

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

Surrebuttal Testimony of
Scott J. Rubin

on Behalf of
the Pennsylvania Office of Consumer Advocate

July 24, 2020

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Schedule SJR-7S:	Federal Reserve Bank of Philadelphia, Manufacturing Business Outlook (July 2020)
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Introduction

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Q. Please state your name.

A. My name is Scott J. Rubin. I previously submitted direct testimony on behalf of the Office of Consumer Advocate (“OCA”) which has been marked as OCA Statement 1.

Q. What is the purpose of your surrebuttal testimony in this case?

A. Initially, I will provide updates to some of the information on the pandemic and the economy in Philadelphia. Next I will respond to portions of the rebuttal testimony submitted by Philadelphia Gas Works (“PGW”). Specifically, I will discuss portions of the rebuttal testimonies of PGW witnesses Stunder (PGW St. 1) and Cawley (PGW St. 12-R)

My failure to respond to a specific statement made by these witnesses should not be viewed as my acceptance of their testimony. Rather it reflects my belief that a further response in testimony is not warranted, either because it was adequately addressed in my direct testimony or because it is a legal matter that is better addressed by counsel in briefs or other pleadings.

Q. Do you have any other preliminary matters to address?

A. Yes. As was the case with my direct testimony, my testimony deals with regulatory policy issues. Given the nature of public utility regulation, much of the public policy in this field is contained in decisions by regulatory agencies and courts; or in statutes, ordinances, or regulations. I am referring to these types of sources as indicators of public policy and recognized regulatory practice, not as legal opinions or precedents. I expect any legal analysis will be provided by OCA’s counsel in briefs or other pleadings.

Updated Information on the Pandemic

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Q. How has the pandemic affected Philadelphia since your direct testimony was prepared in early June and pre-filed on June 15, 2020?

A. Since my testimony was prepared, additional data have become available concerning the effects of the pandemic on public health and the economies of Pennsylvania and Philadelphia. As I am preparing this surrebuttal in mid-July, following is a summary of the most recent information available to me:

- I have updated Figures 3 through 6 in my direct testimony to reflect the most recent information available. The updated figures are provided as Schedule SJR-5S.
- Initial unemployment claims in Pennsylvania have stabilized since peaking in late March at more than 400,000 claims in one week. For the past four weeks, approximately 50,000 Pennsylvania workers have filed initial unemployment claims each week -- about three times the weekly level experienced in February.
- Overall in the space of about four months (from mid-March through the mid-July), more than one-third of Pennsylvania's workforce filed an unemployment claim.
- On pages 13-14 of my direct testimony, I cited the U.S. Census Bureau's Household Pulse Survey as showing that through the end of May about 50% of households in Pennsylvania and Philadelphia have lost at least some of their employment income. The most recent data available are for the week ending July 7. Those figures have not changed appreciably since the end of May.
- On pages 14-15 of my direct testimony, I referred to the Federal Reserve Bank of Philadelphia's weekly reports on the pandemic's effects on the region's economy, and I provided copies of the then-current reports in Schedules SJR-2 through SJR-4. The most recent reports are attached as Schedules SJR-6S, SJR-7S, and SJR-8S. The reports show that the manufacturing environment has improved somewhat since the end of May. When I prepared my direct testimony, the report showed that 90% of manufacturers had lost at least 5% of their orders; now that figure is down to about 55%.

1 • The outlook for small business is slightly worse than it was when I
2 prepared my initial testimony. On pages 16-17 of OCA Statement 1, I
3 summarized the results of the Census Bureau’s Small Business Pulse
4 Survey for Pennsylvania and Philadelphia. At the end of May, that survey
5 reported that 42% of Pennsylvania’s small businesses expected it to take
6 six months or more to return to a normal level of operations, with another
7 9% saying their business would never fully recover. The Census Bureau
8 stopped collecting data with the week ending June 27. In the last week of
9 the survey, 41% of Pennsylvania’s small businesses said they would take
10 at least 6 months to recover, with another 12% saying they would never
11 fully recover from the pandemic.

12 • After peaking at more than 1,800 cases per day in early April,
13 Pennsylvania’s incidence of COVID-19 declined to fewer than 350 cases
14 per day in early June. In late June, case counts began rising again to 500
15 or more per day. In mid-July the situation worsened further, with
16 Pennsylvania reporting more than 1,000 new infections per day, resulting
17 in the Secretary of Health and the Governor imposing new restrictions on
18 social gatherings, certain businesses, and requiring the wearing of masks.
19 As I am preparing this testimony, it is unclear whether Pennsylvanians
20 will take the actions necessary to control the further spread of the virus
21 (and the resulting loss of life and impacts on the economy).

22 Q. Have your opinions about the pandemic and its effect on Philadelphia and the
23 Commonwealth changed in the five or six weeks since your direct testimony was
24 prepared?

25 A. No. If anything, I am more pessimistic now than I was in early June. In early June, it
26 appeared that Pennsylvania might have the pandemic under control which could have led
27 to a lessening (but not an elimination) of the effects on public health and the economy.
28 Now I am not as confident in our ability to take the actions needed to control the
29 devastating consequences of the virus. Daily case counts are nearly three times as high as
30 they were in June, new restrictions are being imposed on businesses and organizations,
31 the federal government appears unable to agree on offering more economic assistance,
32 businesses are closing, and people are dying.

1 19 mortality in Pennsylvania.¹ Further, as of July 17, more than 23,000 Philadelphians
2 tested positive for the disease.² It is this combination of events – significant loss of life, a
3 high incidence of a very contagious and virulent disease, loss of employment, and loss of
4 income – that Philadelphia has not experienced since the 1918-1919 influenza pandemic.

5 Q. Have other utilities serving Philadelphia recognized the effects of the pandemic on their
6 customers?

7 A. Yes. In February, the other City-owned utility, Philadelphia Water Department, filed for
8 approval of two years of increases in water, wastewater, and stormwater rates. In a June
9 2020 filing, the utility cited “the on-going pandemic and the uncertainty over the
10 anticipated duration of continuing emergency measures” and withdrew the requested rate
11 increases.³

Response to Mr. Cawley (PGW Statement 12-R)

13 Q. On pages 5 and 26 of PGW Statement 12-R, Mr. Cawley states that most PGW customers
14 remain employed so there is no reason to treat this case as unusual. Do you agree?

15 A. No, I do not agree. I reject Mr. Cawley’s premise and his conclusion. First, the best
16 information we have is that approximately one-third of Pennsylvania’s workforce filed an
17 unemployment claim between mid-March and the end of June. Unemployment in
18 Philadelphia has been running at least as high as the statewide average.

¹ Pa. Department of Health, <https://www.health.pa.gov/topics/Documents/Diseases%20and%20Conditions/COVID-19%20Death%20Data/Death%20by%20County%20of%20Residence%20--%202020-07-18.pdf>.

² Pa. Department of Health, https://www.health.pa.gov/topics/Documents/Diseases%20and%20Conditions/COVID-19%20County%20Data/County%20Case%20Counts_7-18-2020.pdf.

³ <https://www.phila.gov/departments/water-sewer-storm-water-rate-board/rate-proceedings/2020-rate-proceeding/>.

1 Second, according to the U.S. Census Bureau, more than 50% of Pennsylvania
2 workers report losing at least a portion of their employment income between mid-March
3 and the early July, as I discussed above. In other words, there is much more to economic
4 loss than the level of unemployment.

