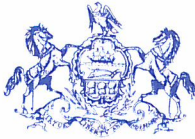


COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

555 Walnut Street, 5th Floor, Forum Place
Harrisburg, Pennsylvania 17101-1923
(717) 783-5048
800-684-6560

 @pa_oca
 /pennoca

FAX (717) 783-7152
consumer@paoca.org

August 26, 2020

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: Pennsylvania Public Utility Commission
v.
Philadelphia Gas Works
Docket No. R-2020-3017206

Dear Secretary Chiavetta:

Attached please find the Office of Consumer Advocate's (OCA) Statement in Support of the Joint Petition for Partial Settlement in this matter.

Please be advised that the OCA will not be filing a Main Brief in the above-referenced proceeding. The OCA reserves the right to file a Reply Brief should it deem necessary.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

/s/ Christy M. Appleby
Christy M. Appleby
Assistant Consumer Advocate
PA Attorney I.D. # 85824
E-Mail: CAAppleby@paoca.org

Enclosures:

cc: The Honorable Darlene Heep (**email only**)
The Honorable Marta Guhl (**email only**)
Office of Special Assistants (**email only**: ra-OSA@pa.gov)
Certificate of Service

*294707

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission :
v. : Docket No. R-2020-3017206
Philadelphia Gas Works :

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Statement in Support of the Joint Petition for Partial Settlement and Letter Re: Not Filing A Main Brief, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below.

Dated this 26th day of August 2020.

SERVICE BY E-MAIL ONLY

Carrie B. Wright, Esquire
Bureau of Investigation & Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

Sharon E. Webb, Esquire
Office of Small Business Advocate
555 Walnut Street
1st Floor, Forum Place
Harrisburg, PA 17101-1923

Daniel Clearfield, Esquire
Sarah Stoner, Esquire
Kristine E. Marsilio, Esquire
Eckert Seamans Cherin & Mellott, LLC
213 Market Street, 8th Floor
Harrisburg, PA 17101

John W. Sweet, Esquire
Elizabeth R. Marx, Esquire
Ria M. Pereira, Esquire
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17101

Gregory J. Stunder, VP
Graciela Christlieb, Esquire
Craig Berry, Esquire
Philadelphia Gas Works
800 West Montgomery Avenue
Philadelphia, PA 19122

Todd S. Stewart, Esquire
Hawke McKeon & Sniscak LLP
100 North 10th Street
Harrisburg, PA 17101

Charis Mincavage, Esquire
Adeolu A. Bakare, Esquire
Jo-Anne Thompson, Esquire
McNees Wallace & Nurick LLC
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166

Josie B. H. Pickens, Esquire
Joline R. Price, Esquire
Robert W. Ballenger, Esquire
Community Legal Services, Inc.
1410 West Erie Avenue
Philadelphia, PA 19140

Joseph Otis Minott, Esquire
Ernest Logan Welde, Esquire
Clean Air Council
135 South 19th Street, Suite 300
Philadelphia, PA 19103

Devin McDougall, Esquire
Cassandra R. McCrae, Esquire
Clean Air Council & Sierra Club
1617 John F. Kennedy Blvd., Suite 1130
Philadelphia, PA 19103

Lauren M. Burge, Esquire
Eckert Seamans Cherin & Mellott, LLC
600 Grant Street
44th Floor
Pittsburgh, PA 15219

Kinteshia Scott, Esquire
Community Legal Services
1424 Chestnut Street
Philadelphia, PA 19102

/s/ Christy M. Appleby
Christy M. Appleby
Assistant Consumer Advocate
PA Attorney I.D. # 85824
E-Mail: CAAppleby@paoca.org

Darryl A. Lawrence
Senior Assistant Consumer Advocate
PA Attorney I.D. # 93682
E-Mail: DLawrence@paoca.org

Laura J. Antinucci
Assistant Consumer Advocate
PA Attorney I.D. # 327217
E-Mail: LAntinucci@paoca.org

Santo G. Spataro
Assistant Consumer Advocate
PA Attorney I.D. # 327494
E-Mail: SSpataro@paoca.org

Counsel for:
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152
Dated: August 26, 2020
*294619

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2020-3017206
	:	
Philadelphia Gas Works	:	

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

Laura J. Antinucci
Assistant Consumer Advocate
PA Attorney I.D. # 327217
E-Mail: LAntinucci@paoca.org

Darryl Lawrence
Senior Assistant Consumer Advocate
PA Attorney I.D. # 93682
E-Mail: DLawrence@paoca.org

Christy M. Appleby
Assistant Consumer Advocate
PA Attorney I.D. # 85824
E-Mail: CAAppleby@paoca.org

Office of Consumer Advocate
555 Walnut Street
5th Floor Forum Place
Harrisburg, PA 17101-1923
(717) 783-5048

Santo G. Spataro
Assistant Consumer Advocate
PA Attorney I.D. # 327494
E-Mail: SSpataro@paoca.org

Dated: August 26, 2020

Counsel for:
Tanya J. McCloskey
Acting Consumer Advocate

TABLE OF CONTENTS

I.	BACKGROUND	1
II.	TERMS OF THE SETTLEMENT	6
	A. Revenue Requirement (Settlement ¶ 16-17).....	6
	B. COVID Relief Plan (Settlement ¶¶ 18-22, 40).	10
	C. Revenue Allocation And Rate Design (Settlement ¶¶ 23-32).	14
	1. Revenue Allocation (Settlement ¶ 23).	14
	2. Rate Design (Settlement ¶ 24).....	15
	3. Rate Technology and Economic Development (TED) Rider and Micro-Combined Heat and Power (Micro-CHP) Incentive Program and Back-Up Service (BUS) (Settlement ¶¶ 28-32).....	16
	D. Low Income Customer Issues (Settlement ¶¶ 33-42).	18
	1. Limited English Proficiency.....	18
	2. Liens and CRP Arrearage Forgiveness Cost Recovery (Settlement at ¶ 38).	21
	3. Consumer Education and Outreach Plan (Settlement at ¶ 39).	22
	4. CRP Cost Recovery.....	24
	5. Low-Income Customer Issues Raised By TURN <i>et al.</i>	25
III.	CONCLUSION.....	29

The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Partial Settlement (Settlement), finds that the proposed terms and conditions of the Settlement are in the public interest and in the interests of PGW's ratepayers. The OCA respectfully requests that the Pennsylvania Public Utility Commission (Commission) approve the Settlement, without modification, for the reasons set forth below:

I. BACKGROUND

On February 28, 2020, PGW filed Supplement No. 128 to PGW's Gas Service Tariff – Pa. P.U.C. No. 2 (Supplement No. 128) and Supplement No. 85 to PGW's Supplier Tariff – Pa. P.U.C. No. 1 (Supplement No. 85) to become effective April 28, 2020, seeking a general rate increase calculated to produce \$70 million (10.5%) in additional annual revenues. On March 6, 2020, the Office of Small Business Advocate (OSBA) filed a Formal Complaint. On March 10, 2020, the Office of Consumer Advocate (OCA) filed a Formal Complaint. On March 11, 2020, the Commission's Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance, and the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) filed a Petition to Intervene. On March 19, 2020, Direct Energy Services, Inc. (Direct Energy) filed a Petition to Intervene. On April 7, 2020, the Philadelphia Industrial and Commercial Gas Users Group (PICGUG) filed a Formal Complaint. On April 13, 2020, the Tenant Union Representative Network – and Action Alliance of Senior Citizens of Greater Philadelphia (TURN, *et al.*) filed a Petition to Intervene.

