

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

REBUTTAL TESTIMONY OF

KENNETH S. DYBALSKI

ON BEHALF OF
PHILADELPHIA GAS WORKS

Docket No. R-2020-3017206

Philadelphia Gas Works

General Rate Increase Request

TOPICS:

Customer Charge
Rate IT

July 13, 2020

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1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND CURRENT POSITION WITH PGW.**

3 A. My name is Kenneth S. Dybalski. My position is Vice President – Energy Planning &
4 Technical Compliance at the Philadelphia Gas Works.

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

7 A. Yes. I submitted my direct testimony, PGW St. No. 6, on February 28, 2020.

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

10 A. The purpose of my Rebuttal Testimony is to respond to certain testimonies challenging
11 PGW’s proposed increases in customer charges and proposals relating to Interruptible
12 Transportation (Rate IT).

13 **Q. PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY.**

14 A. PGW’s proposed increases to its customer charges are reasonable and justified. Under
15 PGW’s proposals, the total bill is still affordable, and the total fixed, customer charge
16 portion is small in comparison to the variable portion. PGW’s proposed increase in
17 customer charge is also gradual, will not result in rate shock, and will not remove
18 customer incentives to lower energy usage. Because PGW’s proposal reflects a proper
19 allocation of costs, results in affordable bills for customers, and does not eliminate any
20 incentive to lower energy usage, PGW stands by its proposed increases in customer
21 charges.

22 With regard to proposals relating to Rate IT, I explain why it is appropriate for
23 Rate IT customers to be exempt from Customer Responsibility Program costs. I also
24 respond to scaleback proposals of OSBA witness Knecht and PICGUG witness Pollock. I
25 recommend that if the Commission approves a lower revenue increase than PGW is

1 requesting, the traditional proportional scale back approach should be used but if the
 2 residential rate class is above unity after application of this approach then then the scale
 3 back should be modified in order to maintain the residential rate class at or below unity
 4 because this was the intent of PGW’s original proposal.¹

5 **II. CUSTOMER CHARGE**

6 **Q. WHICH WITNESSES PROVIDED TESTIMONY RESPONDING TO PGW’S**
 7 **PROPOSALS RELATED TO CUSTOMER CHARGES?**

8 A. Several witnesses provided testimony in response to PGW’s proposed increases to its
 9 customer charges: 1) I&E witness Cline; 2) OCA witnesses Colton; 3) OCA witness
 10 Mierzwa; 4) TURN witness Geller; 5) Environmental Stakeholders witness Hausman; 6)
 11 OSBA witness Knecht; and 7) PICGUG witness Pollock.

12 **Q. PLEASE PROVIDE A GENERAL SUMMARY OF THESE TESTIMONIES.**

13 A. Regarding PGW’s proposed increases to its customer charges:

14 • I&E witness Cline supports PGW’s proposed increase to its customer charges.
 15 Cline testifies that if the PUC grants less than the full rate increase, rates should
 16 be scaled back proportionally based on PGW’s Cost of Service Study (“COSS”).
 17 I&E St. No. 2.

18 • OCA witness Colton argues that the proposed residential customer charge will
 19 have adverse impacts on low-income customers. In making this claim, Mr.
 20 Colton relies on misleading data demonstrating that low-income customers are, on
 21 average, low-usage customers and that these customers have greater payment
 22 difficulties and are in greater arrears. OCA St. No. 5 at 12-21, 24-35, and 51-59.

¹ Unity is to be determined by the relative rate of return calculation in PGW Exhibit CEH-1, Schedule C.

- 1 • Although he does not challenge PGW’s COSS, OCA witness Mierzwa,
2 nevertheless, argues for a lower residential customer charge. To the extent the
3 Commission authorizes an increase that is less than the Company’s requested
4 increase, Mr. Mierzwa testifies that the customer charge should be proportionately
5 scaled-back to reflect the reduction in PGW’s requested increase. According to
6 Mr. Mierzwa, his recommendation would provide for a residential customer
7 charge that is consistent with the charges of other Pennsylvania Natural Gas
8 Distribution Companies (“NGDCs”), provide for gradualism and avoid rate
9 shock, and promote energy conservation. OCA St. No. 4 at 33-35.
- 10 • Mr. Geller opposes the proposed increase to the customer charge. He testifies that
11 a higher customer charge will cause significant harm to low-income, low-use
12 customers. TURN St. No. 1 at 9-10.
- 13 • Environmental Stakeholders witness Hausman testifies that the Commission
14 should reject PGW’s proposal to increase its fixed customer charge, which would
15 be harmful to low-income customers and at cross purposes with energy efficiency
16 initiatives. Mr. Hausman argues that fixed costs are only fixed in the short term
17 and that the Company should be directed to build any approved rate increase into
18 the volumetric charge for all customer classes. SC St. No. 1 at 18-25.
- 19
- 20 • OSBA witness Knecht challenges PGW’s proposed increase in its commercial
21 customer charge as not being gradual. Mr. Knecht argues that the commercial
22 customer charge should be limited to twice the magnitude of the average