5 Third, the Census Bureau’s Household Pulse Survey that I discussed in my direct
6 testimony contains additional information for Pennsylvania and the Philadelphia-
7 Camden-Wilmington metro area that helps us understand the extraordinary impact of the
8 pandemic on segments of the population. I summarize this information in Schedule
9 SJR-9S.

10 Q. Please summarize the information you consider to be important from Schedule SJR-9S.

11 A. In addition to asking about income loss during the pandemic, the Census survey also asks
12 about expected income loss during the next four weeks. The results in Schedule SJR-9S
13 were collected during the week ending July 7, so the next four weeks cover the rest of
14 July and a few days in August. More than 31% of the workforces in Pennsylvania and
15 the Philadelphia metro area expect to suffer an additional income loss during that four-
16 week period.

17 I also find it noteworthy that the lower a household’s income, the greater the
18 impact of the pandemic on income loss. Similarly, households headed by a person who
19 the Census Bureau categorizes as being Black, Hispanic, or Asian are much more likely
20 to have experienced an income loss -- and to expect additional income loss during July --
21 than are households headed by a White, Non-Hispanic person.

1 Q. On pages 26-27, Mr. Cawley claims that you have “not demonstrated that the government
2 and Company assistance provided to those who have lost some or all of their income is
3 insufficient to pay the increase that the Company is requesting.” How do you respond?

4 A. First, despite the reporting in some news outlets, I would respectfully suggest that the
5 notion must be evaluated by the facts and circumstances. Before drawing any
6 conclusions about the impacts of the pandemic on people’s ability to pay their bills, look
7 at the lines at local food pantries, or talk to social service providers who are trying to
8 keep families fed and healthy.

9 Second, the Census Bureau’s Household Pulse Survey also sheds light on this
10 question. In Schedule SJR-10S I provide a summary of survey results for Pennsylvania
11 and the Philadelphia metro area that bear directly on this point. These results are from the
12 most recently released weekly survey (the week ending July 7). Specifically, for
13 households that reported losing some of their employment income, the survey asks how
14 people paid their bills during the last seven days. People were able to report multiple
15 sources of funds to pay their bills. I will discuss the results for the Philadelphia metro
16 area. Only 52% said they used their normal source of income. About 30% cited
17 unemployment benefits and 27% referred to the CARES Act stimulus payments. Indeed,
18 more people had to rely on credit card debt or loans (including loans from family or
19 friends) (46%) or money from savings or asset sales (22%) than relied on short-term
20 government benefits. Thus, I reject the implication that government benefits have been
21 sufficient to compensate most people for the loss of income during the pandemic.

1 Q. On pages 23 to 26 of his rebuttal testimony, Mr. Cawley claims that your proposal is not
2 consistent with established regulatory principles and could lead to confiscation of PGW's
3 property. How do you respond?

4 A. I disagree with Mr. Cawley. While the research is difficult (especially now when most
5 libraries are closed), there is some precedent from regulatory commissions during the last
6 nationwide pandemic, the influenza pandemic in 1918 and 1919. From these early days
7 of utility regulation in this country, it was recognized that circumstances in the economy
8 (including disease outbreaks) could affect utilities in the same way that other businesses
9 were affected. When that occurred, regulation would not protect utilities from the
10 adverse consequences. I have not conducted exhaustive research, but I did locate a case
11 decided by the Supreme Judicial Court of Massachusetts in 1919 where the owner of a
12 streetcar service challenged a public service commission ratemaking order.⁴ Among the
13 challenges faced by the business in 1918 were increases in the cost of raw materials
14 (presumably due to the war effort), reduction in ridership, and “the wide prevalence of
15 the epidemic known as influenza, a factor seriously affecting receipts during October and
16 November, 1918.”⁵

17 The Massachusetts court cited with approval a federal appellate decision that held
18 as follows:

19 To be just and reasonable, within the meaning of the constitutional
20 guaranty, the rates must be prescribed with reasonable regard for the cost
21 to the carrier of the service rendered and for the value of the property
22 employed therein; but this does not mean that regard is to be had only for
23 the interests of the carrier, or that the rates must necessarily be such as to

⁴ *Donham v. Public Service Commission*, 232 Mass. 309, 122 N.E. 397 (1919).

⁵ *Id.*, 232 Mass. at 315, 122 N.E. at 400.

1 render its business profitable, for reasonable regard must also be had for
2 the value of the service to the public. And where the cost to the carrier is
3 not kept within reasonable limits, or where for any reasons its business
4 cannot reasonably be so conducted as to render it profitable the misfortune
5 must fall upon the carrier, as would be the case if it were engaged in any
6 other line of business.⁶

7 The court went on to uphold the regulatory commission’s ratesetting order that
8 was not expected to result in the utility earning a profit. The court reasoned that “the
9 times are recognized as abnormal,” but that did not deprive the commission of its
10 regulatory responsibility to “exercise its judgment for the protection of the public
11 interests when it does not reduce substantially the revenue proposed to be exacted from
12 the public by the owners of the public utility.”⁷ The court also emphasized that the rates
13 were “likely to be impermanent and experimental.”⁸

14 In other words, the idea that ratemaking must adapt to extraordinary conditions is
15 neither new nor novel. A century ago during another serious pandemic, regulators
16 adapted, took actions that provided relief to the public, and did not inflict long-term harm
17 on the utility. This is fully consistent with my recommendations in this case. My
18 recommendations are based on a sound application of long-standing regulatory
19 principles.

⁶ *Id.*, 232 Mass. at 317, 122 N.E. at 401 (emphases added; quoting from *Missouri, Kansas & Topeka Railway Co. v. Interstate Commerce Commission*, 164 Fed. 645 (1908)).

⁷ *Id.*, 232 Mass. at 326, 122 N.E. at 405.

⁸ *Id.*

1 Q. On page 19, Mr. Cawley states: “Sound and accepted utility ratemaking should not be
2 deterred by unsettling economic circumstances.” Do you agree?

3 A. No, I do not agree. This statement is the very antithesis of sound ratemaking in the
4 public interest. Utility regulators must recognize the economic environment in which
5 utilities operate. This is supposed to be reflected not just in the authorized rate of return,
6 but also in the ultimate rates determined to be just and reasonable. As I explained in my
7 direct testimony, whether a rate is just and reasonable is a function not just of the utility’s
8 costs but also of the value and affordability of service to the customer.