On April 16, 2020, the Commission initiated an investigation into the lawfulness, justness, and reasonableness of the proposed rate increase. Supplement No. 128 and Supplement No. 85 were suspended by operation of law until November 28, 2020, unless permitted by Commission Order to become effective at an earlier date. The matter was assigned to ALJs Darlene Heep and Marta Guhl

(ALJs). On April 16, 2020, the ALJs issued a Prehearing Order setting the initial Prehearing Conference for May 5, 2020.

On April 29, 2020, I&E filed an Expedited Motion to Extend the Statutory Suspension Period During the Emergency Interruption of Normal Operations of the Pennsylvania Public Utility Commission, seeking to extend the period until January 14, 2021. On May 5, 2020, the Parties informed the ALJs that an agreement had been reached as to the I&E Motion. PGW would file a tariff supplement to extend the suspension period until December 4, 2020. On May 12, 2020, PGW filed PGW's Tariff Supplement No. 132 to its Gas Service Tariff– Pa. P.U.C. No. 2 and Tariff Supplement No. 89 to its Gas Supplier Tariff – Pa.P.U.C. No. 1.

The Prehearing Conference was held on May 5, 2020. A procedural schedule was agreed to and certain modifications to the Commission's discovery regulations were implemented. Telephonic Public Input Hearings were also scheduled for June 2 and June 3, 2020, at 1:00 and 6:00 on both days. The Public Input Hearings were held as scheduled, and several PGW customers testified on the record as to PGW's proposed rate increase.

On June 15, 2020, in accord with the procedural schedule, the OCA filed the Direct Testimony of its witnesses, Scott J. Rubin,¹ OCA Statement 1, Mark E. Garrett,² OCA Statement 2, David S.

¹ Mr. Rubin is an independent attorney and public utility industry consultant under contract with the OCA who has testified as an expert witness before utility commissions and courts in seventeen states and the District of Columbia and province of Nova Scotia. OCA St. 1 at 1-3. Since 1984, Mr. Rubin has provided legal and consulting services to a variety of parties interested in public utility regulatory proceedings. A complete description of Mr. Rubin's qualifications is provided in OCA Statement 1, Appendix A.

² Mr. Garrett is the President of Garrett Group Consulting, Inc., a consulting firm specializing in public utility regulation and litigation. Mr. Garrett is a licensed attorney and a certified public accountant, primarily working as a consultant in public utility regulation. Mr. Garrett received his bachelor's degree from the University of Oklahoma and completed post-graduate hours at Stephen F. Austin State University and at the University of Texas at Arlington and Pan American. Mr. Garrett received his juris doctorate degree from Oklahoma City University Law School and was admitted to the Oklahoma Bar in 1997. Mr. Garrett has provided expert testimony in utility proceedings in a number of jurisdictions, including the states of Alaska, Arizona, Arkansas, Colorado, Florida, Indiana, Massachusetts, Nevada, Oklahoma, Texas, Utah, and Washington. Mr. Garrett's complete qualifications are listed in OCA Statement 2, Appendix A.

Habr,³ OCA Statement 3, Jerome D. Mierzwa,⁴ OCA Statement 4 and Roger D. Colton,⁵ OCA Statement 5. Other Intervenors also filed direct testimony, including OSBA, I&E, TURN, *et al.*, PICGUG and the Sierra Club and Clean Air Council (Environmental Advocates).

On June 25, 2020, PGW filed a Motion *in Limine* seeking to strike portions of the testimonies of OCA witness Roger Colton and TURN, *et al.*'s witness Harry Geller. (PGW Motion). On June 30, 2020, the OCA and TURN, *et al.* each filed an Answer opposing the PGW Motion. On July 8, 2020, the ALJs issued an order granting in part and denying in part the PGW Motion and ordering that certain portions of both the Colton and Geller testimony be stricken from the record (July 8 ALJs Order).

On July 13, 2020, the OCA filed the Rebuttal Testimony of Jerome D. Mierzwa, OCA Statement 4-R. PGW, I&E, OSBA and PICGUG also filed rebuttal testimonies. On July 15, 2020, and July 21, 2020, TURN *et al.*, and the OCA, respectively, filed their Petitions for Interlocutory

³ Dr. David Habr is the owner of Habr Economics, a consulting firm founded in January 2009 that focuses on cost of capital and mergers and acquisitions. Dr. Habr received a Bachelor of Arts and a Master of Arts degree in economics from the University of Nebraska- Lincoln and a Ph.D. degree in Economics from Washington State University. Dr. Habr has provided expert testimony in merger cases in Maine and Maryland, rate of return testimony in Hawaii, Pennsylvania, Maine and Maryland, and debt service coverage ratio testimony in Philadelphia Gas Works' 2017 rate case. Dr. Habr's professional background and qualifications are described in OCA Statement 3, Exh. DSH-1.

⁴ Mr. Mierzwa is a principal at and the President of the utility consulting firm, Exeter Associates Inc., and has been affiliated with the firm since April 1990. During his tenure with Exeter, Mr. Mierzwa has specialized in, among other things, evaluating the gas purchasing practices of natural gas utilities, utility cost of service and rate design analysis, performance-based incentive regulation and revenue requirement analysis. Mr. Mierzwa has testified in more than 300 utility regulatory proceedings in 13 states, including Pennsylvania. He holds a Bachelor's degree and a Masters of Business Administration degree from Canisius College. His full background and qualifications are provided in Appendix A, attached to OCA Statement 4.

⁵ Mr. Colton is a Principal of Fisher Sheehan & Colton, Public Finance and General Economics in Belmont, Massachusetts. He provides technical assistance to public utilities and primarily works on low income utility issues. Mr. Colton has devoted his professional career to helping public utilities, community-based organizations and state and local governments design, implement and evaluate energy assistance programs to help low income households better afford their home energy bills. He has been involved with the development of the vast majority of ratepayer-funded affordability programs in the nation. A more complete description of Mr. Colton's education and experience is provided in OCA Statement 5, Appendix A.

