



COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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July 6, 2022

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Via Electronic Mail Only

The Honorable Christopher Pell
The Honorable John M. Coogan
Office of Administrative Law Judge
Pennsylvania Public Utility Commission
801 Market Street, Suite 4063
Philadelphia, PA 19107

Re: Pennsylvania Public Utility Commission
v.
Columbia Gas of Pennsylvania, Inc.
Docket No. R-2022-3031211

Dear Judge Pell and Judge Coogan:

Enclosed please find a copy of the Rebuttal Testimony being submitted on behalf of the Office of Consumer Advocate in the above-referenced proceeding, as follows:

Rebuttal Testimony of Jerome D. Mierzwa, OCA Statement 3R

Copies have been served on the parties as indicated on the enclosed Certificate of Service. Due to the ongoing emergency period, hard copies of the OCA's testimony cannot be provided at this time. Hard copies can be provided, upon request, as normal operations resume. The OCA appreciates your understanding of this matter.

Respectfully submitted,

/s/ Harrison W. Breitman
Harrison W. Breitman
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PA Attorney I.D. # 320580
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Enclosures:

cc: PUC Secretary Rosemary Chiavetta, (Letter and Certificate of Service only)
Athena Delvillar, ALJ Legal Assistant (**email only**: sdelvillar@pa.gov)
Certificate of Service

*331356

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission :
 :
 v. : Docket No. R-2022-3031211
 :
 Columbia Gas of Pennsylvania, Inc. :

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Rebuttal Testimony as follows:

Rebuttal Testimony of Jerome D. Mierzwa, OCA Statement 3R

upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 6th day of July 2022.

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Commonwealth of Pennsylvania
Pennsylvania Public Utility Commission
Harrisburg, PA 17105-3265
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Docket Number: R-2022-3031211

Case Description: PA PUC v. Columbia Gas of PA, Inc. 2022 Base Rate Case

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Date: Thursday, July 7, 2022 9:22:27 AM
Importance: High

Dear Lauren R. Myers,

Your eFiling has been successfully filed on Wed Jul 06 13:57:04 EDT 2022.
You may view this Filing at

[Certificate of Service response-rebuttal testimony of J Mierzwa/Columbia Gas of PA](#) and the
Case details are: {Bp8CaseID=3031211, DocketNumber=R-2022-3031211}

Thank You,
Public Utility Commission
Commonwealth of Pennsylvania

** Please do not respond to this automatically generated email.*

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC)	
UTILITY COMMISSION)	
)	
v.)	Docket No. R-2022-3031211
)	
COLUMBIA GAS OF)	
PENNSYLVANIA, INC.)	

REBUTTAL TESTIMONY OF
JEROME D. MIERZWA

ON BEHALF OF THE
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

July 6, 2022

1 **I. INTRODUCTION**

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is Jerome D. Mierzwa. I am a Principal and Vice President of Exeter
4 Associates, Inc. (“Exeter”). My business address is 10480 Little Patuxent Parkway,
5 Suite 300, Columbia, Maryland 21044. Exeter specializes in providing public utility-
6 related consulting services.

7 Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS
8 PROCEEDING?

9 A. Yes. My direct testimony was submitted as OCA Statement No. 3 on June 7, 2022.

10 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

11 A. The purpose of my rebuttal testimony is to respond to certain aspects of the direct
12 testimony of Bureau of Investigation and Enforcement (“I&E”) witness Ethan H. Cline;
13 the joint direct testimony of Office of Small Business Advocate (“OSBA”) witnesses
14 Mark D. Ewen and Robert. D. Knecht; the direct testimonies of Retail Energy Supply
15 Association, Shipley Choice, LLC, and NGR Energy, Inc. collectively (“RESA/NGS
16 Parties”) witnesses Anthony Cusati, III and Dan Caravetta; and the direct testimony of
17 Penn State University (“PSU”) witness James L. Crist.

