 108, Schedule 1 filed in this proceeding for the twelve months ending December 31, 2025. In Columbia's next base rate proceeding, the Company will prepare a comparison of its actual revenue, expenses and rate base additions for the twelve months ended December 31, 2025. Importantly, it is recognized by the Joint Petitioners that this is a black box settlement that is a compromise of Joint Petitioners' positions on various issues.

I&E submitted testimony on this issue and made a recommendation regarding the reporting discussed above.¹⁸ The Company accepted I&E's recommendation. Therefore, I&E fully supports this settled upon terms regarding the capital expenditure reporting as a full and fair compromise that provides Columbia, the Joint Petitioners, ratepayers, and the Commission with regulatory certainty which is in the public interest.

7. Depreciation (*Joint Petition ¶ 32*).

In the Settlement, the Joint Petitioners agree, for purposes of this Settlement,

¹⁸ I&E St. No. 2, pp. 2-5.

Columbia’s as-filed depreciation and amortization rates will be utilized. The parties to this proceeding continue to disagree about the appropriate depreciation method to be used by Columbia, and this settlement should not be construed as agreement to the methodology. All parties reserve their respective rights to address the depreciation methodology in any future base rate proceeding.

I&E’s financial analysts reviewed the Company’s testimony regarding the Company as-filed depreciation methodology and amortization rates as discussed above and as set forth in the Joint Petition. And, after a complete review, I&E elected to not submit any testimony or opposing recommendations. Therefore, I&E fully supports the settled upon terms regarding as-filed depreciation as a full and fair compromise that provides Columbia, the Joint Petitioners, ratepayers, and the Commission with regulatory certainty which is in the public interest.

B. Alternative Ratemaking (*Joint Petition ¶¶ 35-36*).

1. Weather Normalization Adjustment (“WNA”) (*Joint Petition ¶ 35*).

In the Settlement, the Joint Petitioners agree Columbia’s Pilot Weather Normalization Adjustment (“WNA”) mechanism will continue until a final order is entered in the Company’s first base rate case filed after December 14, 2024, which is the end of the suspension period for the general rate increase filing in this docket, pursuant to the terms of the Commission-approved settlement at Docket No. R-2021-3024296, and as further modified herein. For informational purposes, the Company shall continue to maintain and provide to the OCA, I&E and OSBA by October 1 of each year all reports

and records supporting the operation of its WNA for the preceding year, including the Company's monthly computation of the WNA and all data underlying the Company's monthly WNA computation. All parties reserve their respective rights to propose or oppose a WNA in a future base rate proceeding.

I&E submitted testimony regarding the Company's WNA pilot program.¹⁹ I&E opposed the proposal to remove the 3% deadband from Columbia's existing WNA Pilot.²⁰ Further, I&E acknowledged the language in Columbia's 2021 base rate case settlement wherein it was agreed a final determination would be made on Columbia's WNA Pilot after May 31, 2026.²¹ I&E was actively involved in the settlement negotiations and shared certain concerns raised by other parties. Ultimately, I&E fully supports the settled upon terms regarding the Company's WNA Pilot as a full and fair compromise that provides Columbia, the Joint Petitioners, ratepayers, and the Commission with regulatory certainty which is in the public interest.

2. Revenue Normalization Adjustment (*Joint Petition ¶ 36*).

In the Settlement the Joint Petitioners agree Columbia's Revenue Normalization Adjustment ("RNA") proposal is withdrawn without prejudice. Columbia is free to propose an RNA in future proceedings and all parties reserve their rights to oppose an RNA in the future.

¹⁹ I&E St. No. 2, pp. 6-9; I&E St. No. 2-SR, pp. 6-8.

²⁰ *Id.*, p. 8; *Id.*, p. 6.

²¹ I&E St. No. 2-SR, pp. 7-8.

Columbia proposed a revenue normalization adjustment (“RNA”) mechanism again.²² I&E submitted testimony recommending that the proposed RNA be rejected by the Commission for several reasons.²³ I&E was actively involved in the settlement negotiations and shared certain concerns raised by other parties. Ultimately, I&E fully supports the settled upon terms regarding the Company’s decision to withdraw the proposed RNA without prejudice as a full and fair compromise that provides Columbia, the Joint Petitioners, ratepayers, and the Commission with regulatory certainty which is in the public interest.

3. Municipal Levelization Charge (“MLC”) (*Joint Petition* ¶ 39).

In the Settlement, the Joint Petitioners agreed Columbia’s proposal to adopt a revenue neutral MLC is reserved for briefing.

I&E did not submit any testimony, nor did I&E make any recommendations regarding the MLC proposed by Columbia. Therefore, I&E did not submit a brief, nor is I&E participating in litigating the MLC issue.

C. Revenue Allocation and Rate Design (*Joint Petition* ¶¶ 31, 37-38).

In the Settlement, the Joint Petitioners agreed to the revenue allocation set forth in **Appendix B** attached to the Joint Petition and the rate design set forth in **Appendix C** attached to the Joint Petition. The revenue allocation and rate design are the result of extensive negotiations among the Parties. Specifically worth noting are (1) the

²² I&E St. No. 2, pp. 9-13; I&E St. No. 2-SR, pp. 8-13.

²³ *Id.*, pp. 10-13; *Id.*, pp. 12-13.

Residential customer charge will be set at \$17.25 per month, and: (2) the Tariff rates will go into effect on December 14, 2024.

I&E submitted extensive testimony regarding revenue allocation, including the allocated cost of service, system average rate of return, relative rate of return, and customer cost analysis.²⁴ The Company performed and provided three ACOS studies in its filing.²⁵ The first was a customer-demand ACOS study;²⁶ the second is a peak and average ACOS study;²⁷ and the third ACOS study is an average of the customer-demand studies and the peak and average studies.²⁸ Also, the Company elected to show the flex rate customers under their own rate class in the cost of service study.²⁹ I&E recommended the Company continue to utilize the peak and average cost of service study to establish rates.³⁰ Further, I&E recommended that the Company continue to classify flex rate customers as a separate class in future cost of service studies.³¹

I&E also submitted extensive testimony regarding rate design, including a customer cost analysis and the application of the principles of gradualism and rate shock.³² I&E's final recommendations regarding rate design and customer charges for the various rate classes are set forth in I&E surrebuttal testimony.³³

²⁴ See I&E St. No. 3, pp. 13-20; I&E St. No. 3-SR, pp. 13-18.

²⁵ See I&E St. No. 3, p. 15, *citing* Columbia St. No. 6, p. 4.

²⁶ See Columbia Ex. No. 111, Sch. 1.

²⁷ See Columbia Ex. No. 111, Sch. 2.

²⁸ See Columbia Ex. No. 111, Sch. 3.

²⁹ See I&E St. No. 3, p. 17.

³⁰ I&E St. No. 3, p. 17; I&E St. No. 3-SR, p. 17.

³¹ *Id.*

³² See I&E St. No. 3, pp. 18-23; I&E St. No. 3-SR, pp. 17-24.

³³ I&E St. No. 3-SR, pp. 19-24.

A review of the Settlement reveals that the revenue allocation, rate design and rate class customer charges are the result of compromise on the part of all Parties. I&E considers the settled upon rate design and residential customer charges as very favorable when compared to the rate design and customer charges originally proposed by the Company. Therefore, I&E fully supports the settled upon revenue allocation and rate design as a full and fair compromise that provides Columbia, the Joint Petitioners, ratepayers, and the Commission with regulatory certainty which is in the public interest.

D. Energy Efficiency and Conservation (“EE&C”) (*Joint Petition ¶¶ 40*).

In the Settlement, the Joint Petitioners agree that the updates to Columbia’s Three-Year Energy Efficiency Plan (“EE Plan”), as described in the direct testimony of Theodore M. Love, are accepted.

I&E’s engineers and financial analysts reviewed the Company’s proposals regarding the updates to the Company’s EE&C Plan. After completing its review, I&E elected to not submit any testimony or opposing recommendations regarding these issues. Therefore, I&E fully supports the settled upon terms regarding the updates to Columbia’s EE&C Plan as a full and fair compromise that provides Columbia, the Joint Petitioners, ratepayers, and the Commission with regulatory certainty which is in the public interest.

E. Universal Service Issues (*Joint Petition ¶¶ 41-50*).

In the Settlement, the Joint Petitioners agree that the Company will implement the following low-income initiatives as more fully set forth in the Joint Petition.

1. Plain Language Notices (*Joint Petition ¶¶ 41-44*).

Columbia will work with its Universal Service Advisory Committee (“USAC”) to

develop plain language notices, on a pilot basis, regarding: (1) the right to enter Customer Assistance Program (“CAP”) and the arrearages forgiveness benefits of CAP; (2) the right to enter CAP when a security deposit is waived; (3) payment arrangement negotiations with customers at or below 150% of the FPL; and, (4) customers who have had service disconnected for non-payment and who remain disconnected at the time of the Company’s Cold Weather Survey.

2. Speech Analytics (*Joint Petition ¶¶ 45*).

Columbia will present a pilot program involving the use of speech analytics no later than the Company’s next USECP review or base rate proceeding, whichever comes first. And the Company may recover the costs thereof through its Universal Service Rider.

3. Security Deposits (*Joint Petition ¶¶ 46-47*).

The Company will amend its Tariff language regarding security deposits (Section 6.2(1)) to state: “A Customer or Applicant that provides self-certification or other income documentation that household income is at or below 150% of the federal poverty level shall not be asked to provide a cash deposit.” And Columbia will report at each USAC meeting for at least three years, or until the final decision in its next base rate case, whichever is longer, the number of customers with waived or refunded security deposits.

4. Call Scripting (*Joint Petition ¶¶ 48-49*).

The Company will review with its USAC call scripting and checklists for its Customer Service Representatives (“CSR”) to assist in screening customers for eligibility and refer low-income customers to available assistance programs, including CAP, before

placing customers on a payment arrangement. Again, the costs of implementing the above actions related to confirmed and low-income customers will be recoverable through the Universal Service rider.

5. LIURP (*Joint Petition* ¶ 50).

The Company will increase its Low-Income Usage Reduction Program (“LIURP”) annual budget by \$800,000 beginning in 2026. All parties reserve their respective rights to propose an appropriate budget amount for LIURP in any future rate case proceeding or other appropriate proceeding.

I&E submitted limited testimony on the low-income issues discussed above and as set forth in the Joint Petition. Parties other than I&E raised the bulk of the low-income issues in testimony and during the settlement negotiations. I&E shares some of the concerns raised by the parties. Ultimately the Company reached amicable agreements on these issues with the parties that raised them. And now, in consideration of the results of the settlement negotiations, I&E does not oppose the low-income settled upon terms as a full and fair compromise which is in the public interest.

F. Miscellaneous Issues (*Joint Petition* ¶ 51-52).

In the Settlement, the Joint Petitioners agreed (1) Columbia will implement a process to initiate an email to an existing customer, if an existing email is available, upon any request to start or transfer gas service of an active account into another name. The Company will work with PSU to implement comments on PSU’s accounts. And (2) any other issues raised by any other parties are withdrawn, without prejudice.