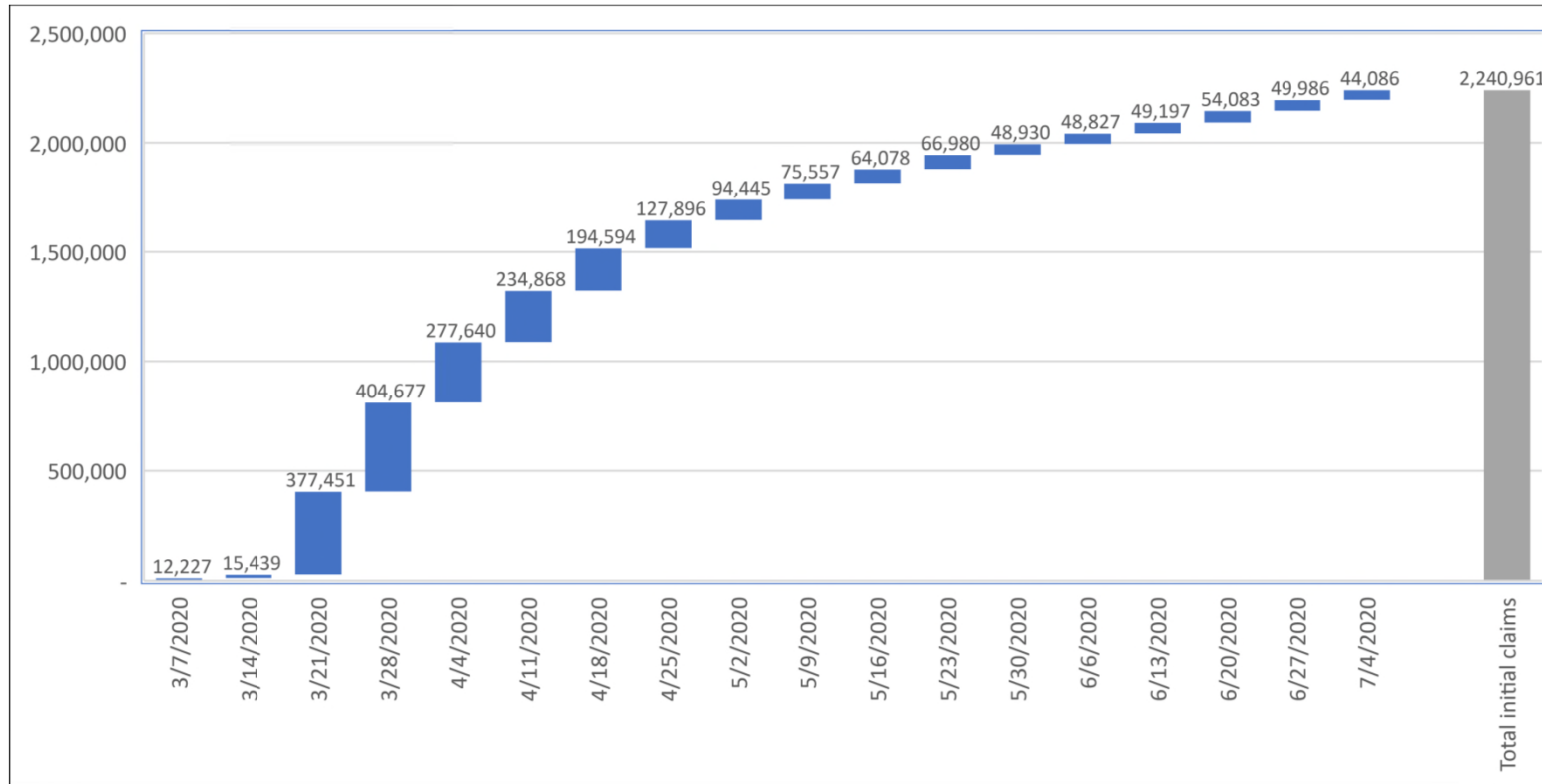
9 Q. Does anything in Mr. Cawley’s testimony cause you to change your recommendations or
10 conclusions?

11 A. No.

12 Q. Does this conclude your surrebuttal testimony?

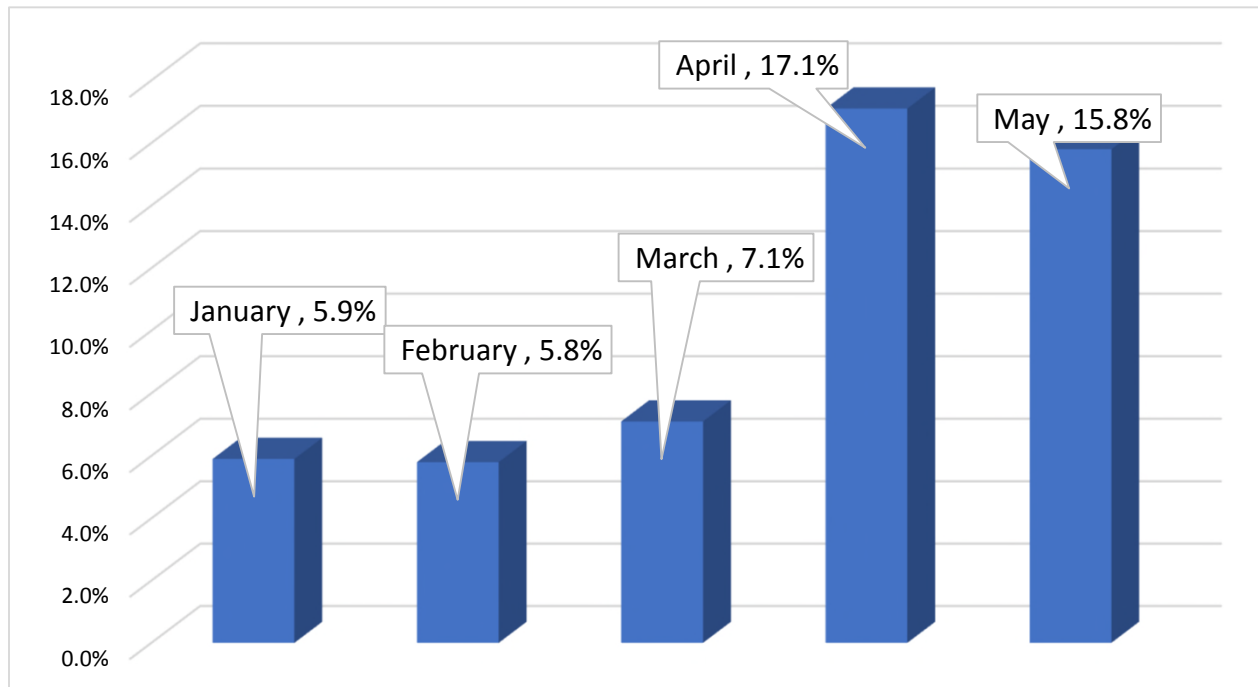
13 A. Yes.

Updated Figure 3: Initial Unemployment Claims in Pennsylvania: Weeks Ending March 7 to July 4, 2020