18 **II. I&E WITNESS: Ethan H. Cline**

19 Q. DOES MR. CLINE AGREE WITH THE COMPANY’S PROPOSED
20 ALLOCATION OF ITS REQUESTED REVENUE INCREASE TO THE
21 VARIOUS CUSTOMER CLASSES?

22 A. No. Mr. Cline claims that under the Company’s proposed revenue allocation the
23 RSS/RDS customer class is providing an unreasonable subsidy of approximately \$19

1 million to other customer classes.¹ Mr. Cline also notes that the relative rate of return
2 of the SDS/LGSS customer class has moved further away from the system average
3 relative rate of return.² To address these concerns Mr. Cline recommends that the first
4 \$20 million of any rate scale back be applied to the RSS/RDS class and that \$600,000
5 of the increase assign to the RSS/RDS customer class be assigned to SDS/LGSS
6 customer class.³

7 Q. ARE MR. CLINE’S PROPOSED ADJUSTMENTS TO THE COMPANY’S
8 PROPOSED REVENUE ALLOCATION A REASONABLE
9 ALTERNATIVE TO THE REVENUE ALLOCATION YOU ARE
10 PROPOSING?

11 A. Yes. Should the Commission not adopt the revenue allocation I have proposed, Mr.
12 Cline’s proposed revenue allocation is a comparable alternative to the revenue
13 allocation I have recommended.

14 Q. WHAT DOES MR. CLINE RECOMMEND WITH RESPECT TO THE
15 MONTHLY RESIDENTIAL CUSTOMER CHARGE?

16 A. Columbia has proposed to increase the current Residential customer charge from
17 \$16.75 to \$25.47, or by 52 percent. Mr. Cline believes that this increase is excessive.⁴
18 Therefore, Mr. Cline recommends that the \$20 million in first dollar rate relief for the
19 Residential customer class he has proposed be applied to the customer charge, and that
20 the Residential customer charge be included in any further rate scale back.⁵ The \$20

¹ Direct Testimony of Ethan H. Cline, I&E Statement No. 3, p. 16.

² *Id.*, p. 17.

³ *Id.*, p. 16.

⁴ *Id.*, p. 22.

⁵ *Id.*

1 million reduction would reduce the Company's proposed customer charge of \$25.47 to
2 \$20.61.⁶

3 Q. WHAT WOULD BE THE LIKELY FINAL RESIDENTIAL CUSTOMER
4 CHARGE UNDER MR. CLINE'S PROPOSAL BASED ON THE
5 INCREASE AUTHORIZED BY THE COMMISSION IN THIS
6 PROCEEDING?

7 A. It cannot be determined what the Residential customer charge will be under Mr. Cline's
8 proposal until the Commission's authorized increase is determined. However, as noted
9 in the joint direct testimony filed by the OSBA, Columbia has historically been
10 authorized increases which have averaged 60 percent of the Company's initially
11 requested increase.⁷ If Columbia is authorized an increase which is 60 percent of its
12 requested increase in this proceeding, as shown on Schedule JDM-2, I estimate the
13 Residential customer charge would be approximately \$20.19.

14 Q. DO YOU AGREE WITH MR. CLINE'S RESIDENTIAL CUSTOMER
15 CHARGE PROPOSAL?

16 A. No. As explained in my direct testimony, Columbia's current monthly Residential
17 charge is already the highest among NGDCs in the Commonwealth.⁸ Mr. Cline's
18 recommended customer charge is also inconsistent with the Commission's goal of
19 encouraging energy conservation. Columbia's existing Residential customer charge of
20 \$16.75 should be maintained. In its last litigated base rate proceeding in Docket No. R-
21 2020-3018835, Columbia proposed to increase its existing Residential customer charge
22 of \$16.75 to \$23.00. In the Recommended Decision in that proceeding the

⁶ *Id.*

⁷ Direct Testimony of Mark D. Ewen and Robert D. Knecht, OSBA Statement No. 1, p. 2.

⁸ Direct Testimony of Jerome D. Mierzwa, OCA Statement No. 3, p. 14.