I&E did not submit any testimony, nor did I&E make any recommendations regarding the miscellaneous issues raised by other parties. Therefore, I&E does not oppose the agreed upon Settlement terms set forth here and in the Joint Petition.

IV. CONCLUSION – THE SETTLEMENT IS IN THE PUBLIC INTEREST

26. I&E represents that all issues raised in testimony have been satisfactorily resolved through discovery and discussions with the Company or are incorporated or considered in the resolution proposed in the Settlement. This Settlement exemplifies the benefits to be derived from a negotiated approach to resolving what can appear at first blush to be irreconcilable regulatory differences. The Joint Petitioners have carefully discussed and negotiated all issues raised in this proceeding, and specifically those addressed and resolved in this Settlement. Further line-by-line identification of the ultimate resolution of the disputed issues beyond those presented in the Settlement is not necessary as I&E represents that the Settlement maintains the proper balance of the interests of all parties. I&E is satisfied that, but for the MLC issue reserved for briefing, no further action is necessary and considers its investigation of this rate filing complete.

27. I&E submits that the acceptance of this Settlement partially negates the need for evidentiary hearings, which would compel the extensive devotion of time and expense for the preparation, presentation, and cross-examination of multiple witnesses, the preparation of Main and Reply Briefs, the preparation of Exceptions and Replies, and the potential of filed appeals, all of which yield substantial savings for all parties and ultimately all customers. Moreover, the Settlement provides regulatory certainty with

respect to the disposition of issues and final resolution of this case which all parties agree benefits their discrete interests.

28. The Settlement is conditioned upon the Commission's approval of all terms without modification. Should the Commission fail to grant such approval or otherwise modify the terms and conditions of the Settlement, it may be withdrawn by the Company, I&E, or any other Joint Petitioner.

29. I&E's agreement to settle this case is made without any admission or prejudice to any position that I&E might adopt during subsequent litigation in the event that the Settlement is rejected by the Commission or otherwise properly withdrawn by any other parties to the Settlement. Further, I&E's agreement to settle this case is made without any admission or prejudice to any position that I&E might adopt during any future proceeding regarding this Company or any other public utility.

30. If the ALJ recommends that the Commission adopt the Settlement as proposed, I&E agrees to waive the filing of Exceptions. However, I&E does not waive its right to file Replies to Exceptions with respect to any modifications to the terms and conditions of the Settlement or any additional matters that may be proposed by the ALJs in their Recommended Decision. I&E also does not waive the right to file Replies in the event any party files Exceptions.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement represents that it supports the *Joint Petition for Approval of Settlement* as being in the public interest and respectfully requests that Administrative Law Judge Jeffrey A.

Watson recommends, and the Commission approves, the terms and conditions contained in the Joint Petition without modification.

Respectfully Submitted,

A handwritten signature in cursive script, reading "Scott B. Granger".

Scott B. Granger
Prosecutor
PA Attorney ID No. 63641

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Dated: August 30, 2024

APPENDIX G

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket No. R-2024-3046519
	:	
	:	
v.	:	
	:	
Columbia Gas of Pennsylvania, Inc.	:	

**STATEMENT OF
THE OFFICE OF SMALL BUSINESS ADVOCATE
IN SUPPORT OF THE
JOINT PETITION FOR SETTLEMENT**

I. Introduction

The Small Business Advocate is authorized and directed to represent the interests of the small business consumers of utility services in the Commonwealth of Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. Pursuant to that statutory authority, the Office of Small Business Advocate (“OSBA”) filed a complaint in the above-captioned proceeding, which was initiated by Columbia Gas of Pennsylvania, Inc. (“Columbia” or the “Company”) on March 15, 2024.

The OSBA participated in the negotiations that led to the proposed settlement and is a signatory to the Joint Petition for Settlement (“*Joint Petition*”). The OSBA submits this statement in support of the *Joint Petition*.

II. Standards for Approval of the Settlement

Section 5.231(a) of the Commission’s regulations, 52 Pa. Code § 5.231(a) (Formal Proceedings; Hearings; Settlement and Stipulations; Offers of Settlement) states, as follows:

It is the policy of the Commission to encourage settlements.

Similarly, Section 69.401 of the Commission’s regulations, 52 Pa. Code § 69.104 (Settlement Guidelines and Procedures for Major Rate Cases – Statement of Policy; General) states, as follows:

In the Commission’s judgment, the results achieved from a negotiated settlement or stipulation, or both, in which the interested parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding.

III. Specific Settlement Terms

B. Alternative Ratemaking

1. The Weather Normalization Adjustment (“WNA”)

In its original filing, Columbia proposed a modification to its WNA pilot program, that is currently in effect. Specifically, Columbia proposed to eliminate the 3 percent “deadband” that is currently in place. The deadband, which acts to neutralize any rate adjustments if the temperature is within plus-or-minus 3% of “normal,” causes ratepayer rates to be less volatile.¹ If Columbia’s proposal to eliminate the deadband was placed into effect, ratepayer rates would change on any day that was not deemed a “normal” temperature.

The OSBA opposed the elimination of the WNA deadband.² In response, Columbia has agreed to withdraw its proposal to eliminate the deadband. The *Joint Petition* memorializes this withdrawal, which the OSBA fully supports. *Joint Petition*, at Paragraph 35.

2. The Revenue Normalization Adjustment (“RNA”)

OSBA witness Mark Ewen testified, extensively, in opposition to Columbia’s proposed

¹ OSBA Statement No. 1, at 25.

² *Id.*

RNA.³ Mr. Ewen concludes that Columbia's proposed RNA would benefit the Company with a degree of increased financial certainty, allow the Company to adjust residential rates outside of rate cases, and provide no benefits to Columbia's residential customers.⁴

In addition, Mr. Ewen observed that the proposed RNA would shift the risk of changing natural gas usage from Columbia to the Company's residential customers, without reducing Columbia's rate of return from the resulting reduction of risk.

In response to the OSBA's opposition to Columbia's proposed RNA mechanism, the Company agreed to withdraw the RNA. This is memorialized in the *Joint Petition*. *Joint Petition*, Paragraph 36. The OSBA fully supports the elimination of the RNA proposal.

C. Revenue Allocation and Rate Design

1. Revenue Allocation

Columbia presented three cost of service studies ("COSS's") in this proceeding.⁵ For purposes of this proceeding, Mr. Ewen primarily relied on the Peak and Average COSS.⁶

Other Parties presented alternative revenue allocation proposals, including proposals based upon COSS's that were previously rejected by the Commission. Nevertheless, the OSBA evaluated both the other Party proposals and the litigation risk faced by small business ratepayers. The revenue allocation set forth in the *Joint Petition* reflects the work of the OSBA and the other Parties. Moreover, the OSBA-proposed revenue allocation closely follows the revenue allocation proposed by Mr. Ewen in this proceeding.⁷ The OSBA supports the proposed revenue allocation set forth in the *Joint Petition* as a just and reasonable resolution of this contentious issue.

2. Rate Design

In its original filing, Columbia proposed to move the SGS1 customer charge from \$29.92 to

³ OSBA Statement No. 1, at 21-25.

⁴ OSBA Statement No. 1, at 24.

⁵ OSBA Statement No. 1, at 11-12.

⁶ OSBA Statement No. 1, at 12.

⁷ OSBA Statement No. 1, at 16-19.

\$36.55 per month. The Company also proposed to move the SGS2 customer charge from \$57.00 to \$69.63 per month.

The OSBA opposed the level of these increases and provided testimony on the issue.⁸ Specifically, the OSBA did not oppose an increase in the SGS1 and SGS2 customer charges, but argued for lesser overall increases.

The *Joint Petition* proposes to increase the SGS1 customer charge to \$33.00, and the SGS2 customer charge to \$63.00, per month. The OSBA accepts this resolution of the customer charge issue as a reasonable result.

⁸ OSBA Statement No. 1, at 19-21.

IV. Conclusion

For the reasons set forth in the *Joint Petition*, as well as the additional factors that are enumerated in this statement, the OSBA supports the proposed *Joint Petition* and respectfully requests that the ALJ and the Commission approve the *Joint Petition* in its entirety.

Respectfully submitted,



Steven C. Gray
Senior Attorney
Assistant Small Business Advocate
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Dated: August 30, 2024

APPENDIX H

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos.	R-2024-3046519
Office of Small Business Advocate	:		C-2024-3047905
Office of Consumer Advocate	:		C-2024-3047675
Ronald T. Bernick	:		C-2024-3048339
Linda Allison	:		C-2024-3048588
Philip Bloch	:		C-2024-3048478
Pennsylvania State University	:		C-2024-3048624
Daniel E. Skvarla	:		C-2024-3049677
	:		
v.	:		
	:		
Columbia Gas of Pennsylvania, Inc.	:		

STATEMENT IN SUPPORT
OF THE JOINT PETITION FOR PARTIAL SETTLEMENT
OF THE OFFICE OF CONSUMER ADVOCATE

TO ADMINISTRATIVE LAW JUDGE JEFFREY A. WATSON:

AND NOW, before the Honorable Administrative Law Judge (ALJ) Jeffrey A. Watson and the Pennsylvania Public Utility Commission (Commission), the Office of Consumer Advocate (OCA), a signatory to the Joint Petition for Settlement (Settlement) in the captioned proceeding, submits this Statement in Support of the Settlement, requesting approval of the terms and conditions of the Settlement as being in the public interest.

I. INTRODUCTION

A. Description of the Office of Consumer Advocate

The OCA is a statutory advocate with the authority and duty to represent the interest of consumers as a party before the Commission in public utility rate requests. 71 P.S. § 309-4. The OCA’s interest in this case is to ensure that utility consumers – who ultimately pay the revenue requirement to the utility – are paying enough, but no more than is necessary, to ensure that public

utility service remains adequate, reliable, and safe while allowing the utility to have the opportunity to recover its costs and earn a fair rate of return on its investments.

B. Procedural Background

On March 15, 2024, Columbia filed with the Commission a general rate increase request under Section 1308(d) of the Public Utility Code through Supplement No. 374 to its Tariff Gas – Pa. P.U.C. No. 9. The Company used a fully projected future test year (FPFTY), ending December 31, 2025, to support its general rate increase request. The Company proposed to increase rates to produce additional overall revenues of \$124.1 million per year, a 21.7% increase in overall distribution revenue requirement. Columbia Gas provides natural gas public utility service to approximately 445,000 residential, commercial, and industrial customers in portions of 26 counties in Western, Northwestern, Southern, and Central Pennsylvania.

On March 20, 2024, the OCA filed its Formal Complaint and Public Statement.

On April 4, 2024, the Commission issued an Order that initiated an investigation into the lawfulness, justness, and reasonableness of the proposed rate increase in this filing, in addition to the Company's existing rates, rules, and regulations, assigned this matter to the Office of Administrative Law Judge (OALJ) for further proceedings as appropriate, and suspended the effective date of Supplement No. 374 until December 14, 2024. The OALJ assigned the case to the Honorable ALJ Jeffrey A. Watson.

On May 21 and 22, 2024, each day at 1 p.m. and 6 p.m., the Commission held Public Input Hearings in Washington, Pennsylvania and telephonically, respectively. Around five customers testified at the Public Input Hearings, regarding the unaffordability of current and proposed rates and the WNA. OCA witness Roger Colton summarized the Public Input Hearing testimony in his Direct Testimony, Exhibit RDC-2.