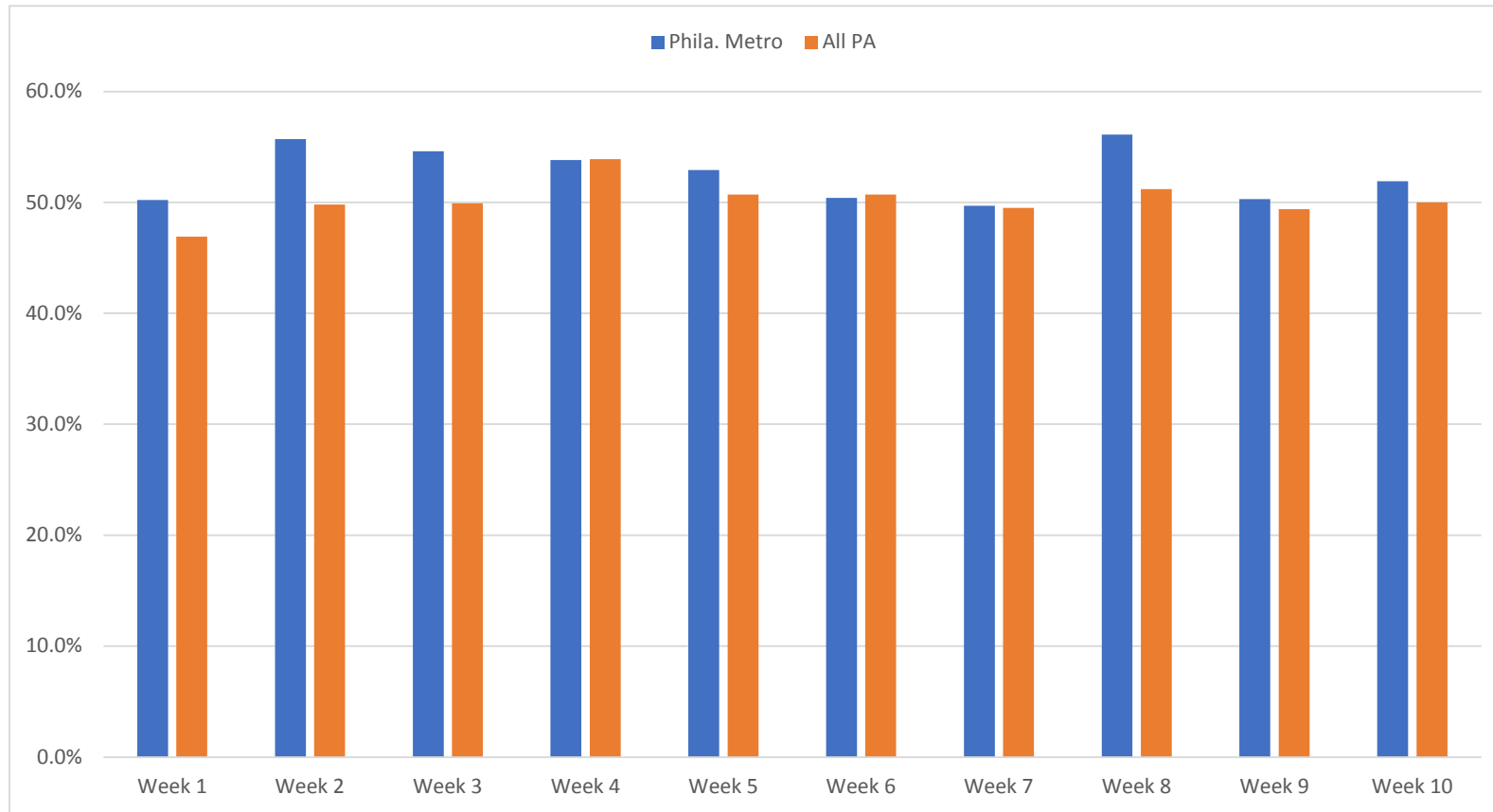
Source: U.S. Department of Labor, Weekly Unemployment Report, <http://oui.doleta.gov/unemploy/archive.asp>

Updated Figure 4: Unemployment Rate in Philadelphia, January to May 2020



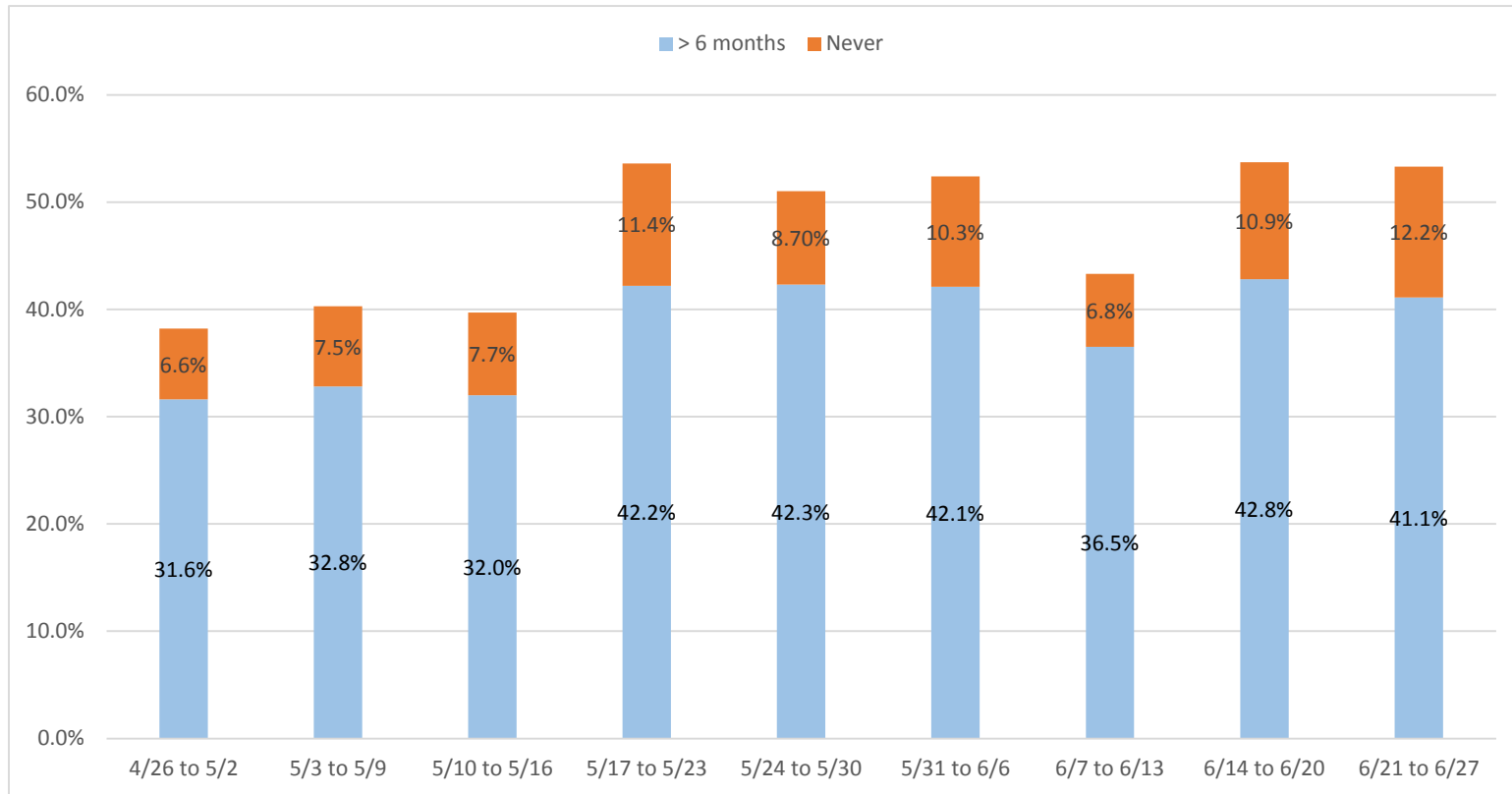
Source: Pa. Department of Labor & Industry, <https://www.workstats.dli.pa.gov/MediaCenter/MonthlyNews/Pages/default.aspx>

Updated Figure 5: Percentage of Households Experiencing Loss in Employment Income Since March 13, 2020
(Week 1 ibegins April 23)



Source: U.S. Census Bureau, Household Pulse Survey, <https://www.census.gov/data-tools/demo/hhp/#/table?measures=JLR>

Updated Figure 6: Percentage of Small Businesses in Pennsylvania Expecting it to Take at Least Six Months to Return to Usual Level of Operations (April 26 to June 27, 2020)