1 Administrative Law Judge (“ALJ”) found that Columbia’s proposal to increase its
2 Residential customer charge was contrary to the Commission’s goal of encouraging
3 customers to conserve energy, and rejected the Company’s proposed customer charge
4 increase. The Commission adopted the ALJ’s decision concerning the Residential
5 customer charge.

6 **III. OSBA WITNESSES: Mark D. Ewen and Robert D. Knecht**

7 Q. IN THIS PROCEEDING COLUMBIA HAS RELIED UPON ITS PEAK &
8 AVERAGE (“P&A”) COST OF SERVICE STUDY TO DETERMINE ITS
9 PROPOSED ALLOCATION OF THE REVENUE INCREASE. DID THE
10 OSBA WITNESSES PROPOSE ANY CHANGES TO THE COMPANY’S
11 P&A STUDY?

12 A. Yes. The OSBA witnesses revised the projected design day demands of the RSS/RDS,
13 SGSS/DS-1, and SGSS/DS-2 customer classes.⁹ The OSBA also made three technical
14 corrections to the Company’s PGA study which are described on page 19, lines 1-10,
15 of the OSBA’s testimony.¹⁰ The most significant of these corrections was a correction
16 to the volume of Flex rate customers. This correction reduced the Flex rate cost of
17 service by approximately \$7 million.¹¹

18 Q. ARE YOU IN AGREEMENT WITH THE CHARGES PROPOSED TO THE
19 COMPANY’S P&A STUDY BY THE OSBA?

20 A. I am in agreement with the three technical changes proposed by the OSBA. At this
21 time, I am not in agreement with the proposed changes in design day demands. The
22 OSBA has not demonstrated that the Company’s design day projections are

⁹ Direct Testimony of Mark D. Ewen and Robert D. Knecht, OSBA Statement No. 1, p. 18.

¹⁰ *Id.*, pp. 18-19.

¹¹ *Id.*, p. 19.

1 unreasonable. I will further address the proposed design day demand changes after
2 reviewing the Company's rebuttal testimony on this issue. I would note that reflecting
3 this change in the Company's cost study does not have a significant impact on the
4 results of the study.

5 Q. PLEASE DESCRIBE THE OSBA'S PROPOSED REVENUE
6 ALLOCATION.

7 A. The OSBA's proposed revenue allocation is based on its alternative cost of service
8 study, and moves revenues for each customer class toward the cost of service indicated
9 by its study. The revenue allocation method used by the OSBA is similar to the method
10 I described and utilize in my direct testimony. That is, it allocated the subsidy provided
11 to Flex rate customers to the other customer classes and limited the increase to any
12 particular customer class to two times the system average increase. Under my proposal,
13 the Flex rate subsidy was allocated to the other customer classes based on total rate
14 base, while the OSBA allocated the subsidy based on mains investment. The OSBA
15 measures movement toward cost based rates by the relative change to a customer
16 classes' revenue to cost or service percentage (revenue/cost ratio). The OSBA refers
17 to the movement of a customer classes' revenue toward the indicated cost of service,
18 as measured by the revenue/cost ratio, as "progress." A customer class with a
19 revenue/cost ratio of less than 100% is contributing revenues that are less than the
20 indicated cost of service, and a customer class with a revenue/cost ratio that is greater
21 than 100% is contributing revenues that exceed the indicated cost of service. As shown
22 in Table IEC-5, the OSBA's revenue allocation has limited the "progress" for any
23 particular class to 30%.¹²

¹² *Id.*, p. 26.

1 Q. DO YOU AGREE WITH THE OSBA’S PROPOSED REVENUE
2 ALLOCATION?

3 A. While I agree with certain aspects of the OSBA’s proposed revenue allocation such as
4 allocating the Flex rate subsidy to other classes based on mains investment and limiting
5 the increase to a customer class to two times the system average increase, I disagree
6 with limiting the movement to cost based rates, or “progress,” to 30%. I believe that
7 additional “progress” is appropriate and reasonable.

