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June 19, 2015

The Honorable Mary D. Long
Administrative Law Judge
Pennsylvania Public Utility Commission
Suite 220, Piatt Place
301 Fifth Avenue
Pittsburgh, PA 15222

VIA E-MAIL AND FIRST CLASS MAIL

**RE: Pennsylvania Public Utility Commission v. Columbia Gas of Pennsylvania;
Docket No. R-2015-2468056**

Dear Judge Long:

Enclosed please find two (2) copies of the Direct Testimony of Frank Plank on behalf of the Columbia Industrial Intervenors ("CII") in the above-referenced proceeding.

As evidenced by the attached Certificate of Service, all parties to the proceeding are being served with a copy of this document. Thank you.

Sincerely,

McNEES WALLACE & NURICK LLC

By 
Charis Mincavage

Counsel to the Columbia Industrial Intervenors

/lmc

Enclosures

c: Rosemary Chiavetta, Secretary (Letter and Certificate of Service only - via electronic filing)
Certificate of Service

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CII Stmt. 1
R-2015-2468056
8-4-15
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CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant).

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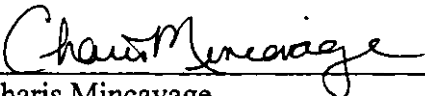
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Docket No. R-2014-2406274
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Charis Mincavage

Counsel to the Columbia Industrial Intervenors

Dated this 19th day of June, 2015, at Harrisburg, Pennsylvania.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :
v. : Docket No. R-2015- 2468056
Columbia Gas of Pennsylvania, Inc. :

**DIRECT TESTIMONY
OF
FRANK PLANK**

**OF KNOUSE FOODS COOPERATIVE, INC.
ON BEHALF OF
COLUMBIA INDUSTRIAL INTERVENORS ("CII")**

JUNE 19, 2015

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2015- 2468056
	:	
Columbia Gas of Pennsylvania, Inc.	:	

**DIRECT TESTIMONY OF FRANK PLANK
OF KNOUSE FOODS COOPERATIVE, INC.
ON BEHALF OF
COLUMBIA INDUSTRIAL INTERVENORS**

1 **Q. Please state your name and business address.**

2 A. My name is Frank Plank and my business address is Knouse Foods Cooperative,
3 Inc., 53 East Hanover Street, P.O. Box 807, Biglerville, PA 17307-080.

4 **Q. By whom are you employed?**

5 A. I am employed by Knouse Foods Cooperative, Inc. ("Knouse").

6 **Q. Have you ever provided testimony before the Pennsylvania Public Utility
7 Commission ("PUC" or "Commission") or any other regulatory body?**

8 A. Yes. I provided testimony in Columbia Gas of Pennsylvania, Inc.'s ("Columbia"
9 or "Company") 2010 Base Rate Proceeding at Docket No. R-2010-2215623, and
10 in the FirstEnergy Companies Third Default Service Plan Proceedings at Docket
11 Nos. P-2013-2391368; P-2013-2391372; P-2013-2391375; P-2013-2391378.

12 **Q. What is your current position with Knouse?**

13 A. I am Manager of Purchasing for Knouse.

14 **Q. What are your duties as Manager of Purchasing?**

15 A. As Manager of Purchasing for Knouse, my duties include purchasing the natural
16 gas, recycled oil, electricity, nitrogen, water treatment, adhesives, pest control

1 services, pallets, and various other items for all of our processing plants. In
2 addition, I have responsibility for developing and negotiating contracts, setting
3 budgets, and providing upper management with projections of costs. My
4 responsibilities further include managing and training personnel that purchase our
5 stockroom items, bulk bins, bulk bin repair parts, machine parts, office supplies,
6 labels, and various other items. I also develop and enforce the policies and
7 procedures for purchasing and receiving, as well as approve purchase orders.

