

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

REJOINDER TESTIMONY OF

H. GIL PEACH

ON BEHALF OF
PHILADELPHIA GAS WORKS

Docket No. R-2020-3017206

Philadelphia Gas Works

General Rate Increase Request

TOPICS:

CRP Participation
Customer Service
Usage by Low-Income Households

July 27, 2020

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND TITLE.**

3 A. My name is Hugh Gilbert Peach. I am President of H. Gil Peach & Associates LLC. My
4 office is at 16232 Oakhills Drive, Beaverton, OR 97006.

5 **Q. DID YOU PREVIOUSLY SUBMIT TESTIMONY IN THIS PROCEEDING ON**
6 **BEHALF OF PGW?**

7 A. Yes, I submitted my rebuttal testimony, PGW St. No. 11-R, on July 13, 2020.

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

9 A. I am responding to the Surrebuttal Testimony of OCA Witness Roger Colton (Part 5 of
10 OCA St. No. 5-SR, Pages 34-44).

11 **Q. IN GENERAL, HAVE YOUR POSITIONS CHANGED IN RESPONSE TO MR.**
12 **COLTON'S TESTIMONY?**

13 A. No.

14 **(1) Enrollment of CRP Participants**

15 **Q. DO YOU AGREE WITH MR. COLTON'S CRITICISMS OF YOUR**
16 **TESTIMONY REGARDING CRP PARTICIPATION LEVELS?**

17 A. No, I do not. Colton's analysis is less than adequate and should be disregarded. It should
18 also be brought to mind that while CRP is always offered and there is no limit on
19 participation, that *participation is voluntary*. Generally, with any opt-in social program,
20 there will be a substantial percentage of the projected catchment population that remains
21 outside the program in any program year. This is an expected characteristic of opt-in
22 social programs and, in my experience of evaluating hundreds of programs for gas,
23 electric and water utilities, government departments at city, state and federal levels,
24 foundation work and work for service and advocacy groups this is completely normal
25 across social programs.

(2) Price of Natural Gas as a Driver of CRP Participation

Q. MR. COLTON STATES THAT “THERE ARE TWO TIME PERIODS IN MR. PEACH’S ANALYSIS THAT HE INDICATES DRIVE HIS CONCLUSIONS. ON THE ONE HAND, THERE IS THE TIME PERIOD FROM 2007 THROUGH 2010, WHEN NATURAL GAS PRICES WERE HIGH. ON THE OTHER HAND, THERE IS THE TIME PERIOD 2015 THROUGH TO THE PRESENT WHEN NATURAL GAS PRICES WERE MUCH LOWER. (PGW ST. 11-R, AT 25).” IS THAT AN ACCURATE ACCOUNT OF YOUR ANALYSIS?

A. No. Mr. Colton inaccurately claims I defined two periods that drive my conclusions when, in fact, my conclusions are based on a much more rigorous time series analysis that simultaneously considered yearly data over a period of twenty years that included whatever variability those years contain. The analysis is not dependent on two periods, one with high natural gas costs in the past and another with low natural gas costs today. The analysis incorporates all of the variation in cost for years for which data was available over the complete span of years analyzed.

Q. IS YOUR CONCLUSION, BASED ON REGRESSION ANALYSIS OF ABOUT 20 YEARS OF DATA, THAT THERE IS A STRONG INVERSE RELATIONSHIP BETWEEN THE COST OF NATURAL GAS AND CRP PROGRAM PARTICIPATION SUPPORTED BY THE DATA?

A. Yes. Increases and decreases in low-income program participation are not only indications of outreach efforts but are also strongly influenced in a major way by cost of natural gas service, and, by analogy, other variables (such as unemployment) that reflect economic conditions in the City regardless of outreach efforts. These socioeconomic forces likely largely determine participation levels independent of outreach efforts, no matter how outreach might be structured and regardless of the vigor of the outreach effort. So, the decrease in participation noted by Colton would be expected in a conventional economic analysis as a function of the cost of natural gas and (likely) unemployment. A decrease in CRP participation is neither logically nor reasonably only

1 a function of outreach performance problem. We may treat it that way because outreach
 2 is a tractable variable that we can try to influence while cost of natural gas and the
 3 unemployment rate are macro variables that typically have much more force than the
 4 variables that we can control. Cost of natural gas service is an important driver, and
 5 likely the unemployment rate is another. Together, these show strong evidence of driving
 6 participation with much more force than outreach efforts. Discussion needs to be opened
 7 up considerably to include conventional economic analysis to increase accurate
 8 understanding.