Consistent with the procedural schedule issued by ALJ Watson, the OCA served on the ALJ and the parties its written Direct, Rebuttal, and Surrebuttal Testimonies on June 14, 2024, July 10, 2024, and July 25, 2024, respectively, in which the OCA opposed and/or recommended adjustments to the Company's requests. Written rejoinder testimony was submitted by Columbia on July 30, 2024.

On August 1, 2024, ALJ Watson convened, held and concluded a telephonic evidentiary hearing, during which time the OCA moved its testimony into evidence.

On August 13, 2024, and August 14, 2024, the parties communicated with ALJ Watson that that the Parties were engaged in Settlement discussions and that they requested a revision of the deadline for filing a Settlement Petition. On August 21, 2024, ALJ Watson issued a Third Interim Order directing that the Main Briefs and Joint Petition for Settlement be filed on August 22, 2024, and that Statements in Support or Objections to the Settlement and Reply Briefs be filed on August 30, 2024.

Columbia, the Bureau of Investigation & Enforcement (I&E), OCA, Office of Small Business Advocate (OSBA), CAUSE-PA, PA Task Force, and the Pennsylvania State University (Penn State) engaged in extensive settlement discussions in an attempt to resolve the issues presented in this proceeding. On August 22, 2024, Columbia, I&E, OCA, OSBA, and Penn State (the Joint Petitioners) filed the Joint Petition for Settlement, representing a unanimous or unopposed (CAUSE-PA and PA Task Force have indicated that they do not oppose the Settlement) settlement of all issues in the case except for one. The one unresolved issue is the Company's proposed Municipal Levelization Charge (MLC), which the parties agreed in the Settlement to reserve for briefing. On August 22, 2024, Columbia, CAUSE-PA, and the OCA submitted Main Briefs on the issue of the MLC. On August 28, 2024, the Joint Petitioners filed a Corrected Joint

Petition for Partial Settlement correcting paragraph numbering of certain paragraphs of the Settlement.

In accordance with the procedural schedule established in this proceeding, the OCA now submits this Statement in Support of the Settlement. As explained below, the OCA submits that the Settlement is in the public interest and should be approved without modification.

II. STANDARDS FOR APPROVAL OF SETTLEMENT

The Commission encourages parties in contested on-the-record proceedings to settle cases. 52 Pa. Code § 5.231. A settlement, by definition, reflects a compromise of the parties' positions. When active parties in a proceeding reach a settlement, the principal issue for Commission consideration is whether the settlement serves the public interest. *Pa. PUC v. CS Water and Sewer Associates*, 74 Pa. PUC 767, 711 (1991); *Pa. PUC v. Phila. Electric Co.*, 60 Pa. PUC 1, 21 (1985). The parties requesting that the Commission adopt a settlement without modification bear the burden of proof to show that the terms and conditions of the settlement are in the public interest. 52 Pa. Code § 5.231; *Pa. PUC v. City of Bethlehem – Water Dept.*, Docket No. R-2020-3020256 (Order entered April 15, 2021) (*City of Bethlehem*) at 13. "It is the Commission's duty to determine the public interest and to protect the rights of the public." *Duquesne Light Co. v. Pa. PUC*, 715 A.2d 540, 546 (Pa. Cmwlth. Ct. 1998) (citations omitted). Consistent with the Commission's other statutory responsibilities, the Commission must determine the public interest with "due consideration to the interests of consumers." 71 P.S. § 309-5.

III. SETTLEMENT TERMS AND CONDITIONS

The Commission encourages settlement, and to do so it must recognize the balance of compromises struck by settling parties. While the OCA does not address all issues addressed by the Settlement in this Statement in Support, the OCA does not oppose terms and conditions not

expressly addressed herein. The OCA submits that the Settlement, taken as a whole, is a reasonable compromise in consideration of likely litigation outcomes before the Commission. The OCA submits that the Settlement is in the public interest and supports Commission approval of the Settlement without modification.¹

A. Revenue Requirement (Settlement at ¶¶ 21-34)

1. Annual Operating Revenue (Settlement at ¶¶ 21, 22, 31, 32)

Paragraphs 21, 22, and 31 of the Settlement state:

21. Rates will be designed to produce an increase in annual operating revenues of \$74.0 million over current base rates based upon the pro forma level of operations for the twelve months ended December 31, 2025.

22. The state income tax rate in this proceeding will be set at 7.99% and has been reflected in the settlement revenue requirement. The Company will reflect subsequent state tax adjustments to the state income tax rate for the post-2025 tax years through the Company's State Tax Adjustment Surcharge, currently Tariff Gas – Pa. P.U.C. No. 9, page 165, or future base rate proceedings.

31. Tariff rates will go into effect on December 14, 2024.

32. For purposes of this settlement, Columbia's as-filed depreciation and amortization rates will be utilized. The parties to this proceeding continue to disagree about the appropriate depreciation method to be used by Columbia, and this settlement should not be construed as agreement to the methodology. All parties reserve their respective rights to address the depreciation methodology in any future base rate proceeding.

Settlement ¶¶ 21-22, 31-32.

The OCA submits that the above provisions are in the public interest. In its initial filing, Columbia proposed to increase its total annual operating revenues by \$124.1 million, or 15.8%

¹ The parties agreed in the Settlement to reserve the Company's proposed Municipal Levelization Charge (MLC) for briefing and a final determination by the Commission. The OCA opposes the proposed MLC and has fully briefed the issue.

over the amount of annual distribution revenues at present rates. Under the Settlement, the Company will be permitted to increase annual operating revenues by \$74 million. Settlement at ¶ 19. The agreed upon increase is approximately \$50.1 million, or 40%, less than the Company's requested increase of \$124.1 million and is within the range of possible outcomes in this proceeding. The OCA submits that the Settlement revenue increase will provide sufficient funds to maintain Columbia's distribution system in an adequate, efficient, safe, and reasonable manner while avoiding the harsh rate impact that an increase at the full request would have caused. The distribution rate increase in the Settlement reflects an increase in total annual distribution revenues of approximately 9.4% percent as compared to the Company's original request of a 15.8 percent increase in distribution revenues. The terms of the Settlement provide that the new rates reflecting this increase will go into effect on December 14, 2024, which is the end of the suspension period per the Commission's Suspension Order.

The Settlement specifies that the state income tax rate reflected in the settlement revenue requirement is 7.99%. Settlement ¶ 22. A change in Pennsylvania law resulted in a schedule of decreases to the Pennsylvania Corporate Net Income Tax (CNIT) rate, starting with the 2023 tax year. The Settlement reflects the reduced 2025 tax year rate of 7.99%. Subsequent state tax rate adjustments for the post-2025 tax year will be addressed through the Company's State Tax Adjustment Surcharge tariff. *Id.* The clarity produced by this term will allow for future adjustments to the CNIT to flow through to customers automatically each year.

In the Settlement, the parties agreed that Columbia will use its filed depreciation rates for purposes of calculating its depreciation expense for this rate case. The OCA challenged the Company's depreciation procedure in this case, submitting that it would be in the best interests of ratepayers if the Average Life Group procedure were used because it would significantly the

revenue requirement recovered through rates while still allowing the Company reasonable recovery of depreciation expense, or the the original cost of the utility's assets that are currently providing service. OCA Sts. 4, 4SR (Direct and Surrebuttal Statements of OCA Witness Brian C. Andrews). The Company disagreed and wanted to continue use the Equal Life Group Procedure Method. Columbia Sts. 1-R, 5-R, F-RJ (Rebuttal Statement of Columbia Witness Mark Kempic, and Rebuttal and Rejoinder Statements of Columbia Witness John J. Spanos). Thus, the proper depreciation procedure/methodologies to use for Columbia is the subject of continued disagreement between the Company and the OCA. Settlement ¶ 32. The OCA determined to settle this issue, in this case, based on the significant reduction in the proposed revenue increase agreed to by the Joint Petitioners. As a part of the Settlement, all parties reserve their rights to address the proper depreciation method/procedure for Columbia in any future proceeding. Achieving a settlement of the depreciation rates was an integral part of achieving an overall resolution of this case, while still maintaining the right to address this issue in future proceedings. As such, the OCA submits that as a part of an overall this provision of the Settlement represents a reasonable compromise between the parties and is in the public interest.

With the limited exceptions of the state income tax rate and as-filed depreciation rates, as discussed above, this Settlement is a “black box” settlement of all revenue requirement, accounting adjustments, and return on equity issues. Black box settlements provide timely resolution of disputes without the significant expense of prolonged litigation. The OCA submits that it is unlikely that the parties would have been able to reach consensus on each disputed accounting adjustment and rate of return issue in this matter as policy and legal positions can differ widely. Based on the OCA's analysis of the Company's filing, discovery responses received, testimony filed, and various cost of capital proposals, the revenue increase under the Settlement represents a

result that would be within the range of likely outcomes in the event of full litigation of the case. The increase is reasonable and when accompanied by other important conditions in the Settlement, yields a result that is in the public interest.

2. DSIC and Rate Base Reporting (Settlement at ¶¶ 23, 24, 30)

Paragraphs 23, 24, and 30 provide as follows:

23. As of the effective date of rates in this proceeding, Columbia will be eligible to include plant additions in the Distribution System Improvement Charge (“DSIC”) at the later of (1) the end of the FPFTY or (2) once the total FPFTY account balances exceeds \$4,815,151,833 as projected by Columbia at December 31, 2025 per Columbia Exhibit No. 108, Schedule 1. The foregoing provision is included solely for purposes of calculating the DSIC and is not determinative for future ratemaking purposes of the projected additions to be included in rate base in a FPFTY filing.

24. For purposes of calculating its DSIC, Columbia shall use the equity return rate for gas utilities contained in the Commission’s most recent Quarterly Report on the Earnings of Jurisdictional Utilities and shall update the equity return rate each quarter consistent with any changes to the equity return rate for gas utilities contained in the most recent Quarterly Earnings Report, consistent with 66 Pa. C.S. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa. C.S. § 1358(b)(1).

30. On or before April 1, 2025, Columbia will provide I&E, OCA and OSBA an update to Columbia Exhibit No. 108, Schedule 1, which will include actual capital expenditures, plant additions, and retirements by month for the twelve months ending December 31, 2024. On or before April 1, 2026, Columbia will update Exhibit No. 108, Schedule 1 filed in this proceeding for the twelve months ending December 31, 2025. In Columbia’s next base rate proceeding, the Company will prepare a comparison of its actual revenue, expenses and rate base additions for the twelve months ended December 31, 2025. However, it is recognized by the Joint Petitioners that this is a black box settlement that is a compromise of Joint Petitioners’ positions on various issues.

Settlement ¶¶ 23-24, 30.

