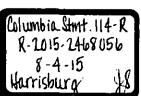
BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

REBUTTAL TESTIMONY OF ROBERT C. WARUSZEWSKI ON BEHALF OF COLUMBIA GAS OF PENNSYLVANIA, INC.

July 16, 2015





Introduction

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- 2 Q. Please state your name and business address.
- 3 A. My name is Robert C. Waruszewski and my business address is 121 Champion Way,
- 4 Suite 100, Canonsburg, Pennsylvania.
- 5 Q. Are you the same Robert C. Waruszewski who filed testimony in this
- 6 **proceeding?**
- 7 A. Yes.
- 8 Q. What is the purpose of your rebuttal testimony?
- The purpose of this rebuttal testimony is to respond to portions of the direct testimony of witness Jerome D Mierzwa of the Pennsylvania Office of Consumer Advocate ("OCA") and witness Robert D Knecht of the Pennsylvania Office of the Small Business Advocate ("OSBA"). My focus is related to their responses to the proposals set forth in my direct testimony that are designed to expand availability of gas service.
- 15 Q. What concerns do you have with Mr. Mierzwa's direct testimony?
- I have two concerns with his testimony: first, his recommended modification to
 Columbia's Net Present Value ("NPV") calculation; and second, his recommended
 reporting requirements for Columbia's three service expansion proposals.
- Q. What is your specific concern with his recommended modification to
 Columbia's NPV calculation?

In OCA Statement 3, page 41, lines 5-10, Witness Mierzwa suggests that Columbia's economic model is flawed because its NPV calculation includes customer revenue contribution based on current rates and does not take into account that these base rates will increase over the 40 year time frame evaluated in the model. He believes future base rate increases should be added into the model as incremental revenue and suggests that "CPA's NPV calculations be modified to include a 5 percent annual revenue escalation factor." However, this is a faulty argument. Future rate increases (from future base rate cases) cover Columbia's future increases in costs. which consist primarily of pipeline replacement. These future cost increases are not included in the model, and associated revenue increases also should not be included. The Company's NPV model evaluates how incremental revenues will cover the incremental costs of plant investment to connect new customers to Columbia's system. Future rate increases do not fit the category of incremental revenue because these increases cover the Company's costs to maintain service. Columbia would incur these increases even if the potential customers do not connect to Columbia's system. Therefore, future base rate increases should not be included in Columbia's NPV model since they are not incremental revenue the Company would receive from the new customers.

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Q. In OCA Statement 3, page 41, lines 21-26 and page 42, lines 1-8, Mr.

Mierzwa recommends a number of reporting requirements for

Columbia's three service expansion proposals. Do you agree with these recommendations?

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Columbia agrees with most of the recommendations. However, a few of them are problematic. Parts (b) and (c) request two NPV model results for each customer, the first result would be inclusive of mains and service allowances and the second result would be exclusive of mains and service allowances. Columbia opposes this recommendation because it would result in duplicative work for the Company. To comply with this request, Columbia would have to maintain and run two separate models for each potential project, even though only the model inclusive of the allowances would be used in evaluating the project. The economic model is part of Columbia's new business tracking system which is linked to the billing system. In order to comply with this request, Columbia would have to duplicate both systems and keep all customer records current in each. This creates unnecessary costs and work and could cause confusion for New Business team members working on the project to track and maintain both models for each project. The other suggestion Columbia disagrees with is part (j), which requests a report on "The Number of new service requests evaluated but declined by the Company". Columbia does not track informal calls in which a customer asks for an estimate of a main extension and decides not to pursue the project before the economic model is run. However, Columbia is willing to provide this information for projects in which

the economic model is run, but do not move forward into construction.

Q. What concern do you have with Mr. Knecht's direct testimony?

On page 31 of his testimony, Mr. Knecht implies that the O&M expense related to the customer's in-house plumbing is not recoverable in rates. He notes that Columbia has not included any O&M costs in the Company's revenue requirement for this case and that the inclusion of this program would have a negative impact on ratepayers. Although Columbia has neither included O&M costs or projected revenues for this program in the revenue requirement for this case, the Company reserves the right to include these costs and projected revenues in future cases after the Company has historical data on which to base the cost of this program. Furthermore, the program's design ensures that it will not have a negative impact on ratepayers. As stated on page 12 line 21 and page 13 line 1 of my direct testimony "existing customers will not be subsidizing the costs of new customers' piping." The reason for this is that a customer is only eligible for the \$1,000 house line reimbursement if the economic analysis of the project yields a positive value of at least \$1,000 per customer. In other words, the projected revenues of the project must exceed projected costs by at least \$1,000 per customer for the Company to offer this program to a potential customer. Any project in which the economic analysis yields a result which is less than \$1,000 per customer would not be eligible for this program.

Q. Does this conclude your rebuttal testimony?

21 A. Yes, it does.

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