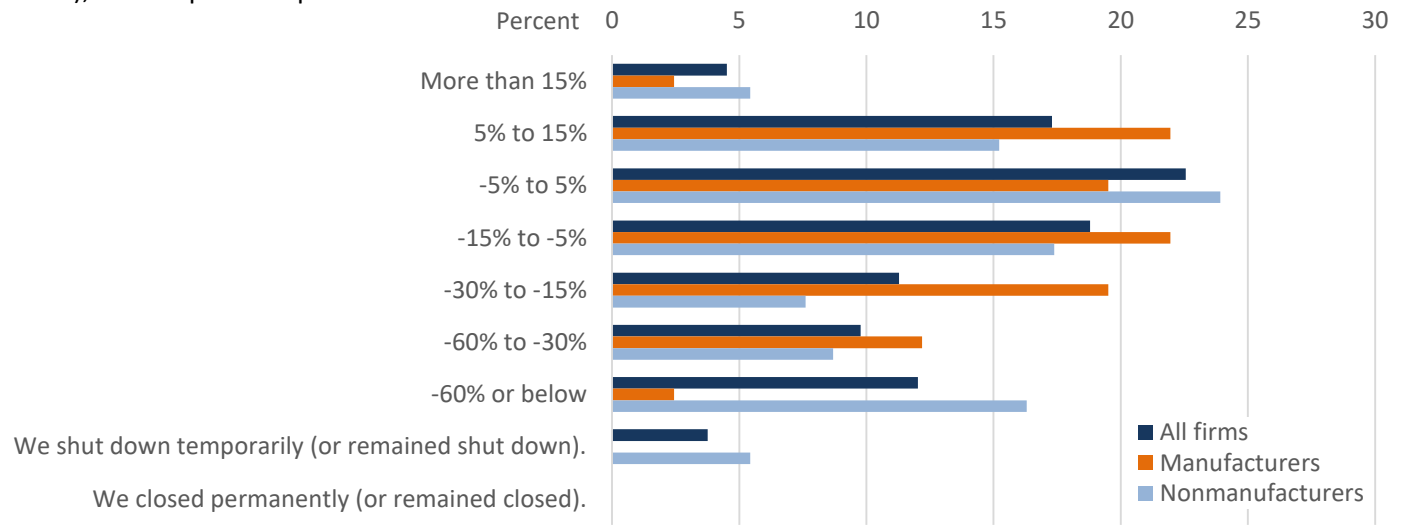
Source: U.S. Census Bureau, Small Business Pulse Survey, <https://portal.census.gov/pulse/data/>

Week ending July 5, 2020

Note: We received input from a total of 138 firms. Of those 138 respondents, 135 answered question 1.

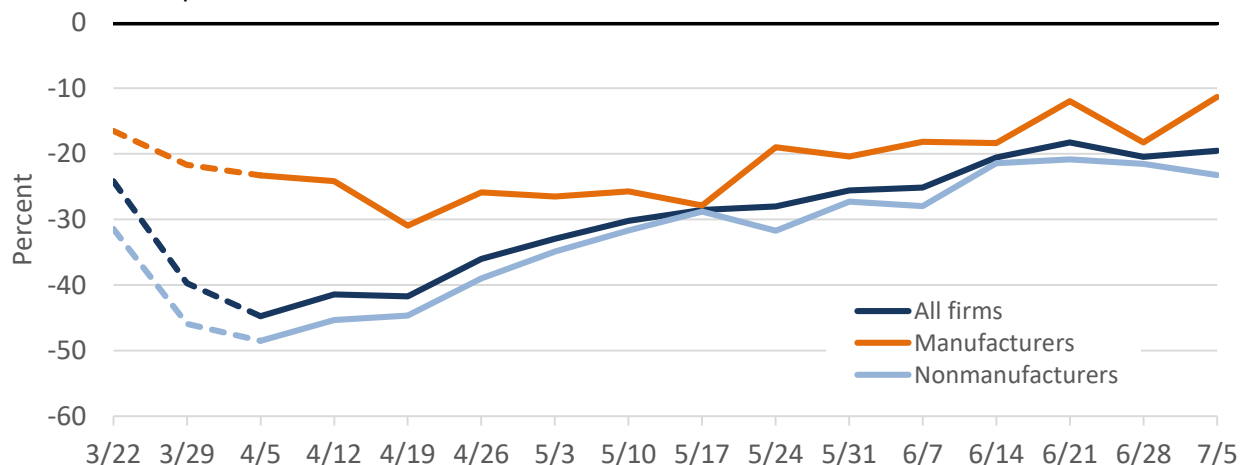
1. Considering what you had expected before the COVID-19 outbreak, what would you say has been the impact of the COVID-19 pandemic and its associated effects on the past week's new orders or sales?

Nearly 52 percent of all responding firms reported decreases of more than 5 percent in new orders or sales (down from 59 percent last week), while 22 percent reported increases of more than 5 percent (up from 13 percent). Almost 23 percent reported changes between -5 percent and 5 percent (down slightly). A larger share of manufacturers reported overall decreases relative to nonmanufacturers, while a larger share of nonmanufacturers reported little to no changes. Roughly 4 percent of the firms reported a temporary shutdown (up slightly from last week); none reported a permanent shutdown.



The chart below shows an estimated average percent change in new orders or sales by firm type based on weekly survey responses since the end of March. The average is calculated using the midpoints of the ranges of each answer option for question 1 and likely includes measurement error. The series are dashed leading up to the April 5, 2020, data point because of sample size changes over that time, and the first two weeks should not be directly compared with subsequent weeks.

The estimated average percent change in new orders or sales remained negative and edged up from -20.5 percent last week to -19.6 percent this week for all firms, rose from -18.3 percent to -11.3 percent for manufacturers, and decreased from -21.5 percent to -23.2 percent for nonmanufacturers.

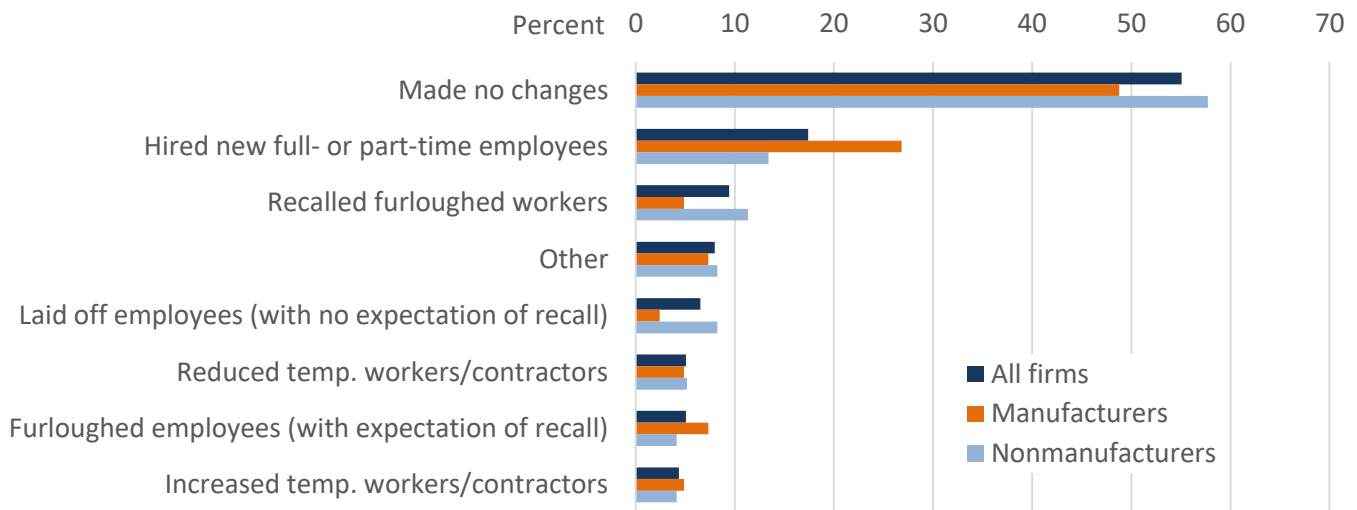


Week ending July 5, 2020

Note: All 138 respondents answered question 2. Respondents were able to choose as many options as applied.