In paragraph 23, the Settlement provides that the Company will not be entitled to include plant additions in its DSIC until the later of, (1) the end of the FPFTY, or (2) once the total FPFTY account balances exceed the total eligible account balances projected by Columbia as of December 31, 2025. Settlement at ¶ 23. Stated differently, the Settlement clearly establishes the base level of plant investment that must be realized before any incremental expenditures can be recovered through the DSIC as well as the fact that even if this plant level is met *before* the end of the FPFTY period, no DISC can go into effect until January 1, 2026 at the earliest. The OCA submits that this provision provides clarity with regard to the timing and implementation of a DSIC and affords some protection for ratepayers that the DSIC will not begin until after the FPFTY and the plant investment noted in the settlement are reached.

Moreover, in paragraph 24, the Settlement provides, for purposes of 66 Pa. C.S. § 1358(b)(1) relating to the DSIC earnings cap, that it shall use the equity return rate contained in the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities. Settlement at ¶ 24. The OCA submits that such a provision is common among utilities that have reached a black box settlement and have not designated a specific rate of return in the Settlement. *See Implementation of Act 11 of 2012*, Docket No. M-2012-2293611, Tentative Implementation Order at 14-15 (May 11, 2012).

Under paragraph 30 of the Settlement, the Company has agreed to provide to the parties a report showing its capital expenditures, plant additions and retirements for the future test year ending December 31, 2024 and for the FPFTY ending December 31, 2025. Settlement at ¶ 30. Further, the Company will also provide in its next base rate proceeding a comparison of actual expenses and rate base additions for the twelve months ending December 31, 2025 to its projections in this case. *Id.* The OCA submits that this provision is in the public interest because

it is consistent with Section 315, 66 Pa. C.S. § 315(e), which states that whenever a public utility uses a FPPTY as the basis for its rate increase, the utility shall provide appropriate data evidencing the accuracy of the estimates of its FPPTY. This reporting requirement will permit parties to compare the accuracy of Columbia's projections in this matter to its actual expenditures.

3. Cash Working Capital Study (Settlement at ¶ 31)

Paragraph 33 of the Settlement provide:

33. The Company agrees to file a cash working capital study in its first rate case filed after January 1, 2026. All parties reserve their respective rights to present any position on the treatment of the results of such study.

Settlement ¶ 33.

In this case, Columbia has not filed a cash working capital study. OCA St. 2 at 18. OCA witness Greg R. Meyer testified that Columbia Gas had chosen not to propose a working capital allowance for this rate case, which in many instances would have been recognized as a benefit for ratepayers. OCA St. 2 at 17. The OCA discovered that Columbia sells its account receivables to a third party and by doing so has significantly improved its cash receipts from the average date of service. *Id.* Mr. Meyer testified that Columbia's selling of its accounts receivable would result in a negative cash working capital requirement and because Columbia has foregone a cash working capital study, Columbia's rate base is overstated. *Id.* Mr. Meyer proposed to offset the lack of a cash working capital study by not recognizing any materials and supplies balance as an adjustment to rate base. *Id.* However, given that this Settlement presents a black box resolution of the revenue requirement, Mr. Meyer's adjustment to materials and supplies is not specifically reflected in this Settlement.

Nevertheless, the OCA believes it is in consumer interests that Columbia file a cash working capital study. The OCA anticipates that the results of such a study would show that

customers on average pay for the cash expenses to operate Columbia before the Company has to pay its day to day cash expenses. *Id.* at 18. By not performing a cash working capital study, Columbia is essentially requesting a rate base total that is overstated. *Id.*

In the Settlement, the Company has agreed to file a cash working capital study in its first rate case filed after January 1, 2026. Settlement ¶ 33. All parties reserve their respective rights to present any position on the treatment of the results of such study. *Id.* The OCA believes this Settlement provisions is in the public interest for the reasons stated above.

4. Accounting Treatment (Settlement at ¶¶ 25-26)

Paragraphs 25 and 26 provide as follows:

25. Columbia will be permitted to continue to use normalization accounting with respect to the benefits of the tax repairs deduction.

26. Columbia also will be permitted to continue to use normalization accounting with respect to the tax treatment of Section 263A mixed service costs.

Settlement ¶¶ 25-26.

Paragraph 25 and 26 have been carried forward from the 2022 partial settlement of the Company's 2022 base rate case at R-2022-3031211², and the OCA continues to agree with these provisions as being in the public interest.

5. Amortizations (Settlement at ¶ 27)

Paragraph 27 of the Settlement provides:

27. Columbia will be permitted to recover the amortization of costs related to the following:

- (i) Blackhawk Storage – Continuation of the previously-approved 24.5 year amortization of the total amount of \$398,865 to be included on books and in rate base as a regulatory asset to reflect the total original cost that began on October 28, 2008.

² OCA's Statement in Support for 2022 Partial Settlement, R-2022-3031211, *available at* <https://www.puc.pa.gov/pcdocs/1757786.pdf> (page 89 of the pdf) (last visited August 24, 2024).

- (ii) Pension Prepayment – Continuation of the previously-approved ten-year amortization of \$8,449,772.00 that began December 16, 2018.
- (iii) COVID-19 Related Uncollectible Accounts Expense – Continuation of the previously-approved 4-year amortization of \$2,832,363 that began December 17, 2022.

Settlement ¶ 27.

Paragraph 27 has been carried forward from the 2022 partial settlement of the Company's 2022 base rate case at R-2022-3031211³, and the OCA continues to agree with these provisions as being in the public interest.

Under paragraph 27(i), a carry forward provision from the 2022 partial settlement, Columbia will continue to be permitted to continue to recover the amortization of costs related to Blackhawk Storage. The Settlement provides that the Company will continue to utilize the previously approved 24.5-year amortization of the total amount of \$398,865 to be included on books and in rate base as a regulatory asset to reflect the total original cost that began on October 28, 2008. Settlement ¶ 27(i). After a review of the Company's proposal, and review of the OCA's investigation of this issue in the 2022 rate case, the OCA continues to not oppose the Company's position on this issue.⁴

Under paragraph 27(ii), a carry forward provision from the 2022 partial settlement, Columbia will continue to be permitted to continue to recover the amortization of costs related to Pension Prepayment. Settlement ¶ 27(ii). The Settlement provides that the Company will continue to utilize the previously approved ten-year amortization of the total amount of \$8,449,772 that began on December 16, 2018. After a review of the Company's proposal, and review of the OCA's

³ OCA's Statement in Support for 2022 Partial Settlement, R-2022-3031211, *available at* <https://www.puc.pa.gov/pdocs/1757786.pdf> (pages 89-90 of the pdf) (last visited August 24, 2024).

⁴ OCA's Statement in Support for 2022 Partial Settlement, R-2022-3031211, *available at* <https://www.puc.pa.gov/pdocs/1757786.pdf> (pages 89-90 of the pdf) (last visited August 24, 2024).

investigation of this issue in the 2022 rate case, the OCA did not oppose the Company's position on this issue.⁵

Under paragraph 27(iii), a carry forward provision from the 2022 partial settlement, Columbia will continue to be permitted to recover \$2,832,363 of deferred COVID-19 related Uncollectibles Accounts Expense through an amortization. The provision defines the amount and plan for recovery of COVID-19 related Uncollectibles Accounts Expense, is in the public interest, and should be accepted by the Commission.⁶

6. Other Post-Employment Benefits (OPEBs) (¶¶ 28-29)

Paragraphs 28 and 29 of the Settlement provide:

28. As established in the settlement of Columbia's base rate proceeding at R-2012-2321748, Columbia will be permitted to continue to defer the difference between the annual OPEB expense calculated pursuant to FASB Accounting Standards Codification ("ASC") 715, "Compensation – Retirement Benefits (SFAS No. 106) and the annual OPEB expense allowance in rates of \$0. Only those amounts attributable to operation and maintenance would be deferred and recognized as a regulatory asset or liability. To the extent the cumulative balance recorded reflects a regulatory asset, such amount will be collected from customers in the next base rate proceeding over a period to be determined in that rate proceeding. To the extent the cumulative balance recorded reflects a regulatory liability, there will be no amortization of the (non-cash) negative expense and the cumulative balance will continue to be maintained.

⁵ OCA's Statement in Support for 2022 Partial Settlement, R-2022-3031211, *available at* <https://www.puc.pa.gov/pcdocs/1757786.pdf> (page 90 of the pdf) (last visited August 24, 2024).

⁶ OCA's Statement in Support for 2022 Partial Settlement, R-2022-3031211, *available at* <https://www.puc.pa.gov/pcdocs/1757786.pdf> (page 90 of the pdf) (last visited August 24, 2024).

29. Commencing with the effective date of rates, Columbia will deposit amounts in the OPEB trusts when the cumulative gross annual accruals calculated by its actuary pursuant to ASC 715 are greater than \$0. If annual amounts deposited into OPEB trusts, pursuant to this Partial Settlement, exceed allowable income tax deduction limits, any income taxes paid will be recorded as negative deferred income taxes, to be added to rate base in future proceedings.

Settlement ¶¶ 28-29.

The OCA notes that paragraphs 28 and 29 have been carried forward from the Settlement of the Company's 2012 base rate case at Docket No. R-2012-2321748, the Company's 2022 base rate case at Docket No. R-2022-3000829. As explained in the OCA's 2022 Statement in Support,⁷ Columbia will be permitted to continue to defer the difference between the annual OPEB expense calculated pursuant to GASB Accounting Standards Codification 715 (Compensation - Retirement Benefits) and the annual OPEB expense allowance in rates (which is \$0). Settlement ¶¶ 28-29. After a review of the Company's proposal, and subsequent review of the OCA's review in the 2022 rate case, the OCA did not oppose the Company's position on this issue.

B. Alternative Ratemaking

1. Weather Normalization Adjustment (¶ 35)

Paragraph 35 of the Settlement states:

35. Columbia's Pilot Weather Normalization Adjustment ("WNA") mechanism will continue until a final order is entered in the Company's first rate case filed after December 14, 2024, which is the end of the suspension period for the general rate increase filing in this docket, pursuant to the terms of the Commission-approved settlement at Docket No. R-2021-3024296, and as further modified herein. For informational purposes, the Company shall continue to maintain and provide to the OCA, I&E and OSBA by October 1 of each year all reports and records supporting the operation of its

⁷ OCA's Statement in Support for 2022 Partial Settlement, R-2022-3031211, *available at* <https://www.puc.pa.gov/pcdocs/1757786.pdf> (page 91 of the pdf) (last visited August 24, 2024).

WNA for the preceding year, including the Company's monthly computation of the WNA and all data underlying the Company's monthly WNA computation. All parties reserve their respective rights to propose or oppose a WNA in a future base rate proceeding.

Settlement ¶ 35.

The current version of Columbia's Weather Normalization Adjustment (WNA) was most recently approved in Columbia's 2021 base rate proceeding, which was resolved by settlement. *See Pa. PUC v. Columbia Gas*, Docket No. R-2021-3024296, Order at 15-16 (Dec. 16, 2024). The Commission determined that "Columbia's proposal to continue its Pilot Weather Normalization Adjustment ("WNA") mechanism until a final order is entered in the Company's first rate case filed after May 31, 2026 is approved." *Id.* The 2021 Settlement was referring to the pilot WNA mechanism with the 3% deadband, as was approved in 2018 base rate proceeding pursuant to settlement at Docket No. R-2018-2647577. The 2021 Settlement also stated that the provision was without prejudice to any position "that any of the Joint Petitioners may have advanced and without prejudice to the position any of the Joint Petitioners may advance in the future on the merits of the issues in future proceedings *except to the extent necessary to effectuate the terms and conditions of this Settlement.*" *See Pa. PUC v. Columbia Gas*, Docket No. R-2021-3024296, R.D. at 6 (Oct. 5, 2024) (emphasis added). As such, in the 2021 proceeding, the Commission approved the parties' agreement to continue the pilot WNA with a 3% deadband until a final order is entered in the Company's first rate case filed after May 31, 2026 is approved.