8 **Q. How long have you worked at Knouse?**

9 A. I have worked at Knouse for 38 years.

10 **Q. What is your educational and employment background?**

11 A. I am a 1976 graduate of Gettysburg Area High School and have attended various
12 seminars on topics such as Fundamentals of Purchasing, Energy Procurement,
13 Managing People, and Negotiating of Contracts. I have also attended numerous
14 Knouse Foods development sessions. In addition to my role as Manager of
15 Purchasing for Knouse, I am a current Board member of the Metropolitan Edison
16 Company/Pennsylvania Electric Company Sustainable Energy Fund. I started
17 working for Knouse in March of 1977 on the shipping docks. In 1980, I moved
18 into the Label/Printing department. In 1983, I was promoted to Private Brand
19 Label Buyer. In 1990, I was promoted again to become the Manager of
20 Purchasing. In 1997, Knouse restructured its Purchasing department. This
21 restructuring included centralizing procurement activities. As Manager of
22 Purchasing, I became responsible for purchasing recycled oil, natural gas, and
23 electricity. I was also the Project Manager for and oversaw the development and

1 installation of a 3MW Solar System at our Peach Glen location, which was
2 completed in January 2011.

3 **Q. Please describe Knouse's operations.**

4 A. Knouse began more than sixty years ago when a group of prominent independent
5 fruit growers in the Appalachian region recognized the enormous potential at their
6 fingertips. Given their shared commitment to raising quality fruit, these growers
7 formed an alliance and began working together as a grower cooperative. The
8 growers quickly became aware of the need for a reliable processor for their fruit.
9 To address this need, they purchased apple processing plants and equipment in
10 Peach Glen, Pennsylvania; Ortanna, Pennsylvania; and Chambersburg,
11 Pennsylvania, thereby creating the cooperative that is Knouse. Today, Knouse
12 processes mainly apples and apple products, but also processes other fresh fruits
13 such as peaches and cherries. The recognized labels under which Knouse
14 processes these fruits includes Musselman's and Lucky Leaf. Knouse currently
15 operates six processing plants in two states.

16 **Q. How many of those processing plants are located in Pennsylvania?**

17 A. Five. Knouse currently has processing plants in Chambersburg, Ortanna,
18 Biglerville, Gardners, and Peach Glen. Peach Glen is also the location of
19 Knouse's corporate headquarters.

20 **Q. How does Knouse use natural gas in its processes?**

21 A. Knouse uses natural gas in its boilers to produce steam. The steam is used to
22 cook our products and provide heat in our plants. We also use natural gas to heat
23 different areas of our plant through conventional heaters.

1 **Q. Does Knouse use large amounts of natural gas?**

2 A. Yes. We currently use over 400,000 Mcf of natural gas annually.

3 **Q. Does Knouse have any alternatives to using natural gas from Columbia?**

4 A. Yes. Knouse has the ability to burn natural gas, recycled oil, or No. 2 fuel oil in
5 our boilers. Knouse also has the ability to directly run steam lines to the areas
6 where we currently have natural gas-run conventional heaters. In addition,
7 Knouse's facilities are in close proximity to an interstate natural gas pipeline.

8 **Q. How does the cost of natural gas compare to Knouse's overall energy
9 consumption?**

10 A. Knouse's natural gas costs comprise approximately 50% of Knouse's annual
11 overall energy budget.

12 **Q. Are any of Knouse's processing plants located in Columbia service territory?**

13 A. Yes. Knouse's Ortanna, Biglerville, Gardners, and Peach Glen plants are located
14 in and receive natural gas distribution service from Columbia. Knouse has been a
15 customer of Columbia for at least the past 29 years.

16 **Q. What type of service does Knouse receive from Columbia?**

17 A. Knouse receives only distribution service from Columbia. Knouse purchases
18 natural gas supply from a competitive Natural Gas Supplier ("NGS").

19 **Q. Under what Rate Schedules does Knouse currently receive distribution
20 service from Columbia?**

21 A. Knouse has numerous accounts with Columbia. As a result, Knouse receives
22 distribution service from Columbia under Rate Schedules Large Distribution
23 Service ("LDS"), Small Distribution Service ("SDS"), and Small General

1 Distribution Service ("SGDS"). In previous years, because Knouse has
2 alternative fuel capability, Knouse took LDS, SDS, and SGDS service from
3 Columbia under a flexible rate pursuant to Rule 20 of Columbia's Tariff Pa.
4 P.U.C. No. 9. More recently, however, due to changes in Columbia's
5 requirements, as well as the increase in the cost of fuel oil, Columbia has been
6 unwilling to offer Knouse a flexible rate contract.