Review and Answer to Material Questions for consideration by the Commission as to the July 8 ALJs Order. On July 24, 2020, the OCA filed the Surrebuttal Testimony of its witnesses Scott J. Rubin, OCA Statement 1-S, Mark E. Garrett, OCA Statement 2-S, David S. Habr, OCA Statement 3-S, Jerome D. Mierzwa, OCA Statement 4-S, and Roger D. Colton, OCA Statement 5-S. On July 28, 2020, in accord with the July 8 ALJs Order, the OCA filed the Revised Direct Testimony of Roger Colton, OCA Statement 5 with the appropriate sections removed.

Evidentiary hearings were held on July 29, 2020. All previously identified OCA testimony was admitted into the record, including OCA Statement 5 – Revised. On August 6, 2020, the Commission issued an Order granting the Petitions of OCA and TURN, *et al.*, and reinstated the stricken portions of the Colton and Geller testimonies.⁶ Accordingly, on August 12, 2020, the OCA submitted the original Direct Testimony of Roger Colton, OCA Statement 5, for inclusion in the record.

Subsequent to the August 6 Order, the Parties agreed that supplemental rebuttal, surrebuttal and rejoinder would be necessary in order to preserve the Due Process rights of all Parties. As authorized by the ALJs, dates were set for the submission of such testimonies as may be needed, and the date for Main Briefs was moved from August 19 to August 20, 2020. It was also agreed to by the Parties that any further testimonies that may be submitted would not require an affirmative filing in response, but rather issues raised therein would be preserved for briefing. On August 13, 2020, PGW filed the Supplemental Rebuttal of Denise Adamucci.

The parties engaged in a number of settlement discussions during the course of this proceeding. As a result of these settlement discussions, the Company, OCA, I&E, OSBA, and PICGUG (collectively, Joint Petitioners) were able to agree to resolve certain contested issues in

⁶ Pa. PUC v. PGW, Dock. No. R-2020-3017206 (Order entered Aug. 6, 2020) (August 6 Order).

this proceeding, resulting in a partial Settlement of this matter. On August 19, 2020, the ALJs were notified that a partial settlement had been reached.⁷ Subsequently, the ALJs advised the Parties that the Joint Petition for Partial Settlement, Statements in Support and Main Briefs on the contested issues would now be due on August 26, 2020.⁸ In accord with the ALJs' directions, the OCA submits this Statement in Support of the Partial Settlement.

The terms and conditions of the Settlement satisfactorily address the issues raised in the OCA's Formal Complaint and testimony. The OCA recognizes that this Settlement contains modifications from the original recommendations proposed by the OCA. The OCA submits, however, that the agreed upon Settlement achieves a fair resolution of the many complex issues presented in this proceeding.

In this Statement in Support, the OCA addresses those areas of the Settlement that specifically relate to important issues that the OCA raised in this case. The OCA expects that other parties will discuss how the Settlement's terms and conditions address their respective issues and how those parts of the Settlement support the public interest standard required for Commission approval.

⁷ The Environmental Advocates are litigating their issues, as set forth in the Settlement:

The parties agree that the following issues shall be the subject of litigation:

Rate Increase: Whether PGW's rate increase should be denied because its infrastructure modernization program inadequately accounts for potential future mandates related to climate change;

Climate Business Plan: Whether PGW should prepare and submit to the Commission a Climate Business Plan to significantly reduce or eliminate greenhouse gas emissions prior to being granted a rate increase.

Customer Charges: Whether any increase in the customers charges should be granted.

Settlement at ¶46.

⁸ TURN, *et al.* and CAUSE-PA do not oppose the Settlement. The Environmental Advocates oppose the Settlement.

For these reasons, and those that are discussed in greater detail below, the OCA submits that the Settlement is in the public interest and in the interest of PGW's ratepayers, and should be approved by the Commission without modification.

II. TERMS OF THE SETTLEMENT

A. Revenue Requirement (Settlement ¶¶ 16-17).

Through Tariff Supplement No. 128, PGW proposed to increase rates designed to produce additional annual operating revenue of approximately \$70 million, or an increase of 10.5 percent.⁹ PGW's rates are established using the cash flow method.¹⁰ Under this method, the revenue requirement is the sum of operating expenses, debt service, and a "margin" sufficient to maintain the organization's ability to attract capital on reasonable terms.¹¹ The 1998 Ordinance under which all of PGW's outstanding revenue bonds have been issued requires that 1.5 times the debt service amount be included in the rate calculation.¹²

The Company's testimony provided that its \$70 million base rate increase proposal was driven by several factors, including modernizing infrastructure and increases in the following: pension costs, post-retirement benefit costs, capital spending, and debt service.¹³ The Company also argued that it is critically important that it maintain its financial metrics and current financial position so that it can maintain access to, and improve its borrowing costs for long-term bond transactions and access to credit facilities.¹⁴

⁹ PGW St. 1 at 2.

¹⁰ Id.

¹¹ OCA St. 3 at 2-3.

¹² Id.

¹³ PGW St. 1 at 3.

¹⁴ Id.

In its approach to this proceeding, the OCA recognized the impact of this unusual public health crisis and the resulting affects it has had on our economy. As stated by Scott Rubin in his testimony submitted on behalf of the OCA:

Through no fault of its own, PGW ended up filing its application just weeks before its service area -- indeed the entire world -- was devastated with the worst pandemic in a century. Understandably, PGW prepared this case assuming “business as usual,” but life and business in its service territory is now anything but normal.

In particular, I am very concerned about the impact that significant rate increases would have on PGW’s customers at this time. To be blunt, this is not the time to impose higher costs on either people or businesses. If regulation is supposed to be a substitute for market forces, then we must recognize that except for those commodities experiencing significant imbalances of supply and demand due to the pandemic, competitive businesses cannot sustainably raise prices when their customers’ incomes have decreased significantly. . . . Simply stated, what may have been a “just and reasonable” rate three months ago may be unreasonable today.¹⁵

PGW’s Operations were impacted by the COVID-19 pandemic, including, among other things, having to scale back construction activities due to the Governor’s Emergency Declaration.¹⁶ Accordingly, the OCA recommended a reduction in net construction expenditures to reflect more recent expenditure levels, which would also reduce the rate impact on customers.¹⁷ The OCA also recommended numerous adjustments to the Company’s proposed budgeted expenses.¹⁸ Additionally, the OCA recommended a debt service coverage ratio of 1.88.¹⁹ The OCA’s debt service coverage ratio recommendation reflected the burden customers are carrying

¹⁵ OCA St. 1 at 9.

¹⁶ PGW St. No. 2-R at 8.

¹⁷ OCA St. 3 at 2.

¹⁸ OCA St. 2 at 7.