In Columbia's initial filing in this case, Columbia proposed to modify the WNA approved by the Commission in Columbia's 2021 base rate case by eliminating the 3% HDD deadband. OCA St. 5 at 31. As such, the question of whether Columbia's WNA should be modified or rejected despite the prior settlement was an issue in this proceeding. OCA witnesses David E. Dismukes

and Jerome D. Mierzwa reviewed the evidence and submitted testimony demonstrating that the WNA should be discontinued. *See* OCA Sts. 1, 1SR, 5, 5SR.

Under the settlement approved at Docket No. R-2021-3024296, the WNA was permitted to continue until a final order would be entered in the Company's first rate case filed after May 31, 2026. Under paragraph 35 the proposed Settlement, the parties agreed to honor the prior 2021 settlement but with modification. Specifically, the parties agreed to move up the date by which the WNA pilot can end and be fully litigated. Under the proposed Settlement, Columbia's Pilot WNA mechanism will continue until a final order is entered in the Company's next rate case filed after this current case (*i.e.*, filed after December 14, 2024, which is the end of the suspension period in this general rate increase filing). Settlement ¶ 35. This Settlement provision ensures that the WNA can be litigated in Columbia's next base rate case – whenever the Company files it – instead of remaining effective until Columbia's next rate case filed after May 31, 2026. Under the proposed settlement, if the Company files a rate case on or after December 15, 2024, but before May 31, 2026, the parties can fully investigate and litigate the justness and reasonableness of the WNA.

The Settlement further provides that, for informational purposes, the Company shall continue to maintain and provide to the OCA, I&E and OSBA by October 1 of each year all reports and records supporting the operation of its WNA for the preceding year, including the Company's monthly computation of the WNA and all data underlying the Company's monthly WNA computation. *Id.* Requiring Columbia to continue to provide information on the WNA to the statutory advocates provides the statutory advocates with important data regarding Columbia's WNA in advance of Columbia's next base rate case. Importantly, the Settlement also states “[a]ll parties reserve their respective rights to propose or oppose a WNA in a future base rate

proceeding.” *Id.* Agreeing in Settlement that parties can oppose the WNA in Columbia’s next base rate case preserves an important issue that affects rates for Columbia’s customers.

Throughout the course of this proceeding, there was contention regarding whether the WNA could be modified to remove the 3% deadband as proposed by Columbia, or if the WNA could be litigated in its entirety due to Columbia’s proposed modification given that Columbia’s proposed modification breached the 2021 settlement terms for Columbia’s WNA pilot. The Settlement clarifies any contention going forward and ensures that interested stakeholders can challenge the WNA in Columbia’s next base rate case. This is reasonable, in the public interest, and should be adopted by the Commission.

2. Revenue Normalization Adjustment (¶ 36)

Paragraph 36 of the Settlement provides: “Columbia’s Revenue Normalization Adjustment (“RNA”) proposal is withdrawn without prejudice.” Settlement ¶ 36.

Under the terms of the Settlement, Columbia’s request to implement a RNA is withdrawn. Settlement ¶ 36. Under Columbia’s RNA proposal, a benchmark distribution revenue per residential customer (BDRB) levels would be established through a base rate proceeding. OCA St. 5 at 17. In other words, once the Company’s revenue requirement is set by the Commission through a base rate case proceeding, a benchmark revenue per residential customer would be established. OCA St. 5 at 17. Through the RNA, the Company would collect or refund any amount in residential revenues which differed from the BDRB that were not due to differences between actual and normal weather. *Id.*

Unlike the WNA, which limits lost revenue recovery to weather-related changes in sales, the Company’s proposed RNA would have allowed the Company to periodically adjust its distribution service rates to recover any lost revenues that may arise regardless of the reason

including any unaccounted for weather losses, losses due to end use energy efficiency, changes in the economy or energy commodity prices and other end-use ratepayer efficiency outcomes drive by their own actions or changing federal appliance standards. OCA St. 1 at 21. The proposed RNA would have provided a benchmark distribution revenue level regardless of changes in customers' actual usage levels. Columbia St. 6 at 36; OCA St. 5 at 17-18. The RNA would be calculated and assessed on a total residential class revenue basis rather than an individual customer revenue basis. OCA St. 5 at 18. The RNA would apply to only customers that are not part of the Company's Customer Assistance Program (CAP). OCA St. 1 at 21. The RNA, if approved, would have applied to non-CAP customers in Rate RSS (residential sales service) and Rate RDS (residential distribution service, or choice customers). *Id.*

Columbia's RNA was imbalanced and one sided. Under the proposal, the Company would receive all the benefits while ratepayers bear all the risk. OCA St. 1 at 23. Specifically, the RNA guarantees revenue recovery rather than providing an opportunity to earn those revenues as a reward for quality service and cost efficiencies. *Id.* Utilities are not currently guaranteed recovery of their revenue requirement. The more revenues are guaranteed, the more rates are in conflict with maintaining affordability. *Id.*

Columbia's proposed RNA was an alternative ratemaking mechanism. To determine "just and reasonable alternative distribution ratemaking mechanisms and rate designs that promote the purpose" of the Commission's policy and the policy laid out in Section 1330, the Commission developed 14 factor it considers in a policy statement. 52 Pa. Code § 69.3302(a). This policy statement was enacted following the passage of Section 1330 of the Code, which permits the Commission to use alternative rate mechanisms to further policy objectives, including energy efficiency. 66 Pa. C.S. § 1330. Section 1330 specifically states that "[i]t is the policy of the

Commonwealth that utility ratemaking should encourage and sustain investment through appropriate cost-recovery mechanisms to enhance the safety, security, reliability or availability of utility infrastructure and be consistent with the efficient consumption of utility service.” 66 Pa. C.S. § 1330(a)(2).

The factors can generally be grouped into four distinct categories: cost-of-service, customer legibility, impact on low-income customers, and impact on customer conservation incentives. 52 Pa. Code § 69.3302. The OCA provided testimony noting that the RNA should not be approved for the following reasons:

- The proposed RNA could increase earnings beyond those that the Company would ordinarily be entitled to.
- The proposed RNA unreasonably applies to customers whose usage is relatively constant over time.
- The proposed RNA embodies a take-or-pay pricing policy (*i.e.*, penalize the customer with a charge for not taking a set amount of commodity) even though customers have no immediate competitive alternatives to Columbia’s distribution gas service.
- The proposed RNA inappropriately adjusts rates without considering other changes in total revenues and costs.
- Columbia has not demonstrated that its current system of rates and charges result in inadequate revenue stability.
- The proposed RNA provides no customer benefits and includes no ratepayer protection mechanism.

- The RNA unreasonably shifts risks from Company shareholders to ratepayers.

OCA St. 1 at 29; OCA St. 5 at 24.

The totality of all factors materially relevant to Columbia’s proposed RNA weighed against its authorization and implementation. Importantly, the Commission previously rejected a similar RNA proposed by Columbia in its last litigated base rate proceeding. *Pa. PUC v. Columbia Gas*, Docket No. R-2020-3018835, Order at 264-65 (Feb. 19, 2021). Additionally, the Commission rejected a similar revenue decoupling mechanism in the 2023 base rate case of Pennsylvania-American Water Company. The withdrawal of the RNA is in the public interest.

C. Revenue Allocation and Rate Design (¶¶ 37-38)

1. Revenue Allocation (¶ 37)

Paragraph 37 of the Settlement provides:

37. Class revenue allocation will be approximately as shown in Appendix “B”. Rate design for all classes shall be as shown in Appendix “C”. Revenue allocation and rate design reflect a compromise and do not endorse any particular cost of service study.

Settlement ¶ 37.

In its initial filing, the Company included three cost of service studies (COSS): Peak & Average, Customer-Demand, and an Average COSS which averaged both the Peak & Average and Customer-Demand COSS. OCA St. 5 at 6. Under the Peak & Average method, distribution mains investment is allocated 50 percent based on the design peak day demands and 50 percent based on annual, or average daily, demands of the customers in each rate class. *Id.* The Company used its Peak & Average allocated cost study as a guide for developing its revenue allocation and rates in this proceeding. *Id.*

As to the Company’s COSS, OCA witness Mierzwa found that Columbia’s reliance on the Peak & Average Study as the basis of its proposed revenue distribution is consistent with

Commission precedent and the Commission’s decision in the Company’s last litigated base rate proceeding. OCA St. 5 at 17; *Pa. PUC v. Columbia Gas*, Docket No. R-2020-3018835, Order at 217-28 (Feb. 19, 2021) (*Columbia Gas 2020*). It is also consistent with cost of service principles. In *Lloyd*, the Commonwealth Court described the cost of providing service as the “polestar” and noted that “allowing one class of customers to subsidize the cost of service for another class of customers over an extended period of time [is not justified].” *Lloyd v. Pa. PUC*, 904 A.2d 1010, 1020 (Pa. Commw. Ct. 2006) (*Lloyd*).

The following table shows the results of Columbia’s Peak & Average Study at present rates:

Table 1.
Class Rates of Return
Columbia Peak & Average ACOS Study
Results at Present Rates

Class	Rate of Return	
	Percent	Relative
SS/RDS	7.44%	1.21
SGSS/DS-1	6.69	1.09
SGSS/DS-2	6.63	1.08
SDS/LGSS	6.96	1.14
LDS/LGSS	2.10	0.34
MLDS	245.34	40.02
FLEX	(3.42)	(0.56)
Overall:	6.13%	1.00

OCA St. 5 at 9.

Columbia’s Peak & Average study showed certain customer classes are paying more than the cost of providing service to those customers within the class (as reflected by an index above 1.0), while other classes are paying less than the full cost of providing service to customers under those rate schedules (as reflected by an index that is less than 1.0). At its full revenue requirement request proposed in this proceeding, Columbia made efforts to correct some of these discrepancies.

OCA St. 5 at 11.

Columbia generally sought to allocate the revenue increase based the cost of service indicated by the results of its Peak & Average Study. OCA St. 5 at 9. The Company’s proposed base rate revenue distribution is presented in the below table. The relative ROR at present and the Company’s proposed rates are also identified with an ROR of less than 1.0 indicating that a customer class is providing revenues that are less than that classes’ indicated cost of service, a ROR 1.0 indicates that a customer class is providing revenues that are equal to that classes’ indicated cost of service, and a ROR greater than 1.0 indicates that a customer class is providing revenues that are greater than that classes’ indicated cost of service. OCA St. 5 at 9-10.