2. For the week ending July 5, what labor force decisions did your firm make?

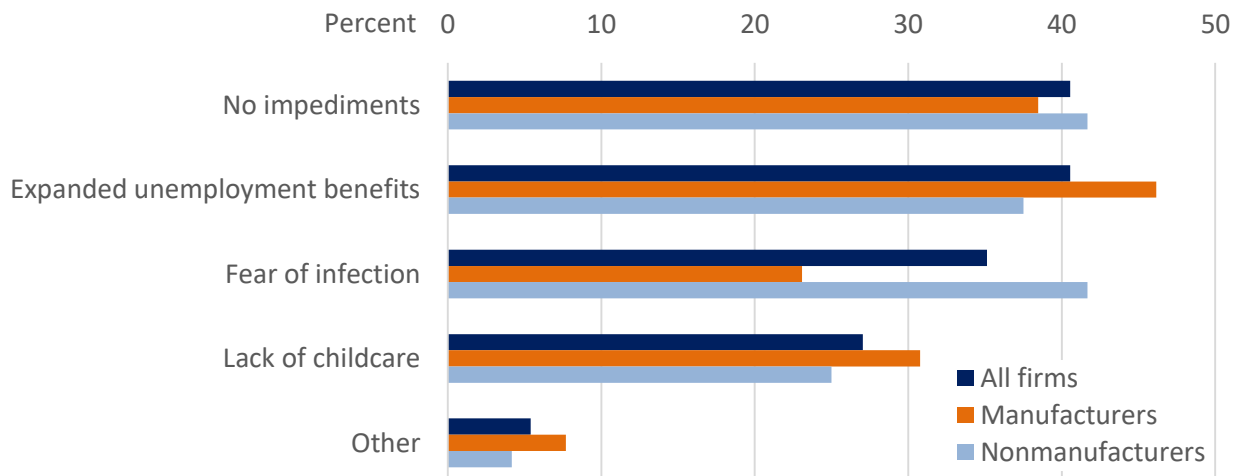
Just over 55 percent of the firms reported no changes to their labor force over the past week. More than 17 percent of the firms reported hiring new full- or part-time employees, and 9 percent reported recalling furloughed workers. A larger share of manufacturers indicated hiring new employees or no changes, while a larger share of nonmanufacturers indicated making no changes.



Note: Of the 138 total respondents, 37 answered question 3. Respondents were able to choose as many options as applied.

3. Were there any impediments to hiring or recalling workers?

Of the 37 firms above that indicated having hired new employees, recalled workers, or increased the number of temporary workers or contractors, 40 percent indicated no impediments to hiring or recalling workers. The same share indicated expanded unemployment benefits as an impediment. Firms also noted a fear of infection (35 percent) and a lack of childcare (27 percent) as impediments. A larger share of manufacturers indicated expanded unemployment benefits as an impediment relative to nonmanufacturers, while a larger share of nonmanufacturers noted a fear of infection relative to manufacturers.



MBOs

MANUFACTURING BUSINESS OUTLOOK SURVEY

July 2020

Note: Survey responses were collected from July 6 to July 13.

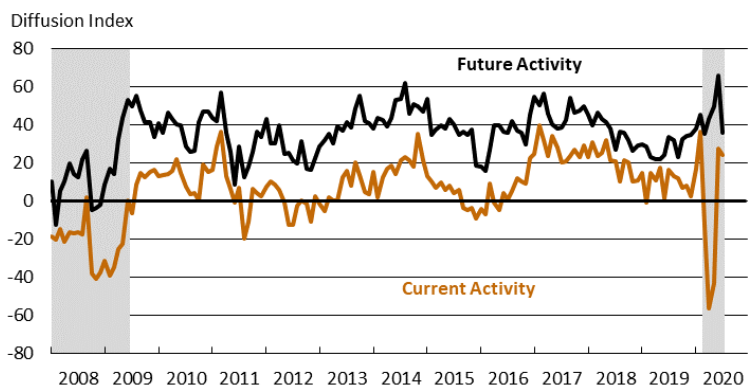
Manufacturing activity in the region continued to expand this month, according to firms responding to the July *Manufacturing Business Outlook Survey*. The survey's current indicators for general activity, new orders, and shipments showed positive readings for the second consecutive month, coinciding with the phased reopening of the economy in our region. The employment index reached positive territory for the first time since March. Although future indicators for general activity, new orders, and shipments declined from last month's readings, the indexes remained elevated, suggesting that the firms expect overall growth over the next six months.

Most Current Indicators Are Positive

The diffusion index for current activity edged down 3 points to 24.1 in July, its second consecutive positive reading after reaching long-term lows in the spring (see Chart 1). The percentage of firms reporting increases (45 percent) this month exceeded the percentage reporting decreases (21 percent). The index for new orders rose from 16.7 to 23.0. Nearly 47 percent of the firms reported increases this month, while 24 percent reported decreases. The current shipments index fell 10 points to 15.3 in July. Unfilled orders rose 4 points to 3.9, while delivery times fell 7 points to -6.4, suggesting shorter delivery times.

The firms reported increases in manufacturing employment overall for the first time since March, as the current employment index rose 24 points to 20.1 this month, its highest reading since October. More than 29 percent of the firms reported increases (up from 12 percent last month), while 9 percent reported decreases (down from 16 percent). The average workweek index rose 24 points to 17.2, also reaching its first positive reading since March.

Chart 1. Current and Future General Activity Indexes
January 2008 to July 2020



Note: The diffusion index is computed as the percentage of respondents indicating an increase minus the percentage indicating a decrease; the data are seasonally adjusted.

Firms Report Overall Increases in Prices

The prices paid diffusion index increased 5 points to 15.7 (see Chart 2). Nearly 16 percent of the firms reported increases in input prices, and none reported decreases; most firms (84 percent) reported no change. The current prices received index, reflecting manufacturers' own prices, held steady at 11.5.

All Future Indicators Remain Positive

The respondents remained optimistic about growth over the next six months. The diffusion index for future general activity fell 30 points to 36.0 in July (see Chart 1). Roughly half of the firms reported increases this month (down from 75 percent last month), while 13 percent reported decreases (up from 9 percent). The future new orders index fell 12 points to 55.6, while the future shipments index decreased 14 points to 51.3 this month. The future inventories index rose 6 points to a reading of 8.9.

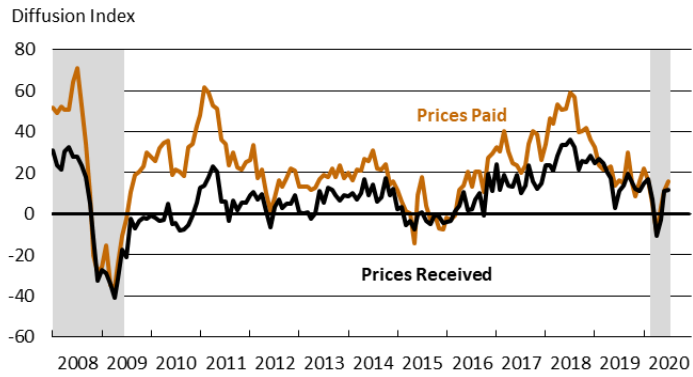
The firms' expectations for future prices remained positive

Released: July 16, 2020, 8:30 a.m. ET.