¹⁹ PGW St. 3 at 5.

as a result of the COVID-19 pandemic while still providing PGW with sufficient funds to maintain investment grade bond ratings.²⁰

The Settlement provides that the Company shall be permitted to increase base rates on a delayed and phased in schedule.²¹ The Settlement results in rates designed to produce \$35 million in additional revenue at the conclusion of the phase in, in lieu of the \$70 million in additional annual revenue by December of 2020 as originally requested by PGW.²² Importantly, this rate increase will be delayed, and then implemented and phased-in over an extended period of time. Specifically, the first rate increase will take effect on January 1, 2021, and is designed to produce additional annual revenue of \$10 million.²³ The second increase will take effect on July 1, 2021, six months later, and is designed to produce additional revenues of \$10 million. Lastly, a third increase of \$15 million occurs on or after January 2, 2022.²⁴

Importantly, as a result of this Settlement, PGW will not file a general rate increase pursuant to 66 Pa. C.S. 1308(d) any sooner than January 1, 2022.²⁵ This stay-out provision will provide for some level of rate stability for the Company's customers as the phase in is completed. As such, the OCA submits that the stay-out provision of the Settlement is in the public interest and the interests of PGW's customers.

²⁰ OCA St. 3 at 6.

²¹ Settlement at ¶¶ 16-17.

²² Settlement ¶ 16.

²³ Id.

²⁴ Id.

²⁵ This Settlement provision does not apply to extraordinary or emergency rate relief pursuant to 66 Pa C. S. Section 1308(e), or tariff changes required or authorized by PUC order or industry-wide changes in regulatory policy which affect PGW's rates; Settlement ¶ 17.

These Settlement provisions are carefully designed to balance the interests of PGW and its customers. As the COVID-19 pandemic has progressed, some business operations in Pennsylvania have reopened including PGW resuming construction activities.²⁶ As part of resuming these activities, the Company continues to fulfill its obligations under its Long-Term Infrastructure Improvement Plan (LTIIIP), which are necessary to address higher risk assets on its system and ensure safe, reliable service to its customers.

It is evident, however, that customers are struggling during this unprecedented situation. Moreover, the COVID-19 pandemic is an evolving situation and it is unclear the extent to which it may further inhibit the Pennsylvania economy in the future. Accordingly, the Joint Petitioners have agreed to defer the beginning of the agreed upon increase until January 1, 2021, and the remainder being phased-in through January 1, 2022. While it is possible that this pandemic may continue until such time, the OCA believes this is a fair compromise in light of the other provisions and protections provided to customers by this Settlement. Additionally, based on the OCA's analysis of the Company's filing, the proposed revenue increase under the Settlement represents an amount which, in the OCA's view, would be within the range of likely outcomes in the event of full litigation of the case.

The OCA also notes that the Settlement represents a "black box" approach to the revenue requirement including cost of capital issues, unless otherwise specified. Black box settlements avoid the need for protracted disputes over the merits of individual revenue requirement adjustments and avoid the need for a diverse group of stakeholders to attempt to reach a consensus on each of the disputed accounting and ratemaking issues raised in this matter, as policy and legal positions can differ. As such, the parties have not specified a dollar amount for each issue or

²⁶ PGW St. 2-R at 8-9.

adjustment raised in this case. Attempting to reach agreement regarding each adjustment in this proceeding would have likely prevented any settlement from being reached.

The OCA submits that the Revenue Requirement portion of the Settlement is reasonable and in the public interest. Accordingly, it should be approved without modification.

B. COVID Relief Plan (Settlement ¶¶ 18-22, 40).

Given the unprecedented pandemic situation affecting the financial well-being of PGW customers, along with the rest of the Commonwealth, nation and world, the Settlement provides for a COVID-19 Relief Plan (C19RP)²⁷ to operate as an additional source of relief for the many vulnerable PGW customers during this time.²⁸ OCA witness Scott J. Rubin testified, at length, about the financial hardships faced by many Philadelphians due to unemployment and wage loss as a result of the pandemic and how increased natural gas rates during this time would further impede PGW customers' abilities to afford service. In his direct testimony, Mr. Rubin states,

Residential customers are experiencing unprecedented levels of unemployment and other economic dislocation (such as reduced hours of work), while many are battling the COVID-19 infection.²⁹

Through this emergency relief plan, PGW will apply GCR Pipeline Refunds towards a one-time \$300 per eligible customer credit on the PGW gas bill (C19RP credit).³⁰ The \$300 C19RP credit will be distributed up to a total of \$2 million, or to 6,660 customers, on a "first-come-first-serve" basis to eligible customers³¹ and will roll over to the eligible customer's subsequent PGW gas bills

²⁷ Settlement at ¶¶ 18-22.

²⁸ C19RP is a product of settlement negotiations and was not originally introduced as a part of PGW's rate increase filing.

²⁹ OCA St. 1, p. 21, lines 7-10.

³⁰ Settlement at ¶ 18.

³¹ According to the Settlement, residential customers are eligible for the C19RP credit if they fall into the following categories: contract employees and self-employed, households in which a household member is caring for someone with COVID-19, households in which a household member is caring for children at a time when the

until exhausted.³² In addition to \$300 C19RP credit, the Settlement also includes provisions which provide for a suspension of PUC-related collection efforts and waivers of late and reconnection fees for eligible customers.³³

The OCA submits that the C19RP is in the public interest as it represents an opportunity to assist many customers impacted by COVID-19. As of mid-July, the unemployment rate in Philadelphia was 15.8% and wage loss for Philadelphian households was more than 50%.³⁴ Given the substantial reductions in employment and wages, there is an unusually large pool of ratepayers unable to afford utility bills. C19RP will help to relieve some of the burden on PGW customers of unaffordable natural gas bills along with the compilation of arrears as a result of COVID-19.

In addition to the \$300 credit, all PUC-related collection efforts towards PGW customers enrolled in C19RP will be suspended for any amounts due for service beginning as of the March 2020 billing cycle and continuing through the duration of the PUC Emergency Order or April 1, 2021, whichever comes first.³⁵ This provision of C19RP addresses a finding by the Electric Power Research Institute (“EPRI”), cited in OCA witness Scott Rubin’s direct testimony, that about two-thirds of people who lost their jobs during the pandemic are concerned about being able to pay their energy bills, more than 20% of survey respondents reported that their energy bills were higher because of the pandemic, and more than 25% of people who lost their jobs are planning to skip at

children’s school or childcare is normally open but is not open, households with a member on furlough, households experiencing financial hardship related to the pandemic, and households in which a member has lost work, even if there is another income-earning member in the household. Settlement at ¶ 19.

³² Id.

³³ Settlement at ¶¶ 12 and 22(c)-(d).

³⁴ OCA St. 1-SR, p. 4-5.

