

**I&E Statement No. 3-R**  
**Witness: Kokou M. Apetoh**

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**V.**

**COLUMBIA GAS OF PENNSYLVANIA, INC**

**Docket No. R-2016-2529660**

**Rebuttal Testimony**

**Of**

**Kokou M. Apetoh**

**Bureau of Investigation and Enforcement**

**Concerning:**

**Competitive Discounts**  
**Cost of Service**  
**Customer Cost Analysis**  
**Customer Charges**  
**Proposed Revenue**  
**Scale back of Rates**

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

2 A. My name is Kokou M. Apetoh. My business address is P.O. Box 3265,  
3 Harrisburg, Pennsylvania 17105-3265.

4  
5 **Q. ARE YOU THE SAME KOKOU M. APETOH WHO SUBMITTED I&E**  
6 **STATEMENT NO. 3 AND I&E EXHIBIT NO. 3 ON JUNE 16, 2016?**

7 A. Yes.

8  
9 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

10 A. The purpose of my rebuttal testimony is to address the direct testimony of  
11 Columbia Industrial Intervenors (“CII”) Witness Frank Plank in this proceeding  
12 regarding how the LDS non-flex rate customers are impacted by the rate increase.

13

14 **Q. WHAT CONCERNS DID MR. PLANK RAISE IN HIS DIRECT**  
15 **TESTIMONY?**

16 A. Mr. Plank states in his direct testimony that due to the fact that Columbia’s filing  
17 lacks a breakdown of the flex rate versus non-flex customers showing whether  
18 non-flex rate customers are above or below parity of the relative rate of return, the  
19 Commission may not comprehend the full impact of the rate increase on LDS non-  
20 flex rate customers (CII Statement No. 1, page 7, lines 3-5 and lines 18-23, page 8,  
21 lines 1-2). As a result, Mr. Plank believes that non-flex rate customers in the  
22 LDS/LGSS class should not receive an increase that is higher than the system

1 average and/or based upon unsubstantiated claims (CII Statement No. 1, page 9,  
2 lines 2-3).

3  
4 **Q. DID YOU ADDRESS MR. PLANK'S CONCERN IN YOUR DIRECT**  
5 **TESTIMONY?**

6 A. Yes. I recommended the current monthly customer charge for the LDS/LGSS  
7 customers (flex and non-flex customers) with an annual consumption greater than  
8 540,000 to less than 1,074,000 therms not be increased (I&E Statement No. 3,  
9 page 24, lines 14-16). Additionally, I separated the revenue and costs associated  
10 with the LDS/LGSS class into flex and non-flex customers as shown in I&E  
11 Exhibit No. 3, Schedules No. 5, columns J through L and I&E Exhibit No. 3,  
12 Schedule No. 6, columns I through K.

13  
14 **Q. WHY DID YOU SEPARATE THE LDS/LGSS CLASS INTO FLEX AND**  
15 **NON-FLEX CUSTOMERS?**

16 A. As described in my direct testimony, separating the LDS/LGSS class into flex and  
17 non-flex customers allowed the Commission to determine if the revenue received  
18 from non-flex rate customers is sufficient to cover the cost of serving these  
19 customers and contribute to the revenue shortfall from flex rate customers in their  
20 own class (I&E Statement No. 3, page 27, lines 4-6).

1 **Q. WHAT IS THE RELATIVE RATE OF RETURN FOR THE NON-FLEX**  
2 **AND FLEX LDS/LGSS CUSTOMERS AS A RESULT OF SEPARATING**  
3 **THE COSTS BETWEEN THE FLEX AND THE NON-FLEX LDS/LGSS**  
4 **CUSTOMERS?**

5 A. The results of my analysis showed that the relative rate of return for the non-flex  
6 customers is 0.92 and the relative rate of return for the flex customers is -0.27  
7 (I&E Exhibit No. 3, Schedule No. 5, columns J and K, line 15).

8

9 **Q. WHAT DOES THE 0.92 RELATIVE RATE OF RETURN FOR THE NON-**  
10 **FLEX LDS/LGSS CUSTOMERS INDICATE?**

11 A. The 0.92 relative rate of return indicates that the Company has not proposed  
12 sufficient revenue be recovered from these customers to cover the cost of  
13 providing service to this class under proposed rates.

14

15 **Q. HOW MUCH ADDITIONAL REVENUE DID YOU RECOMMEND FOR**  
16 **THE NON-FLEX CUSTOMERS IN THE LDS/LGSS CLASS?**

17 A. As I described in my direct testimony, I reallocated \$1,360,000 of the requested  
18 increase to the non-flex LDS/LGSS customers so that the rate of return for non-  
19 flex LDS/LGSS customers would be equal to the target overall rate of return of  
20 8.62 and a relative rate of return of 1.06 (I&E Exhibit No. 3, Schedule 6, line 27).

1 **Q. WHY DID YOU MAKE THIS RECOMMENDATION UNDER PROPOSED**  
2 **RATES FOR THE NON-FLEX LDS/LGSS CUSTOMERS?**

3 A. One goal in ratemaking is that the established rates for each customer class  
4 produce revenue equal to the corresponding cost of providing service to that class.  
5 My recommendation satisfies this goal by making the relative rate of return for all  
6 classes except flex and MLDS 1.06 (I&E Exhibit No. 3, Schedule No. 6, line 15).

7

8 **Q. DID YOU ALSO RECOMMEND THAT THE FIRST \$600,000 OF ANY**  
9 **SCALE BACK BE APPLIED TO THE NON-FLEX CUSTOMERS IN THE**  
10 **LDS/LGSS CLASS?**

11 A. Yes. As I described in my direct testimony, since adding \$1,360,000 to the non-  
12 flex LDS/LGSS customers resulted in a percentage increase of 26.2%, I  
13 recommended that the first dollar relief of \$600,000 be applied to the non-flex  
14 LDS/LGSS customers (I&E Exhibit No. 3, Schedule No. 4, line 9).

15

16 **Q. DO YOU AGREE WITH MR. PLANK'S RECOMMENDATION THAT**  
17 **THE NON-FLEX LDS/LGSS CUSTOMER RECEIVE AN INCREASE NO**  
18 **HIGHER THAN THE SYSTEM AVERAGE?**

19 A. No. As described above, my analysis shows that an increase of more than the  
20 system average percent increase is justified for the non-flex LDS/LGSS customers  
21 so that the relative rate of return for the non-flex LDS/LGSS class will move  
22 towards the 1.06 goal relative rate of return (I&E Exhibit No. 3, Schedule No. 6,

1 line 15). This is because the Company has flex rate customers who do not pay  
2 their full cost of service included in the COSS.

3

4 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

5 A. Yes.