1 commercial class increase. Thus, under PGW's revenue allocation proposal, the
 2 charge would increase by 11 percent (twice the 5.5 percent proposed by PGW),
 3 increasing the charge from \$23.40 to \$25.98. Alternatively, under Knecht's
 4 revenue allocation proposal, the customer charge would increase by 18.7%, going
 5 from \$23.40 to \$27.78. OSBA St. No. 1 at 36-39.

- 6 • PICGUG witness Pollock recommends that for Rate IT, both the customer and
 7 volumetric charges should be adjusted proportionally. PICGUG St. No. 1 at 24-
 8 25.

9 I will discuss the general assertions challenging PGW's proposed increases in customer
 10 charges. PGW witness Denise Adamucci will respond to the testimony regarding the
 11 impacts of the residential customer charge on low-income customers.

12 **Q. DO ANY OF THESE TESTIMONIES ALTER PGW'S POSITION RELATED TO**
 13 **INCREASING ITS CUSTOMER CHARGES?**

14 A. No. As noted by OCA witness Cline and discussed in detail in my Direct Testimony and
 15 in the Direct Testimony of PGW witness Connie Heppenstall, the proposed increase in
 16 customer charges is supported by PGW's cost analysis in this proceeding. None of the
 17 parties address or revise the calculation of the costs that were presented by Ms.
 18 Heppenstall. It is not appropriate or reasonable to create an artificial charge that is
 19 inconsistent with costs and will result in inaccurate price signals.

20 **Q. HOW DO YOU RESPOND TO THE TESTIMONY ALLEGING THAT PGW'S**
 21 **PROPOSED INCREASE TO ITS CUSTOMER CHARGES WILL LEAD TO**
 22 **RATE SHOCK, OR IS OTHERWISE INCONSISTENT WITH GRADUALISM?**

23 A. When considering the concepts of rate shock and gradualism, it is important to look at the
 24 total bill impact. The percentage increase in customer charge, alone, will not result in

1 rate shock if the total bill increase is still reasonable and affordable for customers. None
2 of the witnesses who argue that PGW's proposals will result in rate shock or are
3 inconsistent with gradualism consider the total bill impact.

4 Here, the total bill impact is reasonable. As explained in the Direct Testimony of
5 PGW witness Greg Stunder:

- 6 • If PGW's base rate case is approved, the bill for a typical PGW residential heating
7 customer who uses 75 Mcf per year will increase \$11.16 per month from \$99.52
8 to \$110.68 per month or by 11.2%.
- 9 • The bill for a typical PGW commercial heating customer who uses 342 Mcf per
10 year will increase \$11.56 per month from \$351.92 to \$363.48 per month or by
11 3.3%.
- 12 • The bill for a typical PGW industrial customer who uses 956 Mcf year will
13 increase by \$31.40 per month from \$974.86 to \$1,006.26 per month or by 3.2%.

14 As such, the assertions that PGW's proposed increase in customer charge will lead to rate
15 shock are clearly unsupported.

16 Further, as noted, PGW's proposals are supported by the cost analysis in this
17 proceeding. Schedule G of PGW's Cost of Service Study (Exhibit CEH-1) supported a
18 residential customer charge of \$29.66, higher than the Company's proposed customer
19 charge of \$19.25. Schedule G of PGW's revised Cost of Service Study in Exhibit CEH-
20 1R supports a residential customer charge in excess of \$19.25. In the interest of
21 gradualism, the Company proposed a residential customer charge of \$19.25, not the full
22 amount that could currently be supported. Similarly, Exhibit CEH-1 supported a

1 commercial customer charge of \$62.43, PGW’s revised Cost of Service Study supports a
 2 commercial customer charge of \$70.94, but the Company is only proposing a charge of
 3 \$32.75.

4 **Q. HOW DO YOU RESPOND TO TESTIMONY THAT PGW’S PROPOSAL WILL**
 5 **IMPEDE ENERGY CONSERVATION EFFORTS?**

6 A. I completely disagree that PGW’s proposed increases to its customer charges will impede
 7 energy conservation efforts. Under PGW’s proposal, the proposed customer charge will
 8 still be only a small percentage of the total proposed rate increase and will still provide
 9 customers with an opportunity to save money by lowering energy usage. For example, I
 10 have calculated the impact of PGW’s proposals on a typical residential customer with
 11 usage of 75 Mcf per year in terms of the fixed vs variable portions of his/her bill. Under
 12 PGW’s proposal, the total, annual bill for said customer will be \$1,328.20. Of that, only
 13 \$231.00 (17.4%) represents the fixed customer charge, whereas \$1,097.20 (82.6%)
 14 represents the variable portion. As this calculation shows, more than 80% of an average
 15 annual, residential bill is based on volumetric rates. As such, PGW’s proposals should
 16 provide the necessary price signals and not impede energy conservation.