³⁵ Settlement at ¶ 12(a).

least one utility bill payment.³⁶ Also under the C19RP, eligible customers will be entitled to receive waiver of late fees from March 19 until the end date of the current waiver of late fees, unless late fees are re-implemented prior to a customer enrolling in C19RP.³⁷ Reconnection fees will also be waived for the duration of the PUC Emergency Order upon C19RP enrollment.³⁸ The OCA submits that delaying collections efforts and the waiver of late and reconnection fees for the PGW customers eligible for C19RP is in the public interest as it adds a further layer of protection for customers who likely will not have the funds during this time to pay the bills and fees associated with late payments and disconnection of service due to nonpayment.

The Settlement also ensures that customers who may be otherwise eligible for CRP are encouraged to apply for CRP.³⁹ If a C19RP-eligible customer is not eligible for CRP, any remaining current applicable balance that customer may have will be eligible for a long-term deferred payment arrangement (including the suspended amount) of no less than 12 months.⁴⁰ The at least 12-month payment arrangement will be provided to the customer even if the customer has had a prior PGW payment arrangement and/or Commission-authorized payment arrangement.⁴¹

Moreover, the C19RP payment arrangement will not be counted by PGW as a Commission-authorized or PGW payment agreement and will not otherwise be considered regarding future payment arrangement eligibility.⁴² The Settlement specifically provides that

³⁶ OCA St. 1, p. 18, lines 9-12; see also, Schedule SJR-5, pp. 3, 5 and 7 (footnote omitted).

³⁷ Settlement at ¶ 22(c)-(d).

³⁸ Id.

³⁹ Settlement at ¶ 22(b). To be clear, customers will be encouraged to apply for CRP but enrollment in CRP is not required in order for customers to enroll and receive the benefits of C19RP.

⁴⁰ Id.

⁴¹ Settlement at ¶ 22(b)

⁴² Settlement at ¶ 22(b).

customers who receive C19RP payment agreements do not waive their right to also obtain a Commission-authorized payment agreement under Section 1405 of the Public Utility Code.⁴³ The Company may also offer longer payment arrangements to C19RP participants at the discretion of the Company.⁴⁴ This provision is in the public interest as it ensures that eligible customers are informed of the CRP program, and encouraged to apply, if that better suits the customer's needs.

Lastly, under C19RP, if by March 1, 2021 the PUC's Emergency Order has not ended, PGW agrees to meet with the parties by no later than March 5, 2021 to discuss a possible extension of the customer benefits contained in the C19RP.⁴⁵ The Settlement also provides:

If, after the Commission's current termination moratorium expires or is otherwise terminated, the Commission issues a similar order reinstating a termination moratorium due to the COVID-19 pandemic, while not delaying the Company's response to any cessation order, the Company will initiate discussions with the parties to this Settlement within thirty (30) days of the order to discuss a possible extension of customer benefits provided. PGW reserves the right to petition the Commission to take action or modify (i) the current termination moratorium order if the order remains in place beyond December 1, 2020, or (ii) any such similar order.⁴⁶

The OCA submits that this provision is in the public interest as it addresses the great uncertainty surrounding the length of this pandemic and the extent of its economic repercussions on ratepayers as cited by Mr. Rubin in his surrebuttal testimony:

The future is uncertain; the situation is dynamic and changing almost daily; and we do not know the long-term impact on our people, businesses, or economy.⁴⁷

⁴³ Settlement at ¶ 22(b); 66 Pa. C.S. § 1405.

⁴⁴ Settlement at ¶ 22(b).

⁴⁵ Settlement at ¶ 22(g).

⁴⁶ Settlement at ¶ 40.

⁴⁷ See OCA St. 1, p. 24.

The C19RP provisions of the Settlement, taken together, are in the public interest as they provide a small, yet impactful, amount of relief to PGW customers in need of financial assistance during this difficult time. Given the remaining uncertainty of the full impact of COVID-19 on PGW customers, additional support to customers may be necessary in the future. Nevertheless, the OCA submits that C19RP is in the public interest as it is a critical first step in protecting vulnerable PGW customers from the financial impacts of the pandemic and should be approved by the Commission, without modification.

C. Revenue Allocation And Rate Design (Settlement ¶¶ 23-32).

1. Revenue Allocation (Settlement ¶ 23).

PGW proposed to allocate approximately 84% of the proposed \$70 million increase to residential customers. The OCA opposed PGW's allocation proposal, arguing that it was based on its flawed Cost of Service Study (COSS) which was inconsistent with Commission precedent in this area.⁴⁸ Further, OCA witness Jerome D. Mierzwa found that as a result of PGW's modifications to its COSS in Rebuttal there had been significant changes to the cost of service for the residential customer class, which made it "unreasonable not to modify the Company's initial revenue distribution to reflect the significant change in the indicated Residential cost of service."⁴⁹

The Parties agreed to resolve their various differences over allocation, as the Settlement⁵⁰ provides:

⁴⁸ OCA St. 4 at 21-24.

⁴⁹ OCA St. 4-S at 5-6.

⁵⁰ Settlement at ¶ 23.

Rate Class	Increase Percentage	Revenue Allocation Scaled to \$35 million
Residential	8.603%	27,396
Commercial	6.833%	4,092
Industrial	8.286%	388
Municipal	11.562%	525
PHA-GS	12.929%	175
PHA-Rate 8	8.660%	225
NGVS	0.000%	0
Rate IT	17.317%	2,199
TOTAL		35,000

The OCA submits that based on the various COSS presented in this matter the Settlement presents a fair and reasonable allocation of the phased-in revenue increases. Accordingly, the OCA submits this Settlement provision is in the public interest and should be approved.

2. Rate Design (Settlement ¶ 24).

PGW proposed to increase the monthly Residential customer charge for the Residential Class from \$13.75 to \$19.25, a 40% increase. Mr. Mierzwa found that the increase in the customer charge was “out of line with the Residential customer charges of other NGDCs in the Commonwealth,” violated “the principle of gradualism,” and that “a high fixed monthly customer charge is inconsistent with the Commission’s general goal of fostering energy conservation.”⁵¹ Mr. Mierzwa recommended that if PGW’s request for an increase of \$70 million in total operating revenues were granted in full, then the customer charge should be increased to no more than \$16.00.⁵² Mr. Mierzwa further recommended that to the extent the Commission authorized an increase that was less than the PGW’s requested increase, the \$16.00 charge should be proportionately scaled-back to reflect the reduction in the Company’s requested increase.⁵³

⁵¹ OCA St. 4 at 33.

⁵² OCA St. 4 at 35.

⁵³ Id.