Columbia’s proposed revenue allocation is as follows:

**Table 2.
Columbia Proposed Revenue Distribution**

Class	Present Rates	Proposed Rates	Increase	Percent	Relative Rate of Return	
					Present Rates	Proposed Rates
RSS/RDS	\$434,600,860	\$520,908,055	\$86,307,195	19.9%	1.21	1.20
SGSS/DS-1	50,742,083	61,984,202	11,242,119	22.2%	1.09	1.08
SGSS/DS-2	55,942,507	68,335,647	12,393,140	22.2%	1.08	1.05
SDS/LGSS	36,780,761	44,915,312	8,134,551	22.1%	1.14	1.09
LDS/LGSS	27,256,006	33,315,478	6,059,472	22.2%	0.34	0.41
MLDS	1,826,820	1,827,266	446	0.0%	4.02	28.17
FLEX	3,145,875	3,147,421	1,546	0.0%	(0.56)	(0.39)
Total:	\$610,294,912	\$734,433,381	\$124,138,469	20.3%	1.00	1.00

OCA St. 5 at 10.

OCA witness Mierzwa testified that, although Columbia’s proposed revenue allocation may be based on the results of the Company’s Peak & Average Study, it does not reflect adequate movement toward cost-based rates for each customer class and does not adequately account for the significant subsidies provided to LDS/LGSS and Flex rate customers that receive service at less than cost of service rates. OCA St. 5 at 11.

OCA witness Mierzwa’s recommended revenue distribution at the Company’s proposed rates for Columbia’s claimed revenue deficiency is based on Columbia’s Peak & Average CCOS is as follows:

Table 3.
OCA Proposed Revenue Distribution

Class	Present Rates	Proposed Rates	Increase	Percent	Relative Rate of Return		Change
					Present Rates	Proposed Rates	
RSS/RDS	\$434,600,860	\$509,881,936	\$75,281,076	17.3%	1.21	1.16	\$(11,026,119)
SGSS/DS-1	50,742,083	63,730,590	12,988,507	25.6%	1.09	1.13	1,746,388
SGSS/DS-2	55,942,507	71,673,591	15,731,090	28.1%	1.08	1.13	3,337,950
SDS/LGSS	36,780,761	45,828,421	9,047,660	24.6%	1.14	1.13	913,109
LDS/LGSS	27,256,006	38,344,150	11,088,144	40.7%	0.34	0.55	5,028,672
MLDS	1,826,320	1,827,266	446	0.0%	40.02	28.17	0
FLEX	3,145,875	3,147,421	1,546	0.0%	(0.56)	(0.39)	0
Total:	\$610,294,912	\$734,433,381	\$124,138,469	20.3%	1.00	1.00	\$0

OCA St. 5 at 12.

As stated in Table 1, the LDS/LGSS rate class is currently providing a return which is significantly lower than the indicated cost of service (ROR of 0.34). OCA St. 5 at 9, 12. OCA witness Mierzwa testified that, while there is no hard and fast rule with respect to applying the concept of gradualism in developing a revenue distribution, typically an increase of 1.5 to 2.0 times the system average increase is considered consistent with the concept of gradualism. OCA St. 5 at 12.

OCA witness Mierzwa recommended that LDS/LGSS customer revenues be increased to \$38,344,150. OCA St. 5 at 11. Therefore, under Mr. Mierzwa’s proposed revenue distribution, the subsidy being provided to LDS/LGSS customers would be reduced to \$9,911,856. *Id.* Additionally, Mr. Mierzwa recommended that, in the event that Columbia’s authorized increase is less than its requested increase, a proportionate scale-back of the increase for each rate class would be reasonable with the exception of the MLDS and Flex rate classes. *Id.* at 13.

All parties in this proceeding who addressed allocation had different recommendations as to how to close these gaps and whether the Company’s Peak & Average COSS was the appropriate

measure of cost of service. Rather than litigate the merits of each of these proposals in this proceeding, the settling parties have all agreed that the proposed allocation reasonably allocates the agreed upon revenue increase among customer classes, and designs rates to recover the amounts allocated to the customer classes. It is the OCA's position that the settlement allocation is consistent with precedent and principles of cost causation, and within the range of expected outcomes if this case were fully litigated.

Columbia originally proposed that 69.51% of the rate increase be assigned to residential customers. Based on the testimony admitted into the record in this proceeding, the revenue allocation positions for residential customers ranged from a low of 17.3% of the awarded increase (OCA), to a high of 73.08% of the awarded increase (PSU). OCA St. 5 at 12; PSU Exh. JLC-3SR.

Under the Revenue Allocation provision, residential customers would be allocated \$48.44 million of the total \$74 million revenue requirement increase contained in the Settlement, or 65.46% of the increase. Petition at Appendix B. While the OCA's scale back would have produced a lesser amount allocated to the residential class, the agreed upon allocation of \$48.44 million is reasonable, is the product of compromise by the settling parties, and continues to recognize the principles of gradualism. It is important context that the parties had significant differences of opinion about the appropriate cost of service methodology to use in this proceeding and even those parties who shared a methodology arrived at different conclusions about how an allocation should be structured. *See* OCA St. 5SR at 1-3, 42-48. Thus, this compromise ensures some certainty in the allocation for all parties involved without having to litigate the various cost of service proposals presented.

Based on the OCA's analysis of the Company's filing, discovery responses, and the testimony filed by all parties, the revenue allocation contained in the instant Petition represents a

result that is within the range of likely outcomes in the event of full litigation of the case. The Settlement and Revenue Allocation Petition, taken together, yields a result that is reasonable and in the public interest

2. Rate Design (¶ 38)

Paragraph 38 of the Settlement provides as follows: “The Residential customer charge will be set at \$17.25 per month.” Settlement ¶ 38.

Columbia’s current residential sales and transportation customer distribution rates consist of a \$16.75-per-month customer charge and a charge of \$9.1069 for each Dth of gas delivered. OCA St. 5 at 14. Under Columbia’s filing, Columbia’s proposed residential rate consists of a \$26.00 per-month customer charge and a \$10.2781-per-Dth delivery charge. *Id.* Columbia’s analysis calculates a residential customer charge of \$28.71. *Id.*

Columbia’s current charge is the highest in the Commonwealth, and if adopted, Columbia’s proposed monthly Residential customer charge would have been significantly higher than that of any other NGDC in the Commonwealth. Columbia’s proposed and present residential customer charges compared to the other Pennsylvania NGDCs is as follows:

**Table 4.
Comparison of Residential Customer Charges for
Pennsylvania NGDCs**

Columbia Gas of Pennsylvania	\$26.00
– Proposed	
Columbia Gas of Pennsylvania	\$16.75
– Current	
Philadelphia Gas Works	\$16.25
Columbia Gas	\$15.75
UGI Gas	\$15.00
Columbia Natural Gas	\$14.50
PECO Energy Company	\$14.25
National Fuel Gas Company	\$14.00

OCA St. 5 at 15.

As shown above, Columbia sought the Commission’s permission to charge \$26 per month, an increase of \$9.25 per month (or by 55.22%) from every residential customer regardless of income level, ability to pay, or usage. The Company asserted that the customer charge has not increased in ten years. Columbia St. 6 at 22.

Under the terms of the Settlement, the residential customer charge will be increased to \$17.25 per month, which is an increase of 50 cents. Settlement ¶ 38. Given the terms of the Settlement as a whole, the agreed upon customer charge increase reflects a reasonable compromise in consideration of likely litigation outcomes before the Commission and is in the public interest.

D. Energy Efficiency and Conservation (¶ 40)

Paragraph 40 provides:

40. The updates to Columbia’s Three-Year Energy Efficiency Plan (“EE Plan”), as described in the direct testimony of Theodore M. Love, are accepted.

Settlement ¶ 40. The OCA does not oppose this provision of the Settlement and believes that it is in the public interest because the updates to Columbia’s EE Plan do not affect the budget for the EE Plan, and the Plan provides benefits to Columbia’s consumers. Columbia St. No. 13.

E. Universal Service (¶¶ 41-50)

Paragraphs 41 through 50 address universal service and low-income customer assistance issues. These provisions of the Settlement address several concerns raised by OCA witness Colton in his testimony. *See* OCA St. 6, 6SR.

1. Plain Language Notices (¶¶ 41-44)

Mr. Colton identified concerns about the Company's process for identifying low-income customers and enrolling low-income customers in CAP. Paragraphs 41-44 of the Settlement provides for additional plain language notices.

Paragraph 41 provides:

41. Columbia will work with its Universal Service Advisory Committee ("USAC") to develop a plain language notice, on a pilot basis, of the right to enter Customer Assistance Program (CAP) and the arrearage forgiveness benefits of CAP, to be provided to confirmed low-income customers with arrears of at least \$300. The Company may recover the costs of the pilot notice through its Universal Services Rider. Columbia will report the results and costs of the pilot in its next Universal Service and Energy Conservation Plan ("USECP") filing.

Settlement ¶ 41.

OCA witness Colton recommended that when Confirmed Low-Income customers accrue an unpaid balance of \$300, Columbia should provide a stand-alone written plain language notice informing those customers of their right to enroll in the Company's CAP (along with an explanation of the advantages of CAP's arrearage forgiveness provisions). OCA St. 6 at 58. Given Mr. Colton's recommendation, the OCA believes paragraph 41 of the Settlement is in the public interest.

Paragraph 42 provides:

42. Columbia will work with its USAC to develop a plain language notice, on a pilot basis, of the right to enroll in CAP when a security deposit is waived or refunded pursuant to 66 Pa. C.S. § 1404(a.1) and 52 Pa. Code § 56.32(e). The Company may recover the costs thereof through its Universal Services Rider. Columbia will report the results and costs of the pilot in its next USECP filing.

Settlement ¶ 42.

OCA witness Colton recommended that where Columbia would otherwise request a cash security deposit from a Confirmed Low-Income customer, the Company should, as an alternative to that deposit demand, provide a stand-alone written plain language notice informing these customers of their right to enroll in the Company's CAP (along with an explanation of the advantages of CAP's arrearage forgiveness provisions). OCA St. 6 at 47. Additionally, OCA witness Colton recommended that Columbia provide a report to its Universal Service Advisory Committee every six months for three years, or until the final decision in its next base rate case, whichever is longer, of the number of low-income customers who have had deposits waived, as well as the number of low-income customers who have had deposits refunded. OCA St. 6 at 67-68. The OCA believes paragraph 42 of the Settlement is a reasonable compromise of Mr. Colton's recommendations in consideration of possible litigation outcomes and is in the public interest.

Paragraph 43 provides:

43. Columbia will work with its USAC to develop a plain language notice, on a pilot basis, to customers at or below 150% of the FPL when negotiating a payment arrangement. The Company may recover the costs thereof through its Universal Services Rider. Columbia will report the results and costs of the pilot in its next USECP filing.

Settlement ¶ 43.

OCA witness Colton recommended that before Columbia enters into a payment arrangement with a customer which the Company either: (1) knows to be a Confirmed Low-Income customer; or (2) has generated information through the payment arrangement process documenting that the customer is in the Tier 1 income range (at or below 150% FPL), it should be required to provide the customer a stand-alone plain language notice to that customer of the customer's right to enter into CAP and an explanation of the advantages of CAP's arrearage forgiveness benefits. Columbia should develop this Plain English notice in collaboration with its

USAC. OCA St. 6 at 53. The OCA believes paragraph 43 of the Settlement is a reasonable compromise of Mr. Colton's recommendations in consideration of possible litigation outcomes and is in the public interest.