The August 2020 *Manufacturing Business Outlook Survey* will be released on August 20, 2020, at 8:30 a.m. ET.



Chart 2. Current Prices Paid and Prices Received Indexes Page 2 of 2
January 2008 to July 2020



Note: The diffusion index is computed as the percentage of respondents indicating an increase minus the percentage indicating a decrease; the data are seasonally adjusted.

this month: The future prices paid index edged down 1 point to 43.0, and the future prices received index fell 4 points to 24.7.

The firms continued to expect increases in employment over the next six months, with the future employment index edging up 3 points. Nearly 37 percent of the firms expected higher employment, while 4 percent expected lower employment. The firms' expectations for future capital spending held steady this month.

Summary

Responses to the July *Manufacturing Business Outlook Survey* indicated continued improvement in manufacturing activity. The indicators for current activity, new orders, and shipments remained positive for the second consecutive month, and the employment index reached positive territory for the first time since March. Both prices paid and prices received indexes remained positive. The survey's future indexes suggest that respondents continue to expect growth in manufacturing activity over the next six months. ■

MANUFACTURING BUSINESS OUTLOOK SURVEY July 2020	July vs. June					Six Months from Now vs. July				
	Previous Diffusion Index	Increase	No Change	Decrease	Diffusion Index	Previous Diffusion Index	Increase	No Change	Decrease	Diffusion Index
What is your evaluation of the level of general business activity?	27.5	45.1	29.4	21.1	24.1	66.3	48.5	22.6	12.5	36.0
Company Business Indicators										
New Orders	16.7	46.7	29.4	23.7	23.0	67.9	66.0	19.2	10.4	55.6
Shipments	25.3	38.2	38.7	22.9	15.3	65.0	64.5	16.2	13.1	51.3
Unfilled Orders	-0.1	16.9	68.9	12.9	3.9	31.5	28.3	58.9	6.4	22.0
Delivery Times	0.4	9.7	72.4	16.0	-6.4	18.5	25.6	55.0	15.1	10.5
Inventories	0.0	10.6	64.7	22.4	-11.8	2.9	28.5	49.3	19.6	8.9
Prices Paid	11.1	15.7	84.3	0.0	15.7	44.3	45.6	47.4	2.6	43.0
Prices Received	11.0	14.4	82.8	2.9	11.5	28.9	31.2	58.2	6.4	24.7
Number of Employees	-4.3	29.2	61.6	9.1	20.1	29.6	36.8	55.1	4.3	32.4
Average Employee Workweek	-6.5	26.3	64.4	9.2	17.2	25.9	32.5	55.6	5.3	27.3
Capital Expenditures	--	--	--	--	--	26.3	33.0	58.1	6.4	26.6

NOTES:

- (1) Diffusion indexes represent the percentage indicating an increase minus the percentage indicating a decrease.
- (2) All data are seasonally adjusted.
- (3) Percentages may not sum to 100 percent because of rounding, omission by respondents, or both.
- (4) Survey results reflect data received through July 13, 2020.



June 2020

Note: Survey responses were collected from June 4 to June 18.

Nonmanufacturing firms reported continued weakness in regional nonmanufacturing activity this month, according to results from the *Nonmanufacturing Business Outlook Survey*. Most of the survey's current indicators improved from readings last month: The indexes for general activity at the firm level and sales/revenues showed positive readings for the first time since February, coinciding with the limited reopening of the service economy in the region. However, the new orders and full-time employment indexes remained negative despite posting large gains from last month. The respondents expect overall improvement in conditions over the next six months, as both future activity indexes rose well into positive territory.

Current Indicators Continue to Climb from Historic Lows

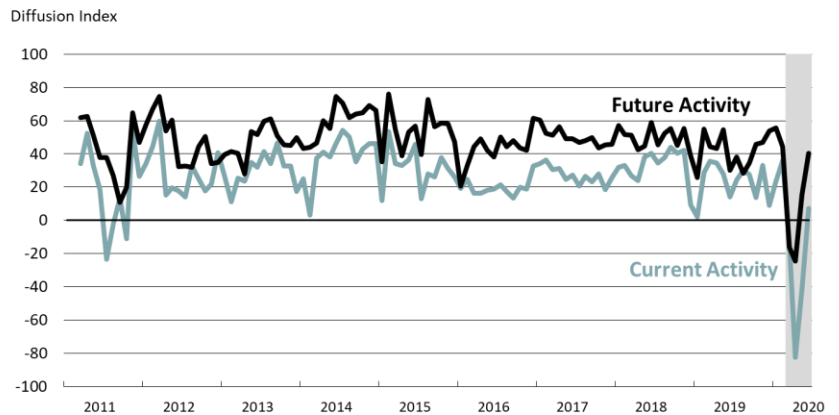
The diffusion index for current general activity at the firm level rose sharply for the second consecutive month from -41.4 in May to 7.3 in June, after reaching historic lows in preceding months (see Chart 1). Reports of increases in activity were more widespread this month: Over 45 percent of the firms reported increases (up from 16 percent last month), while 38 percent reported decreases (down from 57 percent last month). The new orders index rose 20 points to -12.6 in June, its second consecutive month with a double-digit increase. More than 36 percent of the firms reported decreases in new orders, while 24 percent reported increases. The sales/revenues index rose from -50.8 in May to 0.3 in June, as responses were mostly evenly split between increases and decreases. The regional activity index increased 65 points to -3.6.

Employment Indicators Remain Negative but Improve

The firms reported overall decreases in full-time and part-time employment for the fourth consecutive month. The full-time employment index rose 10 points to -13.3, rising for the second consecutive month after reaching an all-time low in April. The share of firms reporting decreases in full-time employment (22 percent) exceeded the share reporting increases (8 percent); the majority (61 percent) reported no

Chart 1. Current and Future General Activity Indexes for Firms

March 2011 to June 2020



Note: The diffusion index is computed as the percentage of respondents indicating an increase minus the percentage indicating a decrease; the data are seasonally adjusted.

change. The part-time employment index increased 13 points to -24.4. The majority of firms reported steady part-time employment (58 percent), while 25 percent of the firms reported decreases and 1 percent reported increases. The wages and benefits indicator rose 11 points to -3.5, and the average workweek index rose 43 points to 6.7, its first positive reading since February.

Firms Report Declines in Prices of Their Own Goods

Price indicator readings suggest near-steady prices for inputs and declines in prices for the firms' own goods and services. The prices paid index increased from -6.2 in May to 2.0 in June (see Chart 2). While most respondents (59 percent) reported stable input prices, 13 percent of the firms reported increases, and 11 percent reported decreases. Regarding prices for the firms' own goods and services, the prices received index edged down 3 points to -13.7 in June. Just under 14 percent of the firms reported decreases in prices received, and none reported increases. Nearly 73 percent of the firms reported no change in prices for their own goods and services.

Released June 23, 2020, at 8:30 a.m. ET.

The next *Nonmanufacturing Business Outlook Survey* will be released on July 21, 2020.