OCA witness Roger Colton also testified as to the impacts of PGW's proposed customer charge increase, especially as to its low-income customers.⁵⁴ As Mr. Colton testified:

According to PGW witness Dybalski, this proposal increases the residential customer charge by 40%. (PGW St. 6, at 7). The size of the residential customer charge is important to all residential customers because it is an "unavoidable" fixed monthly charge. I support OCA witness Mierzwa recommendation regarding the residential customer charge.⁵⁵

The Parties agreed to resolve the residential customer charge issue as set out in the Settlement at Paragraph 24. In accord with the phased-in revenue increase, the customer charge will increase \$.35 on January 1, 2021, then an additional \$.35 on July 1, 2021, and finally an additional increase of \$.45 on January 1, 2022.⁵⁶

The OCA submits that the phased-in customer charge increase, resulting in a total change from PGW's current customer charge of \$13.75 to \$14.90 over this period of time is reasonable and consistent with the OCA's recommended scale back in this proceeding. Accordingly, the OCA submits this Settlement provision is in the public interest and should be adopted.

3. Rate Technology and Economic Development (TED) Rider and Micro-Combined Heat and Power (Micro-CHP) Incentive Program and Back-Up Service (BUS) (Settlement ¶¶ 28-32).

In its last base rate proceeding, the Company proposed to implement, on a pilot basis, the Technology and Economic Development (TED) Rider, which PGW contended would increase access and expand the use of natural gas by giving commercial customers more options to obtain natural gas. Mr. Mierzwa recommended "that in its next base rate proceeding, PGW provide

⁵⁴ OCA St. 5 at 12-35.

⁵⁵ OCA St. 5 at 12.

⁵⁶ Settlement at ¶ 24.

information showing the rate of return on incremental investment for TED Rider customers, consistent with the requirement imposed on PGW in its last base rate proceeding [to] assist in ensuring that the TED Rider is operating as intended and not adversely affecting other customers.”⁵⁷ Further, the Company proposed to modify the incentives offered under the Micro-CHP Incentive Program to clarify the incentives available to customers. Mr. Mierzwa supported the approval of the clarification to the Micro-CHP Incentive Program, “subject to the same reporting requirements imposed in PGW’s last base rate proceeding.”⁵⁸ Paragraph 28 of the proposed Settlement provides that the TED Rider “and Micro-CHP Incentive Program will continue as modified in this filing.”⁵⁹ Paragraph 29 of the proposed Settlement provides that “[w]ith respect to the TED Rider and Micro-CHP Incentive Program, PGW agrees to provide data on the number of customers, sales level and costs in its March 1, 2021 Annual Gas Cost Rate (“GCR”) Filing.”⁶⁰

In its last base rate case, PGW proposed a tariff provision for Back-Up Service (BUS) that would permit PGW to negotiate a rate with a customer installing any type of operable backup or emergency equipment and that would, from time to time, require natural gas from the Company for the customer’s operation of that equipment. Mr. Mierzwa supported continuing to allow PGW to provide service under Rate BUS, “subject to the same reporting requirements established in its last base rate case,” under which “PGW was required to provide data on the number of customers, sales levels, and the costs incurred to provide service under Rate BUS.”⁶¹ Paragraph 30 of the

⁵⁷ OCA St. 4 at 40.

⁵⁸ OCA St. 4 at 41.

⁵⁹ Settlement at ¶ 28.

⁶⁰ Settlement at ¶ 29.

⁶¹ OCA St. 4 at 42.

proposed Settlement provides for the modification of the “AVAILABILITY” section of Back-Up Service – Rate BUS as follows:

AVAILABILITY

Available at the Company’s sole discretion where the Customer has installed any type of operable back-up, supplementary, standby, emergency, electric or heat generation equipment and who from, time to time, will require Gas from the Company for the Customer’s operation of that equipment. This rate shall also apply to gas service for any system for which natural gas is not the primary fuel.

If a Customer is seeking interruptible back-up service, the Customer may take interruptible service at IT rates if the Customer meets all requirements of Rate IT, including that the Customer must: (1) have installed and operable alternative fuel equipment, including appropriate fuel storage capacity, capable of displacing the daily quantity of Gas subject to curtailment or interruption; or, in the alternative, (2) demonstrate to the Company’s sole satisfaction the ability to manage its business without the use of Gas during periods of curtailment or interruption.⁶²

Per Paragraph 31 of the proposed Settlement, “[i]n addition to this change, Back-Up Service – Rate BUS will continue as otherwise modified in this filing.”⁶³ Further, per Paragraph 32, “[a]s part of its Annual GCR filings, PGW will provide data on the number of customers, sales levels, revenues, and the costs incurred to provide service under Rate BUS.”⁶⁴

The Settlement provisions relating to the TED, Micro-CHP and BUS are all consistent with the OCA’s recommendations in this proceeding. As such, the OCA submits these provisions of the Settlement are reasonable, in the public interest and should be adopted.

D. Low Income Customer Issues (Settlement ¶¶ 33-42).

1. Limited English Proficiency.

⁶² Settlement at ¶ 30.

⁶³ Settlement at ¶ 31.

⁶⁴ Settlement at ¶ 32.

In their respective Direct Testimonies, OCA witness Colton and TURN *et al.* witness Geller identify concerns regarding how PGW currently addresses the needs of customers with Limited English Proficiency.⁶⁵ As Mr. Colton testifies, language access is critical for customers to have adequate access to PGW's natural gas service and programs.⁶⁶ TURN *et al.* witness Geller states that nearly a quarter of Philadelphia's population speaks a language other than English, and Mssrs. Colton and Geller found that this segment of the population needs additional language assistance.⁶⁷ The OCA submits that under the proposed Settlement, improvements will be provided for Limited English Proficiency customers giving them greater access to PGW's services and programs.

The Settlement adopts recommendations to address the concerns raised by OCA witness Colton and TURN *et al.* witness Geller to improve Limited English Proficiency customers' language access to PGW information and services. The Settlement provides that the Company will "provide availability to spoken language translation services, regardless of whether customers speaking that language comprise less than 5% of the PGW customer base, for service center communications."⁶⁸ The Company will also incorporate annual training for its customer service representatives on how to utilize the language assistance services, include a written reference guide on how to access the translation services.⁶⁹ Finally, PGW will work with its Universal Services Advisory Group (USAG) over the next year to identify ten key universal service, safety, and

⁶⁵ See, OCA St. 5 at 65-73; TURN *et al.* St. 1 at 54-61.

⁶⁶ OCA St. 5 at 71.

⁶⁷ TURN *et al.* St. 1 at 40.

⁶⁸ Settlement at ¶ 37(a).