7 **Q. What do you mean by a flexible rate contract?**

8 A. As I understand it, if a customer on Columbia's system has a competitive
9 alternative, Columbia is willing to enter into a contract with that customer to offer
10 a rate lower than the rate set forth in Columbia's tariff under Rate Schedule LDS.
11 In other words, Columbia "flexes" the customer's rate below the tariff rate.

12 **Q. What was the timing of Knouse's service from Columbia under a flexible rate
13 contract?**

14 A. According to internal records, Knouse received some type of flex rate from
15 Columbia for approximately 25 years. Knouse's last flexible rate contract with
16 Columbia was dated January 1, 2011.

17 **Q. How have Knouse's natural gas costs changed since the elimination of its
18 flexible rate contract with Columbia?**

19 A. Not surprisingly, Knouse's distribution costs increased, as Knouse had to begin
20 receiving service under Columbia's full tariff rate, which is significantly higher
21 than Knouse's flexed rate. In addition, Columbia requested base rate increases in
22 2010, 2011, 2012, 2014, and 2015. When Knouse was receiving service under a
23 flexible rate contract, Knouse was insulated from these rate increases. Once

1 Knouse moved to Columbia's full tariff rate, the ramifications of an almost yearly
2 base rate increase impacted Knouse more directly. Moreover, Columbia's
3 implementation of a Distribution System Improvement Charge ("DSIC") has also
4 increased Knouse's natural gas distribution costs. As I understand it, Columbia's
5 tariff allows for the Company to not apply the DSIC to flex rate customers.
6 Because Knouse is now a full tariff rate customer, Knouse's natural gas costs are
7 further increased upon Columbia's collection of costs through the DSIC.

8 **Q. What are your concerns with Columbia's current rate increase request in**
9 **light of Columbia's previous rate increase requests?**

10 A. One of my largest concerns is that there may not be recognition from the PUC in
11 terms of how Rate LDS non-flex rate customers are impacted by any rate
12 increase. As I understand it, Columbia allocates its rate increase to the various
13 customer classes, with a portion of that rate increase proposed for allocation to
14 Rate LDS customers. Because, however, some Rate LDS customers have flexible
15 rate contracts, they will not receive any rate increase. Rather, the entirety of any
16 rate increase would only be applied to non-flex rate customers on Rate Schedule
17 LDS.

18 **Q. Does that allocation have a significant impact on non-flex rate LDS**
19 **customers?**

20 A. Yes. For example, if Columbia is proposing a \$1,000 increase to all LDS
21 customers, and there are 10 LDS customers, then simple math suggests that all
22 LDS customers would receive a \$100 increase. If, however, five of those
23 customers are on flexible rate contracts, then the \$1,000 rate increase would need

1 to be split among the remaining five non-flex rate customers. As a result, the five
2 non-flex rate customers would receive a \$200 rate increase. My concern is that, if
3 Columbia does not specify the actual number of customers receiving a rate
4 increase (*i.e.*, the non-flex customers), but rather, suggests that the rate increase
5 would be spread across the entirety of the rate class, the actual impact on non-flex
6 rate customers is distorted. Considering in my example, the result would be to
7 double the rate increase to non-flex rate customers, it is imperative that the PUC
8 fully understand how the allocation of any rate increase to the LDS customer class
9 actually affects non-flex rate LDS customers.