Finally, paragraph 44 provides as follows:

44. Columbia will work with its USAC to develop a plain language notice, on a pilot basis, to customers who have had service disconnected for nonpayment, and who remain disconnected at the time of the Company's Cold Weather Survey (CWS) undertaken for the PUC. The Company may recover the costs thereof through its Universal Services Rider. Columbia will report the results and costs of the pilot in its next USECP filing.

Settlement ¶ 44.

OCA witness Colton's final recommendation regarding plain language notice is that customers who have had service disconnected for nonpayment, and who remain disconnected at the time of the Company's CWS undertaken for the Commission, should be provided a written, stand-alone, plain language notice of their right to enroll in the Company's CAP (along with an explanation of the advantages of CAP's arrearage forgiveness provisions). OCA St. 6 at 53. Mr. Colton testified that the data shows that a substantial number of customers, nearly one-in-four, who have service disconnected during the course of the year remain without heating service at the start of the next winter heating season. *Id.* Mr. Colton opined that this lack of access to service could be remedied for income-eligible customers through enrollment in CAP. *Id.* The OCA believes paragraph 44 of the Settlement is a reasonable compromise of Mr. Colton's recommendations in consideration of possible litigation outcomes and is in the public interest.

2. Speech Analytics (¶ 45)

Paragraph 45 provides:

45. Columbia will present a pilot program involving the use of speech analytics no later than the Company's next USECP review or base rate proceeding, whichever comes first. As discussed in the

Direct Testimony of OCA witness Colton, the Company will include the USAC in the development of the speech analytics pilot. The Company may recover the costs thereof through its Universal Services Rider.

Settlement ¶ 45.

OCA witness Colton recommended that the Company use new technology to help the customer service representatives to identify low-income customers who might be eligible for CAP. OCA St. 6 at 61. Mr. Colton testified that “this technology could be used in particular to help identify customers who are low-income and facing payment difficulties.” OCA St. 6 at 61. He testified:

[a]vailable technology can assist Columbia in fulfilling the goal of CAP to “maintain good payment habits” by identifying customers potentially eligible for CAP early in the process of responding to payment difficulties. By identifying these customers early in the process, not only will Columbia best serve its low-income customer base, but it will also maximize the use of CAP to help control the costs of nonpayment that I have discussed throughout my testimony (e.g., collection costs, uncollectibles, working capital, and the like.)

OCA St. 6 at 62.

Mr. Colton discussed the potential use of speech and linguistics analysis to help Columbia determine whether calls to the Company’s call center are “handled properly” for purposes of identifying Confirmed Low-Income customers and customers who would benefit from enrollment in the Company’s universal service programs. OCA St. 6 at 64. Terms, phrases and speech patterns associated with low-income status, payment difficulties, unaffordability, or seeking low-income assistance for energy or other life necessities (e.g., food, housing, medical care) could be identified such that the linguistics analysis software would search for them to identify universal service calls. *Id.* “Proper handling” would include approving delays in collection activities pending applications for and approval of program enrollment; identification in the Company’s information technology of Confirmed Low-Income customers; and extending available low-income protections. *Id.*

The Settlement provision is designed to explore the benefits of leveraging technology to help the Company to improve its identification of low-income customers. The Settlement will address OCA witness Colton's concern by providing for Columbia's development of a "pilot program involving the use of speech analytics no later than the Company's next USECP review or base rate proceeding, whichever comes first. As discussed in the Direct Testimony of OCA witness Colton, the Company will include the USAC in the development of the speech analytics pilot." The OCA believes paragraph 45 of the Settlement is a reasonable compromise of Mr. Colton's recommendations in consideration of possible litigation outcomes and is in the public interest.

3. Security Deposits (¶¶ 46-47)

Paragraphs 46 and 47 provide as follows:

46. The Company will amend its Tariff language regarding security deposits (Section 6.2(1)) to state: "A Customer or Applicant that provides self-certification or other income documentation that household income is at or below 150% of the federal poverty level shall not be asked to provide a cash deposit."

47. Columbia will report at each USAC meeting for at least three years, or until the final decision in its next base rate case, whichever is longer, the number of customers with waived or refunded security deposits.

Settlement ¶¶ 46-47.

OCA witness Colton made four recommendations regarding security deposits. First, he testified that Columbia's current tariff is non-compliant with Commission regulations and recommended that Columbia be directed to modify its tariff to properly reflect the regulatory requirement that a customer is to be exempt from cash security deposits "when *the customer provides income documents or other information* that he or she is eligible for state benefits based upon household income eligibility requirements that are consistent with those of the public utility's customer assistance program." OCA St. 6 at 66-67 (citing 52 Pa. Code ¶ 56.41(4)(emphasis

added)). Additionally, Mr. Colton recommend that Columbia refund any cash security deposit to a customer who is currently categorized as “Confirmed Low-Income,” which by Commission definition means a customer who the Company has received information sufficient to give rise to a reasonable belief that the customer is low-income. OCA St. 6 at 67. Third, Mr. Colton recommended that Columbia include in its tariff the April 2024 order of the Commission, directing that Columbia may apply an existing security deposit to the account balance only with the customer’s informed consent. OCA St. 6 at 67. Finally, Mr. Colton recommended that Columbia provide a report to its Universal Service Advisory Committee every six months for three years, or until the final decision in its next base rate case, whichever is longer, of the number of low-income customers who have had deposits waived, as well as the number of low-income customers who have had deposits refunded. OCA St. 6 at 67-68. The OCA believes paragraphs 46 and 47 of the Settlement are a reasonable compromise of Mr. Colton’s recommendations in consideration of possible litigation outcomes and are in the public interest.

4. Call Scripting (¶¶ 48-49)

Paragraphs 48 and 49 state as follows:

48. The Company will review with its USAC call scripting and checklists for its CSRs to assist in screening customers for eligibility and refer low-income customers to available assistance programs, including CAP, before placing customers on a payment arrangement.

49. The costs of implementing the above-actions related to confirmed and low-income customers will be recoverable through the Universal Service rider.

Settlement ¶¶ 48-49.

The OCA believes paragraphs 48 and 49 of the Settlement are a reasonable compromise of all of Mr. Colton’s recommendations in consideration of possible litigation outcomes and are in the public interest.

5. Low Income Usage Reduction Program (LIURP) Budget (¶ 50)

Paragraph 50 provides:

50. The Settlement provides that the Company will increase its Low Income Usage Reduction Program (LIURP) annual budget by \$800,000 beginning in 2026. Settlement, ¶ All parties reserve their respective rights to propose an appropriate budget amount for LIURP in any future rate case proceeding or other appropriate proceeding.

Settlement ¶ 50.

The Pennsylvania Weatherization Task Force proposed an increase to the LIURP budget to be, at a minimum, commensurate with the increase in rates for the residential class that results from this proceeding. PWPTF St. No. 1 at 6-7. The OCA supports the proposed Settlement provision. The additional LIURP dollars and proposed LIURP improvements that the increased budget will fund will allow the Company to assist additional low-income customers with reducing their energy consumption which will ultimately benefit both CAP and non-CAP residential ratepayers. This provision will address concerns raised by OCA witness Colton regarding the effects the general rate increase will have on customer rates. For example, rate increases will require additional CAP credits, which are collected from customers through the universal service rider. Reductions to energy consumption by low-income CAP participants will ultimately benefit all residential customers by reducing the amount of the CAP Shortfall paid by all other residential ratepayers. The OCA submits that the proposed increased \$800,000 LIURP budget is in the public interest and should be approved.

F. Other Issues

The OCA does not oppose Paragraph 51 of the Settlement reflecting an agreement by the Company to address a concern of PSU.

III. CONCLUSION

The OCA submits that the terms and conditions of the proposed Settlement, taken as a whole, represent a fair and reasonable resolution of the issues and claims arising in this proceeding. The OCA further submits that, for the reasons detailed above, the Commission should approve the Settlement without modification as it is in the public interest.

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Dated: August 30, 2024

Respectfully submitted,

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APPENDIX I

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket No.	R-2024-3046519
Office of Small Business Advocate	:		C-2024-3047905
Office of Consumer Advocate	:		C-2024-3047675
Ronald T. Bernick	:		C-2024-3048339
Linda Allison	:		C-2024-3048588
Philip Bloch	:		C-2024-3048478
Pennsylvania State University	:		C-2024-3048624
Daniel E. Skvarla	:		C-2024-3049677
	:		
v.	:		
	:		
Columbia Gas of Pennsylvania, Inc.	:		

**STATEMENT OF
THE PENNSYLVANIA STATE UNIVERSITY
IN SUPPORT OF THE
JOINT PETITION FOR SETTLEMENT**

The Pennsylvania State University (“PSU” or “Penn State”) submits this Statement in Support of the Joint Petition for Settlement filed by Columbia Gas of Pennsylvania, Inc. (“Columbia Gas” or the “Company”), the Bureau of Investigation and Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), and PSU, parties to the above-captioned proceedings (collectively, “Joint Petitioners”).

As indicated in the Joint Petition for Settlement (“Joint Petition”), the proposed Settlement has been agreed to or unopposed by active parties in this proceeding. Accordingly, and as discussed more fully below, PSU offers its support for the Settlement terms related to the issues in which PSU participated in this proceeding; namely, the overall revenue increase set forth in Paragraph 21 of the Joint Petition, the revenue allocation/rate design set forth in Paragraph 37 and Appendices B and C of the Joint Petition, and the additional customer notice set forth in Paragraph

51 of the Joint Petition. Accordingly, PSU requests that the presiding Administrative Law Judge Jeffrey A. Watson (“ALJ Watson”) and the Pennsylvania Public Utility Commission (“Commission”) grant the Joint Petition and approve the Settlement as submitted, without modification. In support thereof, PSU avers as follows:

I. INTRODUCTION

1. PSU incorporates by reference the background contained in Section II of the Joint Petition.¹

2. PSU generally supports Commission approval of the Settlement and its terms, without modification. The parties were able to resolve their differences via settlement terms that represent a reasonable compromise of the various parties’ positions in a manner which is reasonable and in the public interest. The Settlement, taken as a whole, is in the public interest and should be approved by the Commission.

3. PSU supports Commission approval of the proposed revenue allocation and rate design, without modification. Settlement on revenue allocation and rate design was achieved after extensive scrutiny of Columbia Gas’ filing (and data in support thereof), analysis of voluminous interrogatories, the significant testimony and varying positions concerning rate allocation and rate design, and subsequent extensive negotiations representing give and take by the settling parties. The parties were able to come to a just and reasonable rate structure and design, within the broad array of litigation positions of the parties. The Settlement, taken as a whole, is in the public interest and should be approved by the Commission.

4. The Joint Petition also addresses an issue concerning the unauthorized transfer of service of an active PSU gas account to a third party, which ultimately resulted in termination of

¹ See, Joint Petition ¶¶ 1-18.

service to a PSU residential account. The Settlement provides for email notification to customers when there is a request to start or transfer gas service of an active account in another name. PSU Supports Commission approval of this term, without modification. The Joint Petition represents a step in the right direction in preventing the unauthorized transfer of service of an active account to another name.