⁶⁹ Settlement at ¶ 37(b).

customer service documents that will be made available in up to five languages, other than English and Spanish, and available on PGW's website.⁷⁰

The OCA submits that a customer's inability to communicate with customer service representatives imposes unnecessary barriers to both the customer and PGW that limit the Company's ability to serve the customer. The proposed modifications to PGW's language access policies will benefit both customers and the Company. With these proposed modifications, for example, Limited English Proficiency customers will be able to more effectively negotiate a payment agreement with the Company, and the customer service representative will be able to more clearly identify the customer's income level to determine the most appropriate payment arrangement for the customer or to evaluate the customer's eligibility for CRP.⁷¹ The customer will also better understand their rights and payment obligations so that the customer will be more likely to comply with the requirements of the payment arrangement. OCA witness Colton testifies that:

For income-challenged customers participating in CRP, for example, not only must customers know and understand their payment obligations, but they must know and understand their recertification and reverification obligations to maintain their participation in CRP. They must also know and understand their payment obligations to be able to cure any missed CRP payments in order to maintain their participation in CRP.⁷²

Moreover, the ability to identify a customer as "low-income" will help ensure that the customer is extended the right to important winter shutoff protections.⁷³

⁷⁰ Settlement at ¶ 37(c).

⁷¹ See, OCA St. 5 at 71.

⁷² Id.

⁷³ Id.

The OCA submits that these modifications are in the public interest and should be adopted. The modifications will provide greater access to language services for its customers with Limited English Proficiency. They will also help Limited English Proficiency customers to better understand their rights and responsibilities as customers and improve their knowledge of programs such as the Customer Responsibility Program (CRP).

2. Liens and CRP Arrearage Forgiveness Cost Recovery (Settlement at ¶ 38).

In his Direct Testimony, OCA witness Colton identifies concerns regarding the potential for the double recovery of the costs of arrearage forgiveness provided to low-income customers through CRP and the liens that PGW imposes upon unpaid account balances.⁷⁴ Mr. Colton testifies that he found there is a “substantive probability of the double-recovery of costs.”⁷⁵ In his examination of the Company’s reconciliation of the costs collection of arrearage forgiveness and the Company’s lien program, Mr. Colton, however, found that PGW did not track much of the information necessary to reconcile the dollars for which liens have been perfected against those dollars that have been “forgiven” pursuant to CRP, with the forgiven arrears charged to ratepayers.⁷⁶

The Settlement provides that PGW will track for 12 months the data necessary to determine whether there is in fact a double recovery of costs. Under the Settlement, the Company will collect and report the following data:

For 12 months, PGW shall report the number of liens perfected which include dollars subject to forgiveness pursuant to CRP and the dollars of pre-existing arrears covered by such liens.

⁷⁴ OCA St. 5 at 74.

⁷⁵ Id.

⁷⁶ OCA St. 5 at 75-78; see also OCA St. 5-S at 18-23.

For 12 months, PGW shall report the number of liens paid off which include dollars of pre-existing arrears subject to forgiveness pursuant to CRP.

For 12 months, PGW shall report the dollars of pre-existing arrears subject to forgiveness that were paid off as a result of a lien payoff.⁷⁷

The OCA submits that this information will address the concerns raised by OCA witness Colton in this case. The information gathered will allow the parties to be able to better understand whether there is a double recovery of the costs through the perfection of the liens and the CRP arrearage forgiveness program. The parties will also be able to better understand whether and/or how much overlap there is between the dollars recovered through the lien program and the CRP arrearage forgiveness. The information will help to inform future recommendations regarding a potential reconciliation of the dollars collected through the lien program and the CRP arrearage forgiveness program. The OCA submits that the data to be collected under the Settlement is in the public interest and the proposed data collection should be adopted.

3. Consumer Education and Outreach Plan (Settlement at ¶ 39).

The Settlement adopts the recommendation of OCA witness Colton for the Company to enhance its Consumer Education and Outreach Plan and to specifically improve its outreach to potential CRP customers at or below 0-50% of the Federal Poverty Level (FPL).⁷⁸ Under the Settlement, PGW will work with its Universal Services Advisory Committee (USAC) to refine its Consumer Education and Outreach Plan that was included with its Second Amended Universal Services and Energy Conservation Plan 2017-2022 at Docket Nos. P-2020-3018867, M-2016-2542415.⁷⁹ As a part of this review of the Consumer Education and Outreach Plan, the USAC will

⁷⁷ Settlement at ¶ 38.

⁷⁸ OCA St. 5 at 60.

⁷⁹ Settlement at ¶ 39.

specifically address outreach to low-income customers at or below 0-50% of the Federal Poverty Level.⁸⁰

In his review of PGW's quality of service provided to low-income customers, OCA witness Colton identified a concern that the Company was not effectively identifying its low-income customer population.⁸¹ Mr. Colton made two recommendations as a result of his review of the Company's low-income customer service: (1) for PGW to better identify and reach out to low-income customers potentially eligible for CRP and (2) to enhance its Customer Outreach and Education Plan to address the 0-50% of Poverty population.⁸² Increased outreach efforts about CRP would benefit both CRP-eligible low-income customers and the Company. OCA witness Colton testified:

Through CRP, PGW has the capacity to address the inability-to-pay problems of its low-income customers. In doing so, not only can the Company help its low-income customers retain service, but quality, efficient and effective performance will help improve the Company's collection of revenue, reduce out-of-pocket expenses such as working capital (through a reduced level of days of arrears and dollars of arrears) and bad debt, and reduce the need for collection activities. The ability of CRP to help the Company succeed in achieving these outcomes, however, depends on the performance of the Company in enrolling eligible customers.⁸³

In order for PGW to effectively manage its universal service program, PGW must first adequately identify low-income customers in its system; otherwise, eligible customers cannot effectively be enrolled in CRP.⁸⁴

⁸⁰ Id.

⁸¹ OCA St. 5 at 51-60.

⁸² OCA St. 5 at 60.

⁸³ OCA St. 5 at 51.

⁸⁴ Id.

The Settlement provision will help to better identify eligible low-income customers. The improved identification of low-income customers benefits both the Company and the CRP customers. The OCA submits that the Settlement provision is in the public interest and should be adopted.

4. CRP Cost Recovery.

PGW collects its CRP costs through its Universal Service and Energy Conservation (USEC) rider. In his Direct Testimony, OCA witness Colton identifies a concern regarding the potential double recovery of arrearage forgiveness costs, first through base rates and then also through the Company's USEC rider.⁸⁵ The Company's current bad debt off-set was set to expire at the effective date of new rates in this proceeding. Accordingly, Mr. Colton broadened his review of the bad debt off-set to examine whether the Company had a potential double recovery of arrearage forgiveness costs through base rates and the USEC rider. Mr. Colton's initial proposal was intended to replace the existing bad debt off-set with a broader arrearage forgiveness off-set.