10 **Q. How is Columbia's proposed rate increase impacting Knouse?**

11 A. Although Knouse has several accounts on Columbia's system, for purposes of this
12 question, I am only discussing our Rate LDS account. Under that account,
13 Knouse's rates would increase by approximately 21% if Columbia's requested rate
14 increase and allocation is granted. I understand from counsel that Columbia
15 witness Mark Balmert presented testimony indicating that LDS rates will increase
16 by 15.10%, which he claims is reasonable compared to the system average
17 increase of 14.09%.¹ Unfortunately, I think Mr. Balmert's calculation
18 presupposes that the resulting rate increase would apply to all LDS customers
19 rather than to only non-flex rate customers, which is what will occur in actuality.
20 As a result, the percentage rate increase that will actually occur for Knouse (*i.e.*,
21 a non-flex rate customer), will be approximately 50% higher than the percentage
22 rate increase Columbia is claiming for either the LDS class or the system average.

¹ See Direct Testimony of Mark Balmert, Columbia Statement No. 11, p. 27.

1 **Q. What are you suggesting for purposes of Columbia's requested rate increase?**

2 A. I would recommend Columbia's filing be modified to show the impact of any rate
3 increase on the non-flex LDS customers. I would then recommend that any rate
4 increase allocated to the LDS rate class be modified to reflect a lower rate
5 increase than that proposed by Columbia to ensure that non-flex customers, such
6 as Knouse, do not receive an increase that is significantly higher than the system
7 average.

8 **Q. Do you have any other comments regarding the Company's proposed rate
9 increase?**

10 A. Yes. I understand that Columbia is proposing a Choice Administrative Charge
11 ("CAC") for Choice customers on a per therm basis. I recall from Columbia's
12 2014 base rate proceeding that the Columbia Industrial Intervenor's ("CII")
13 position on this issue was that any CAC should be applied on a per customer
14 basis. In light of the proposed rate increase Knouse is already facing, applying
15 the CAC on a per therm basis will only exacerbate this increase. As such, while I
16 am not agreeing with the implementation of the CAC, if the PUC does decide to
17 approve such a mechanism, I believe it should be applied on a per customer basis.

18 **Q. Does this conclude your testimony at this time?**

19 A. Yes.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :
COMMISSION :
 :
v. : Docket No. R-2015-2468056
 :
COLUMBIA GAS OF PENNSYLVANIA, :
INC. :

STIPULATION BETWEEN
THE COLUMBIA INDUSTRIAL INTERVENORS AND COLUMBIA GAS OF
PENNSYLVANIA, INC.

The Columbia Industrial Intervenors ("CII") and Columbia Gas of Pennsylvania, Inc. ("Columbia") hereby stipulate as follows:

1. In the above-captioned proceeding, Columbia filed for a requested revenue increase of \$46.2 million.

2. Pursuant to Columbia's proposal to allocate the aforementioned \$46.2 million, Columbia has stated that the overall increase to Rate Schedules Large Distribution Service ("LDS") and Large General Sales Service ("LGSS") customers would be 15.1%. Columbia has also stated that, if Rate LDS customers with flexible or negotiated rates are excluded from this calculation, the average overall increase to Rate LDS/LGSS without flexible or negotiated rates customers would be 19.7%.

3. Knouse Foods Cooperative, Inc. ("Knouse") has numerous accounts with Columbia and receives distribution service from Columbia under Rate LDS. Knouse does not have a flexible or negotiated rate contract with Columbia.

CII Exhibit 1
R-2015-2468056
8-4-15
Harrisburg JS

4. Knouse witness, Mr. Frank Plank, calculated the impact to Knouse of Columbia's aforementioned revenue allocation proposal. Mr. Plank determined that Knouse's rates would increase by approximately 21%.

5. Columbia does not contest Mr. Plank's assertion that Knouse's rates would increase by 21%, which is greater than the average overall increase of 19.7% calculated for the average Rate LDS/LGSS customer without a flexible or negotiated rate.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY
COMMISSION**

v.

**COLUMBIA GAS OF PENNSYLVANIA,
INC.**

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Docket No. R-2015-2468056

VERIFICATION

I, Frank Plank, hereby state that the facts set forth in Columbia Industrial Intervenors ("CII") Statement No. 1 are true and correct to the best of my knowledge, information and belief, and 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 31, 2015
Date


Signature