9 **(3) Analysis of Customer Service**

10 **Q. MR. COLTON ASSERTS THAT YOU HAVE ARGUED THAT PGW IS NOT SO**
 11 **MUCH WORSE THAN EVERY OTHER NATURAL GAS UTILITY AS TO BE A**
 12 **CAUSE FOR CONCERN. IS THIS ASSERTION ACCURATE?**

13 A. No. I assert that the system of service quality indicators maintained by BCS is a valuable
 14 reporting mechanism that can be used by the Company, the Commission, and by the
 15 parties to assess service quality in pursuit of continuous improvement. To understand
 16 how well a company is doing on an indicator, the success rate on the indicator and the
 17 rank for the company are best understood in the context of the results for other NGDCs.

18 One primary value of indicators is as a flag to an area that requires improvement
 19 so that resources can be directed to that area. Generally, if the programs are working, the
 20 NGDCs should group each year toward the high end of the scales and with little distance
 21 between them. Overall, and considering all 23 indicators analyzed by BCS, this is what
 22 is happening with the NGDCs in the annual BCS Reports.

23 Based on review of several years of the annual BCS Reports, overall I find that:

- 1 • PGW shows solid performance on the indicators plus good management response
- 2 when a problem arises;
- 3 • The general performance by PGW and the Pennsylvania NGDCs as a group is
- 4 positive performance, with the NGDCs typically clustering together with success
- 5 rates and a narrow range of results at the high end of the percentage scales; and
- 6 • These finding are consistent with BCS’s findings. Of course, there is almost
- 7 always room for improvement, which is why we use indicators. I agree with the
- 8 BCS finding that: “(t)he survey results show that, for the most part, customers are
- 9 satisfied with the service they receive from the companies. Nevertheless, the
- 10 company-reported performance data indicates there is room for improvement on
- 11 the part of Pennsylvania’s major electric and gas companies.”¹

(4) Natural Gas Usage in Low-Income Households

13 **Q. DO YOU AGREE WITH MR. COLTON’S CONCLUSION THAT LOW-INCOME**
14 **HOUSEHOLDS HAVE LOWER NATURAL GAS USAGE BECAUSE “... THEY**
15 **LIVE IN SUFFICIENTLY SMALLER HOUSING UNITS THAT OVERALL**
16 **NATURAL GAS CONSUMPTION WOULD BE LESS”?**

17 A. No. Mr. Colton’s arguments are based on the assertion that the relationship found in old
18 Department of Energy data for the Northeast Region must apply to Philadelphia. Use of
19 this data is based on a fallacy that what is true of a whole (the Northeast region) applies
20 to a part (Philadelphia). This part of Mr. Colton’s testimony is focused on a different
21 geography and is to be rejected as irrelevant to Philadelphia housing.

22 Mr. Colton provides some Philadelphia specific data that support the negative
23 correlation between poverty status and home ownership. Also, the Philadelphia data

¹ Pennsylvania PUC, Bureau of Consumer Services, Customer Service Performance Report: Pennsylvania Electric & Natural Gas Distribution Companies (annual), Report for 2018, Page 30, ¶3.

1 support the positive correlation between poverty status and multifamily dwelling
2 occupancy. Neither of these relations, separately or together, are sufficient to conclude
3 that PGW low-income customers use less natural gas than other residential customers.

4 **Q. AFTER REVIEWING THE AVAILABLE DATA AND TESTIMONY, WHAT IS**
5 **YOUR CONCLUSION REGARDING AVERAGE NATURAL GAS USAGE OF**
6 **LOW-INCOME CUSTOMERS RELATIVE TO OTHER PGW RESIDENTIAL**
7 **CUSTOMERS?**

8 A. My conclusion is that it is not possible to definitively say one way or the other. Simply
9 stated, there are usage causality factors moving in opposite directions and we do not
10 know how these offsetting factors balance out. Housing characteristics that tend to lower
11 usage in low-income customers include smaller homes and higher incidence of
12 multifamily dwellings with shared walls. But low-income customers also tend to live in
13 older homes with inefficient building shells and appliances which contribute to increased
14 usage and Philadelphia has a lot of older single-family dwellings and small multifamily
15 units with many outside walls. There may also be behavioral factors at play that could be
16 affecting low-income usage in unknown ways relative to other residential customers. As
17 I stated in my rebuttal testimony, what is required is a rigorous analysis to determine low-
18 income usage with all factors taken together.

19 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

20 A. Yes.

VERIFICATION

I, Hugh Gilbert Peach, hereby state that: (1) I am President of H. Gil Peach & Associates LLC; (2) I have been retained by Philadelphia Gas Works ("PGW") for purposes of this proceeding; (3) the facts set forth in my testimony are true and correct to the best of my knowledge, information and belief; and (4) 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).

July 27, 2020

Dated

H. Gil Peach

Hugh Gilbert Peach
President of H. Gil Peach & Associates LLC