Future Indicators Strengthen

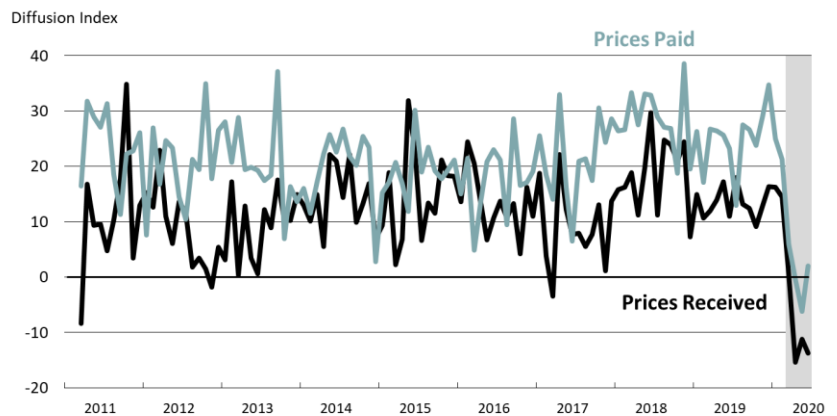
Both future activity indexes suggest that the respondents expect overall improvement in nonmanufacturing activity over the next six months, with both series reaching levels near their long-term averages. The diffusion index for future activity at the firm level increased from a reading of 15.4 in May to 40.5 this month (see Chart 1). Nearly 66 percent of the firms expect an increase in activity at their firms over the next six months (up from 49 percent last month), compared with 25 percent that expect decreases (down from 34 percent last month). The future regional activity index rose from -10.0 in May to 37.1 in June.

Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest continued weakness in nonmanufacturing activity in the region. The indicators for firm-level general activity and sales/revenues reached positive levels for the first time since February, while new orders and full-time employment also rose but remained negative. The future activity indexes suggest that respondents expect improvement at their firms and in the region over the next six months. ■

Chart 2. Prices Paid and Prices Received Indexes

March 2011 to June 2020



Note: The diffusion index is computed as the percentage of respondents indicating an increase minus the percentage indicating a decrease; the data are seasonally adjusted.

NONMANUFACTURING BUSINESS OUTLOOK SURVEY June 2020	June vs. May					Six Months from Now vs. June				
	Previous Diffusion Index	Increase	No Change	Decrease	Diffusion Index	Previous Diffusion Index	Increase	No Change	Decrease	Diffusion Index
What is your assessment of general business activity for the region?	-68.6	36.9	18.8	40.5	-3.6	-10.0	62.5	8.3	25.5	37.1
What is your assessment of general business activity for your firm?	-41.4	45.4	15.0	38.1	7.3	15.4	65.8	7.2	25.3	40.5
Company Business Indicators										
New Orders	-32.4	23.6	14.0	36.1	-12.6	NOTES: (1) Diffusion indexes represent the percentage indicating an increase minus the percentage indicating a decrease. (2) All data are seasonally adjusted. (3) Percentages may not sum to 100 percent because of rounding, omission by respondents, or both. (4) Survey results reflect data received through June 18, 2020.				
Sales or Revenues	-50.8	38.1	17.6	37.8	0.3					
Unfilled Orders	-6.3	6.3	20.8	18.6	-12.3					
Inventories	-8.5	8.4	13.9	11.8	-3.4					
Prices Paid	-6.2	13.1	59.3	11.1	2.0					
Prices Received	-11.2	0.0	72.7	13.7	-13.7					
Number of Employees – Full-Time Permanent	-23.4	8.4	61.0	21.7	-13.3					
Number of Employees – Part-Time, Temporary, and Contract	-37.3	0.9	57.5	25.3	-24.4					
Average Employee Workweek	-36.9	24.7	51.5	18.0	6.7					
Wage and Benefit Costs	-14.9	14.7	60.4	18.2	-3.5					
Capital Expenditures – Physical Plant	-28.2	7.3	39.2	25.8	-18.5					
Capital Expenditures – Equipment & Software	-21.7	15.7	40.9	24.8	-9.1					

Experienced loss of employment income since mid-March, and expected income loss in the next four weeks, Pennsylvania and Philadelphia Metro households by selected characteristics, as of the week ending July 7, 2020

	Pennsylvania		Philadelphia Metro Area	
	Lost income since mid-March	Expect to lose income in next 4 weeks	Lost income since mid-March	Expect to lose income in next 4 weeks
Hispanic origin and Race				
Hispanic or Latino (may be of any race)	60.1%	39.1%	55.5%	45.5%
White alone, not Hispanic	47.4%	28.3%	47.5%	24.7%
Black alone, not Hispanic	65.2%	47.4%	62.3%	43.7%
Asian alone, not Hispanic	55.4%	52.6%	64.7%	51.8%
Education				
Less than high school	58.7%	46.3%	60.1%	53.1%
High school or GED	53.3%	36.5%	54.7%	31.9%
Some college/associate's degree	55.0%	32.9%	58.6%	33.6%
Bachelor's degree or higher	40.0%	21.7%	41.5%	24.9%
Household income				
Less than \$25,000	66.5%	49.1%	65.0%	41.9%
\$25,000 - \$34,999	55.6%	40.4%	66.0%	45.7%
\$35,000 - \$49,999	56.3%	40.0%	45.9%	38.5%
\$50,000 - \$74,999	44.1%	32.7%	55.5%	29.6%
\$75,000 - \$99,999	57.0%	30.1%	54.4%	34.1%
\$100,000 - \$149,999	48.4%	22.4%	50.2%	21.1%
\$150,000 - \$199,999	31.4%	11.4%	40.3%	19.3%
\$200,000 and above	22.1%	6.8%	27.1%	7.6%
All households in Pennsylvania	50.0%	31.5%	51.9%	31.4%

Source: U.S. Census Bureau Household Pulse Survey, Week 10 (week ending July 7, 2020).
Employment Table 1. Experienced and Expected Loss of Employment Income, by Select
Characteristics: Pennsylvania and Philadelphia-Camden-Wilmington Metro Area

How Pennsylvania and Philadelphia Metro households who lost employment income since mid-March paid their bills in the past 7 days, as of the week ending July 7, 2020

	<u>Pennsylvania</u>	<u>Philadelphia Metro</u>
Regular income sources like those used before the pandemic	58.4%	51.9%
Credit cards or loans	26.4%	30.3%
Money from savings or selling assets	28.6%	21.9%
Borrowing from friends or family	17.2%	15.9%
Unemployment insurance (UI) benefit payments	26.3%	29.8%
Stimulus (economic impact) payment	24.9%	27.1%
Money saved from deferred or forgiven payments (to meet spending needs)	7.8%	7.3%
Did not report	0.1%	1.2%

Source: U.S. Census Bureau Household Pulse Survey, Week 10 (week ending July 7, 2020).
Employment Table 1. Experienced and Expected Loss of Employment Income, by Select
Characteristics: Pennsylvania and Philadelphia-Camden-Wilmington Metro Area

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission

v.

Philadelphia Gas Works

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:
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Docket No. R-2020-3017206

VERIFICATION

I, Scott J. Rubin, hereby state that the facts above set forth in my Surrebuttal Testimony, OCA Statement 1SR, are true and correct and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

DATED: July 24, 2020
*292338

Signature:



Scott J. Rubin

Consultant Address: 333 Oak Lane
Bloomsburg, PA 17815