17 **Q. HOW DO YOU RESPOND TO MR. MIERZWA’S TESTIMONY THAT PGW’S**
 18 **PROPOSED RESIDENTIAL CUSTOMER CHARGE IS OUT OF LINE WITH**
 19 **THOSE OF OTHER NGDCS IN THE COMMONWEALTH?**

20 A. It would be unrealistic to expect all Pennsylvania natural gas utilities to have the same
 21 customer charge. It is appropriate for a customer charge to accurately reflect a utility’s
 22 fixed costs. As discussed, the proposed customer charges are consistent with PGW’s cost
 23 analysis, which was not disputed by any party.

1 **Q. HOW DO YOU RESPOND TO MR. HAUSMAN’S TESTIMONY THAT FIXED**
 2 **COSTS ARE ONLY FIXED IN THE SHORT TERM AND THAT PGW SHOULD**
 3 **BE REQUIRED TO BUILD ANY RATE INCREASE INTO ITS VOLUMETRIC**
 4 **CHARGES?**

5 A. This assertion betrays a lack of understanding of utility costing principles and is
 6 inconsistent with Commission determinations approving customer services charges. It is
 7 also inconsistent with the rate structure of every Pennsylvania gas, water, and electric
 8 utility, which all have customer charges.

9 **III. PROPOSALS RELATING TO RATE IT**

10 **Q. IS THERE ANY OTHER TESTIMONY YOU WOULD LIKE TO RESPOND TO?**

11 A. Yes. I would like to respond to OSBA witness Knecht’s comment that Interruptible
 12 Transportation (Rate IT) customers are unfairly exempt from Customer Responsibility
 13 Program costs. OSBA St. No. 1 at 22, 23. I would also like to respond to witness
 14 Knecht’s recommendation that, in the event that the revenue requirement proposed by
 15 PGW is reduced, that the increase for the Rate IT class not be scaled back. OSBA St. No.
 16 1 at 36.

17 **Q. PLEASE EXPLAIN WHY RATE IT CUSTOMERS AR EXEMPT FROM**
 18 **CUSTOMER RESPONSIBILITY PROGRAM COSTS.**

19 A. The exemption from paying Customer Responsibility Program costs has been justified
 20 historically by the fact that Rate IT customers are subject to potential interruption and
 21 that they must maintain installed alternate fuel capability in order to qualify for the
 22 rate. Since PGW believes that the Rate IT customer class should continue to be subject
 23 to these conditions it believes that continued exemption from the Customer
 24 Responsibility Program costs is appropriate. If, however, either of those additional
 25 aspects of Rate IT service (potential interruptions or elimination of installed alternate fuel

1 capability requirement) were to be eliminated then I agree that it would be appropriate to
2 apply the Customer Responsibility Costs to Rate IT customers, just as PGW does for firm
3 service rate classes.

4 **Q. DO YOU AGREE WITH MR. KNECHT'S PROPOSAL THAT THE INCREASE**
5 **FOR THE RATE IT CLASS NOT BE SCALED BACK?**

6 A. No. I recommend that the traditional proportional scale back approach be used.

7 **Q. WHAT IS PICGUG WITNESS POLLOCK'S PROPOSAL REGARDING**
8 **SCALEBACK OF RATES?**

9 A. Witness Pollock suggests that if the Commission approves a lower revenue increase than
10 PGW is proposing that it should require the first \$1 million of that reduction to be
11 allocated to Rate IT along with an additional 3% of every dollar reduction thereafter.
12 PICGUG St. No. 1 at 4, 23.

13 **Q. HOW DO YOU RESPOND?**

14 A. I do not support Mr. Pollock's scaleback proposal as there is no justification for such an
15 approach. Mr. Pollock's proposal is based on his flawed analysis.

16 **IV. CONCLUSION**

17 **Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?**

18 A. Yes.

VERIFICATION

I, Kenneth S. Dybalski, hereby state that: (1) I am the Vice President - Energy Planning & Technical Compliance for Philadelphia Gas Works ("PGW"); (2) the facts set forth in my testimony are true and correct to the best of my knowledge, information and belief; and (3) 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 13, 2020

Dated



Kenneth S. Dybalski

Vice President - Energy Planning & Technical Compliance
Philadelphia Gas Works