II. STANDARDS FOR APPROVAL OF SETTLEMENT

5. In order to accept a settlement, the Commission must determine that the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm'n v. C.S. Water and Sewer Assoc.*, 74 Pa. PUC 767 (1991); *Pa. Pub. Util. Comm'n v. Philadelphia Electric Co.*, 60 Pa. PUC 1 (1985).

6. Additionally, Commission policy “encourage[s] settlements.” 52 Pa. Code § 5.321(a). Settlements lessen the time and expense the parties must expend litigating a case and at the same time conserves the resources of the Commission. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa. Code § 69.401.

III. SPECIFIC SETTLEMENT TERMS

A. REVENUE REQUIREMENT

7. In the Settlement, the Joint Petitioners have proposed that rates be designed to produce an additional \$74.0 million in annual base rate operating revenues instead of the Company’s filed increase request of approximately \$124.1 million. Joint Petition, ¶¶16, 21. If approved Columbia Gas will receive an increase over existing base rate operating revenues of

approximately 13.01² percent, instead of the 21.82³ percent increase proposed in Columbia Gas’s initial filing.

1. Reasonableness of Revenue Increase

8. PSU submits that the reduction to the overall revenue requirement is in the public interest and a reasonable outcome based upon the issues presented in this proceeding. The reduction also serves to lower the overall increase allocated to the SDS/LGSS and LDS/LGSS rate classes, among others, Accordingly, the Commission should approve the agreed-upon revenue increase.

B. ALTERNATIVE RATEMAKING – NOT ADDRESSED

C. REVENUE ALLOCATION AND RATE DESIGN

9. The agreed upon revenue allocation of the increase of \$74 million to the customer classes is set forth in Appendix B. The rate revenue increase will be distributed as follows:

Class	Current Base Revenue⁴	Allocation⁵	Percentage Increase⁶
RS/RDS/RC2	\$393,641,096	\$48,442,452	12.31%
SGSS1/SCD1/SGDS1	\$50,521,560	\$7,287,802	14.50%
SGSS2/SCD2/SGDS2	\$55,713,290	\$8,399,452	15.08%
SDS/LGS	\$36,698,035	\$5,144,731	14.02%
LDS/LGS	\$27,207,076	\$4,725,171	17.37%
MDS/NSS	\$1,823,253	\$0	0.00%
Flex/NCS	\$3,140,571	\$392	0.01%
Total	\$568,744,881	\$74,000,000	13.01%

² \$74,000,000/\$568,744,881 X 100 = 13.01%. See Columbia Gas Exh. 103, Sch. 8, Pg. 4.

³ \$124,100,000/\$568,744,881 X 100 = 21.82%. See Columbia Gas Exh. 103, Sch. 8, Pg. 4.

⁴ CPA Exh. 103, Sch. 8, Pg. 4, Ln. 22

⁵ Joint Petition, App. B.

⁶ Allocation ÷ Current Base Revenue X 100 = Percentage Increase

10. Revenue allocation and rate design was a highly contested issue in this proceeding with parties presenting competing views on the appropriate cost-of-service study, varying allocation proposals among the rate classes, and different rate design concerns. Several of the parties, including Columbia Gas⁷, OCA⁸, I&E⁹, and OSBA¹⁰, relied on the Peak and Average (“P&A”) Cost of Service Study (“COSS”) as the preferred method for guiding revenue allocation, which would have resulted in significant increases for the SDS/LGSS and LDS/LGSS classes. Conversely, PSU¹¹ relied on the Customer-Demand COSS because the Customer-Demand study better aligns with cost causation principles and does not over allocate mains investment to the Company’s largest customers, unlike the P&A COSS.

11. Ultimately, allocation of a rate increase must be based on cost of service,¹² which entails a collection of wide-ranging, including subjective, judgments.¹³ To be clear, no party to this litigation purely relies on upon the unadulterated results of one specific cost of service study, but instead, while using a study or studies as a basis, takes the study and makes adjustments to come to a conclusion which in that parties’ judgment is just and reasonable. Unsurprisingly, in large part, the selection of study, implementation and execution thereof, and “judgment” for adjustments reflect the allocation that is most beneficial to the class of customers that each party represents.¹⁴

⁷ CPA St. 6 at 17:5-8.

⁸ OCA St. 5 at 7:4-7.

⁹ I&E St. 3 at 17:1-5.

¹⁰ OSBA St. 1 at 12:19-20.

¹¹ PSU St. 1 at 14:17-15:2.

¹² *Lloyd v. Pa. Pub. Util. Comm’n*, 904 A.2d 1010, 1015 (Pa. Cmwlth. 2006).

¹³ *Pa. Pub. Util. Comm’n v. Pa. Power and Light Co.*, Docket Nos. R-842651, *et al.*, 1985 WL 1205434, at *84 (Opinion and Order entered Apr. 25, 1985).

¹⁴ The Company and I&E do not represent specific classes of ratepayers.

12. The varying views on the cost-of-service study to be utilized, the correct execution of the study, the implementation of the study, and appropriate adjustments to the study led to a range of revenue allocation recommendations from each of these parties.

13. The Settlement presents a revenue allocation that is within the range of likely litigated outcomes in this proceeding, but also recognizes principles of gradualism. Allocating the increase in the manner set forth in the Settlement ensures that no single party receives an increase greater than 1.4 times the system average increase:

14. Each class receives an increase that is below 1.5 times the system average increase, which is consistent with principles of gradualism. *Pa. Pub. Util. Comm'n, et al. v. Columbia Gas of Pa., Inc.*, Docket Nos. R-2020-3018835, *et al.*, 2021 WL 757073, at *138 (Opinion and Order entered Feb. 19, 2021) (“The record indicates that although there are no definitive rules for determining what kind of rate increase would violate the principle of gradualism, limiting the maximum average rate increase for any particular class to 1.5 to 2.0 times the system average increase is one common metric that has been used by experts in the Commonwealth.”).

15. Moreover, the Commission has repeatedly recognized that no single cost of service study methodology is perfect, and reasonable experts can present unique and defensible methodologies from a wide range of beliefs on a cost-of-service study principles which can lead to varying costs of service study results. *See e.g. Pa. Pub. Util. Comm'n v. Philadelphia Elect. Co.*, 31 PUR 4th 15, 84 (1978). The Commission has likewise stated that “cost-of-service studies are far from being an exact art and are, essentially, a useful tool for testing the reasonableness of the revenue requirement. A considerable amount of judgment is inherent in the development of cost-of-service studies, appropriate rate changes, and the allocation of allowable revenues among the

various classes of customers.” *Pa. Pub. Util. Comm’n v. Pa. Power and Light Co.*, Docket Nos. R-842651, *et al.*, 1985 WL 1205434, at *84 (Opinion and Order entered Apr. 25, 1985).

16. As such, the rate allocation and design are within the range of litigated outcomes supported by the expert testimony of each parties’ witnesses, is based upon substantial evidence, and is the result of compromise on varying opinions and judgments based on the wide range of ratemaking principles accepted by the Commission and set forth by the parties on the record.

17. Viewed in its entirety, the Settlement fairly and equitably resolves the issues impacting residential customers, business customers, and the public interest at large and represents a fair balance of the interests of Columbia Gas and its customers. Moreover, the Settlement serves to focus the proceedings and eliminate the need for extensive litigation before the Commission. Furthermore, the Settlement provides regulatory certainty with respect to the disposition of issues which benefits all parties.

18. Thus, PSU is generally supportive of the agreed-upon revenue allocation as a compromise of competing positions that results in the LDS/LGSS class being closer to the system average increase than it would under other competing proposals.

19. The Rate Allocation/Design Settlement proposes the rate design set forth in Appendix C to the Joint Petition, which is designed to recover each class’s portion of the annual revenue increase.

20. As stated above, the agreed upon revenue increase reduces the Company’s requested revenue increase in this matter resulting in settlement rates that are less than those initially proposed by the Company. *See* Joint Petition, App. C. For these reasons, PSU supports the Settlement’s commercial and industrial rate design, which contains lower rates than those

contemplated by Columbia Gas in its initial filing. Thus, the settled rate structure results in just and reasonable rates and is in the public interest.

D. ENERGY EFFICIENCY AND CONSERVATION (“EE&C”) – NOT ADDRESSED

E. UNIVERSAL SERVICE – NOT ADDRESSED

F. OTHER ISSUES – JOINT PETITION ¶ 51

21. In the Settlement, Columbia Gas proposes to implement a process for alerting customers via email upon any request to start or transfer gas service of an active account into another name. Joint Petition, ¶ 51. Columbia Gas has also committed to working with PSU to implement comments on PSU’s accounts. *Id.*

22. PSU submits that Columbia Gas’s proposal is a step in the right direction to prevent unauthorized transfer of active accounts to a third party. This proposal will provide additional notice to customers to enable customers to identify when unauthorized requests for service are initiated on their account. Moreover, the account comments commitment provides additional notice and instruction to customer service representatives that may receive a fraudulent request to transfer service related to a PSU account. Accordingly, the Commission should approve the agreed-upon customer notification proposal.

IV. CONCLUSION

PSU Supports the Joint Petition because the Settlement is without prejudice or admission to any position any party, including PSU, may take in any subsequent or different proceeding. In addition, the Settlement will enable the parties to avoid the expenditure of significant additional time and expense that would have been necessary to fully litigate this proceeding to a conclusion. This will result in significant savings to all parties, as well as to the Company’s customers.

PSU submits the Settlement is in the public interest and requests that the Commission approve the same as presented in the Joint Petition for Settlement.

Respectfully submitted,

/s/Whitney E. Snyder

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Dated: August 30, 2024

APPENDIX J

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August 30, 2024

Hon. Jeffrey Watston
Pennsylvania Public Utility Commission
Office of Administrative Law Judge
301 Fifth Avenue
Piatt Place, Suite 220
Pittsburgh, PA 15222

Re: Statement of Non-Opposition to Joint Petition for Settlement Pennsylvania
Public Utility Commission v. Columbia Gas of Pennsylvania, Inc.
No. R-2024-3046519

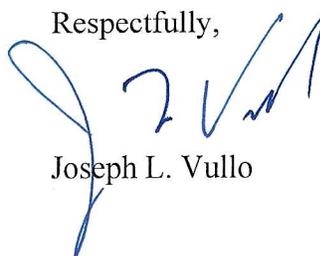
Judge Watson:

I am writing pursuant to my representation of the Pennsylvania Weatherization Providers Task Force, an active party in the above matter. The Task Force is a Pennsylvania non-profit corporation and a statewide association of thirty-seven (37) organizations providing utility assistance and energy conservation services in each of the Commonwealth's sixty-seven counties.

The Task Force intervened in this matter to, in large part, address the Company's low-income programs and the impact of a rate increase on the Company's low-income customers and their ability to reduce their utility costs through conservation.

The Task Force submitted testimony that addressed those issues and participated in all settlement negotiations and does not oppose the Joint Petition for Settlement filed in this matter.

Respectfully,



Joseph L. Vullo