As a compromise to the resolution of this issue, the Settlement provides that PGW will continue the Company's existing bad debt off-set. The Settlement provides that:

The continuation of a bad debt offset will satisfy the concerns identified by OCA witness Roger Colton at pages 61-65 regarding the double recovery of arrears collected through the CRP. PGW shall implement a 5.75% Bad Debt Offset which will offset CRP credit amounts (i.e., reported as "CRP Discount" in PGW's quarterly filings) related to average annual CRP participants exceeding 80,000 customers. The offset will be calculated as follows: (1) average annual CRP credit amount; multiplied by (2) average annual number of CRP participants exceeding 80,000 customers; multiplied by (3) 5.75%. The offset will only be effective during the effective period of the distribution base rates established in this proceeding and, unless extended by a subsequent PUC order, shall terminate upon new base rates becoming effective. In the next base rate case, all parties reserve their rights to argue their positions as to the offset.⁸⁶

⁸⁵ OCA St. 5 at 61-65.

⁸⁶ Settlement at ¶ 41.

The OCA submits that it is important that an off-set be established in order to address the potential double recovery of costs, and the Settlement proposal will achieve that objective. The Commission has previously acknowledged the potential for the double recovery of universal service costs through the USEC rider and base rates and the need to address this potential over-recovery.⁸⁷ The 2007 PGW Order provided:

We find the ALJs recommendation to be supported by the record as well as Section 1408 of the Code. Accordingly, we find OCA's argument to be convincing. Double recovery of uncollectible accounts expense is a possibility and can be alleviated by implementing a mechanism for reconciliation. The record is clear that PGW's CRP is a CAP and its purpose is to implement a means of affordable gas service to income-eligible customers.⁸⁸

The bad debt off-set will maintain a mechanism for reconciliation.

The OCA submits that the Settlement maintains an important off-set of the costs recovered through base rates and the USEC rider and effectively addresses the issue identified by OCA witness Colton. The OCA submits that the Settlement represents a reasonable resolution of this issue. The Settlement will continue the Company's existing bad debt offset and provides a 5.75% adjustment to CRP credits included in the USEC rider for incremental CRP participants over 80,000 participants. This will provide the necessary off-set to avoid double recovery of bad debt through the USEC.

5. Low-Income Customer Issues Raised By TURN *et al.*

In addition to the low-income customer issues raised by OCA witness Colton, the Settlement also addresses important low-income customer issues raised by TURN *et al.* in the

⁸⁷ See, Pa. PUC v. Philadelphia Gas Works, Docket No. R-0006193, slip op., at 39, 42 (Order entered Sept. 28, 2007) (2007 PGW Order).

⁸⁸ 2007 PGW Order at 42-43.

testimony of Harry Geller.⁸⁹ These Settlement provisions will help to improve low-income customer education programs; operation of the CRP and LIURP; and, address the Company's LIHEAP crisis acceptance policy.⁹⁰ The OCA submits that these provisions are in the public interest and should be adopted.

In response to the issues raised by TURN *et al.* witness Geller, the Settlement provides that the Company will make enhancements to low-income customer education, including Company employee training regarding domestic violence issues⁹¹ and an annual training for Community Based Organizations regarding how to use the on-line Customer Responsibility Program (CRP) tool and about CRP enrollment.⁹² PGW will also create a video explaining how to apply for CRP on-line and post the video on its media outlets and will publicize non-contact methods for CRP application.⁹³ The OCA submits that the proposed education initiative will also work to address the education and outreach concerns also raised by OCA witness Colton.⁹⁴

The Settlement will also help to improve the operation of CRP and LIURP. The Settlement includes a provision for the review and adjustment of the CRP asked to pay amounts quarterly, and an increase/decrease of the asked to pay amount if there has been a change in household income.⁹⁵ This provision will ensure that PGW will review the CRP bills to ensure that customers are not over-paying for service.

⁸⁹ Settlement at ¶¶ 33-36.

⁹⁰ Id.

⁹¹ Settlement at ¶¶ 33(a), (b), 35(b).

⁹² Settlement at ¶ 33(a).

⁹³ Settlement at ¶ 33(b).

⁹⁴ See, OCA St. 5 at 60.

⁹⁵ Settlement at ¶ 33(c).

The Company will also improve the operation of its Low Income Usage Reduction Program (LIURP). Unspent 2019 and 2020 LIURP funds will be rolled over into the current Universal Service and Energy Conservation Plan until expended.⁹⁶ PGW will also work to improve landlord consent to LIURP weatherization by providing to “the tax mailing address available online or a contact address provided by a tenant, two landlord letters seeking to obtain landlord approval to perform LIURP services for a tenant.”⁹⁷ A telephone call will replace one of the letters if a landlord telephone number is available.⁹⁸ The LIURP provisions will ensure that funds allocated for LIURP will continue to be used to address weatherization needs and the landlord outreach program will operate to try to educate landlords about the benefits of the program.

Finally, the Company will make changes to its Low Income Home Energy Assistance Program (LIHEAP) crisis acceptance policy. PGW will expand the pool of customers from whom it will restore or maintain service in exchange for a LIHEAP crisis grant.⁹⁹ The Company will also further track and analyze data with respect to its current LIHEAP crisis acceptance policy.¹⁰⁰ The program will be particularly important this year as low-income customers come out of the COVID-19 pandemic. The additional data will help all stakeholders to better understand the costs and benefits of the LIHEAP crisis acceptance policy.

The OCA submits that the Settlement provisions responsive to the TURN *et al.* testimony should also be adopted as in the public interest. The provisions will expand customer education,

⁹⁶ Settlement at ¶ 33(d).

⁹⁷ Settlement at ¶¶ 33(d), (e).

⁹⁸ Id.

⁹⁹ Settlement at ¶ 35(a).

¹⁰⁰ Settlement at ¶ 34.

improve the operation of CRP and LIURP, and evaluate and expand the LIHEAP crisis acceptance policy.

III. CONCLUSION

The OCA submits that the terms and conditions of the proposed Settlement of this rate investigation, taken as a whole, represents a fair and reasonable resolution of the issues raised by the OCA in this matter. Therefore, the OCA submits that the Settlement should be approved by the Commission, without modification as being in the public interest and in the interest of PGW's ratepayers.

Respectfully submitted,

/s/ Laura J. Antinucci

Laura J. Antinucci
Assistant Consumer Advocate
PA Attorney I.D. # 327217
E-Mail: LAntinucci@paoca.org

Darryl Lawrence
Senior Assistant Consumer Advocate
PA Attorney I.D. # 93682
E-Mail: DLawrence@paoca.org

Christy M. Appleby
Assistant Consumer Advocate
PA Attorney I.D. # 85824
E-Mail: CAAppleby@paoca.org

Santo G. Spataro
Assistant Consumer Advocate
PA Attorney I.D. # 327494
E-Mail: SSpataro@paoca.org

Counsel for:
Tanya J. McCloskey
Acting Consumer Advocate

Office of Consumer Advocate
555 Walnut Street
5th Floor Forum Place
Harrisburg, PA 17101-1923
(717) 783-5048
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