

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
HARRISBURG, PENNSYLVANIA 17120**

**Pennsylvania Public Utility Commission,
*et al.***

**Public Meeting of November 21, 2024
3046519-OSA
Docket Nos. R-2024-3046519, *et al.***

v.

Columbia Gas of Pennsylvania, Inc.

STATEMENT OF CHAIRMAN STEPHEN M. DeFRANK

Today, the Pennsylvania Public Utility Commission (Commission) considers adopting a Joint Petition for a partial settlement of a general rate increase filed by Columbia Gas of Pennsylvania, Inc. (Columbia or Company). Columbia originally requested a total annual increase in natural gas distribution rates of approximately \$124.1 million. The proposed partial settlement provides for distribution rates designed to produce an additional \$74 million in annual base rate revenues, which is approximately 59.6% of the Company's originally requested increase. Today, the Commission also considers resolution of the sole issue that was fully litigated – whether it is just and reasonable for Columbia to impose a municipal levelization charge (MLC) to address permitting and restoration fees charged by certain municipalities that Columbia deems to be excessive.

As to the partial settlement, I wish to highlight certain provisions that I believe are in the public interest. First, Columbia explains that the primary driver for seeking an increase in base rates is due to Columbia's investment in replacing pipe and related facilities that are at the end of their useful life.¹ Columbia's infrastructure replacement program has been in operation for seventeen years, which resulted in the removal of all cast iron pipe from its system.² Columbia indicates that it intends to continue focusing on replacing the remaining bare steel pipe that exists in its system, as well as expanding its focus to include pre-1982 plastic pipe, such as Aldyl-A, consistent with its Commission-approved long term infrastructure improvement plan.³

Accelerating the removal and replacement of older plastic pipe in natural gas distribution systems is a proposal I advanced earlier this year.⁴ The Pipeline and Hazardous Materials Safety Administration (PHMSA) issued several advisory bulletins alerting distribution system operators of the susceptibility of polyethylene pipe installed between the 1960s and 1980s to crack in a

¹ Columbia Statement No. 1 at 4-5.

² Columbia Statement No. 1 at 12.

³ *Petition of Columbia Gas of Pennsylvania, Inc. for Approval of its Third Long-Term Infrastructure Improvement Plan*, Docket No. P-2022-3037388 (April 20, 2023).

⁴ *Replacement of Older Plastic Pipe in Natural Gas Distribution Systems*, Docket No. M-2024-3050313 (Tentative Order entered August 26, 2024).

brittle-like manner.⁵ I commend Columbia for identifying and addressing the risk associated with this older plastic pipe. I acknowledge that replacing aging infrastructure is costly, but it is crucial in reducing the risk of failure.

The partial settlement also provides for enhancements to Columbia's universal service programs, including commitments to communicate with income-challenged customers at various points to prompt their enrollment into Columbia's assistance programs. Columbia also agrees to develop a speech analytics pilot program to leverage technology to ensure that its call center properly identifies customers eligible for its assistance programs. Additionally, Columbia agrees to increase the annual budget for its Low Income Usage Reduction Program (LIURP) by \$800,000 beginning in 2026. These provisions are designed to help Columbia's income-challenged customers, who will be most impacted by the rate increase.

I note that multiple other settlement terms are in the public interest. These terms include Columbia's agreement to increase the monthly residential customer charge by only \$0.50, its agreement not to pursue a revenue normalization adjustment and continue its weather normalization adjustment in its present form, and its commitment to prepare a comparison of its actual revenue, expenses, and rate base additions in its next base rate proceeding. These provisions represent a reasonable compromise of the Parties' positions in this matter.

As to the contested issue, I agree with the Recommended Decision of Administrative Law Judge Jeffrey A. Watson to deny the MLC. This is the first time that I have seen this type of proposed rate. The apparent purpose of the MLC is to impose higher rates upon Columbia's customers in municipalities that Columbia has identified as having excessive restoration requirements, such as the City of Pittsburgh and Perryopolis, in the hope that those customers will voice dissatisfaction and influence the decisions of their municipal officials. The MLC also seeks to reward customers residing in municipalities that Columbia has identified as having favorable restoration standards, such as New Sewickley Township and Roscoe Borough, by providing those customers with a monthly credit.

I acknowledge Columbia's efforts to effectuate reform in controlling restoration costs. However, the ratemaking process is not the appropriate vehicle to address this issue. What Columbia perceives to be an excessive restoration standard may differ from another utility's perspective, since there is no statewide standard. Essentially, what is thought to be excessive is in the eye of the beholder and the standard could widely vary from utility to utility. Furthermore, the record in this case established that Columbia has already reflected local paving and restoration costs in the underlying revenue requirement.

On the other hand, restoration fees imposed on utilities should not be used by a municipality to bolster its revenue. Municipal restoration fees are not an appropriate tool to balance a municipal budget. I also wish to note that a municipality's taxpayers are also utility customers. If excessive restoration standards are imposed on a utility, that utility may seek cost recovery for such fees on its rate base.

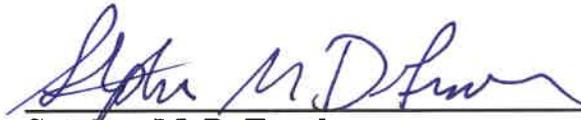
⁵ *Id.*

Tempering the cost of restoration fees is especially crucial as Pennsylvania's utilities, like Columbia, seek to replace aging infrastructure. Balancing municipal budgets at the cost of upgrading at-risk natural gas infrastructure is not in the interest of public safety. For these reasons, this issue is best addressed by the legislature.

Overall, when viewed as a whole, I support adoption of the partial settlement and thank the Parties for their efforts in reaching a resolution in these issues.

November 21, 2024

Date

A handwritten signature in blue ink, appearing to read "Stephen M. DeFrank", written over a horizontal line.

Stephen M. DeFrank

Chairman