8 Q. HAVE YOU REVISED YOUR INITIAL REVENUE ALLOCATION TO
9 REFLECT THE RESULTS OF THE OSBA’S ALTERNATIVE COST OF
10 SERVICE STUDY AND ADDITIONAL PROGRESS TOWARD COST
11 BASED RATES?

12 A. Yes. I have revised my initial revenue allocation to reflect the results of the OSBA’s
13 study exclusive of the OSBA’s proposed modification to the design day demands of
14 RSS/RDS, SGSS/DS-1, and SGSS/DS-2 customers. My revised revenue allocation is
15 presented in Table 1-R, and utilizes the same general approach used to develop my
16 initial revenue allocation that was described in my direct testimony.

**Table 1-R
OCA Revised Revenue Allocation**

Class	Increase (Millions)	Increase Percent	Current Revenue to Cost Ratio	Proposed Revenue to Cost Ratio	Progress
RSS/RDS	\$46.444	11.0%	107.6%	104.6%	39%
SGSS/DS-1	\$9.136	19.0%	96.0%	100.0%	100%
SGSS/DS-2	\$11.132	22.2%	93.5%	100.0%	100%
SDS/LGSS	\$8.549	28.4%	83.2%	93.6%	62%
LDS/LGSS	\$6.785	28.4%	54.6%	61.4%	15%
MLDS	\$0.000	0.0%	1,332.9%	1,167.3%	13%
FLEX	\$0.013	0.3%	NM	NM	-----
Total:	\$82.06	14.2%	100.0%	100.0%	-----

1 **IV. RESA/NGS PARTIES WITNESS: Anthony Cusati, III**

2 Q. WHAT ISSUE DOES MR. CUSATI ADDRESS IN HIS DIRECT
3 TESTIMONY?

4 A. Mr. Cusati addresses the current billing methodology used by Columbia to bill natural
5 gas supplier charges to customers served by natural gas suppliers.¹³ He finds
6 Columbia's current billing method to be deficient and recommends that Columbia
7 institute Bill Ready Billing which he describes in his testimony.¹⁴

8 Q. DO YOU OPPOSE MR. CUSATI'S RECOMMENDATION?

9 A. No. However, if Columbia agrees to adopt Bill Ready Billing or the Commission
10 requires the Company to implement Bill Ready Billing, Columbia should document the
11 costs associated with implementing and maintaining Bill Ready Billing and report
12 those costs in its next base rate proceeding. Since Bill Ready Billing would benefit
13 natural gas suppliers, I believe it would be appropriate to charge natural gas suppliers
14 for those costs.

15 **V. RESA/NGS PARTIES WITNESS: Dan Caravetta**

16 Q. WHAT ISSUE DOES MR. CARAVETTA ADDRESS IN HIS DIRECT
17 TESTIMONY?

18 A. As explained by Mr. Caravetta in greater detail in his testimony, there are currently five
19 daily time schedules/deadlines set by the North American Energy Standards Board
20 ("NAESB") to nominate gas supplies on interstate pipelines for delivery.¹⁵ Columbia
21 only provides suppliers confirmation for two of those scheduling deadlines and,
22 therefore, supply cuts are not communicated for the other three cycles which can lead

¹³ Direct Testimony of Anthony Cusati, III, RESA/NGS Parties Statement No. 1, p. 2.

¹⁴ *Id.*, p. 5.

¹⁵ Direct Testimony of Dan Caravetta, RESA/NGS Parties Statement No. 2, p. 2.

1 to the assessment of penalties to suppliers.¹⁶ Mr. Caravetta recommends that Columbia
2 provide confirmation for all five scheduling cycles.¹⁷

3 Q. DO YOU OPPOSE MR. CARAVETTA’S RECOMMENDATION?

4 A. No. However, if Columbia agrees to provide confirmations for all five scheduling
5 cycles or the Commission requires the Company to provide confirmations for all five
6 scheduling cycles, Columbia should document the incremental costs associated with
7 providing confirmations for all five scheduling cycles and report those costs in its next
8 base rate proceeding. Since providing confirmations for all five scheduling cycles
9 would benefit natural gas suppliers, I believe it would be appropriate to charge natural
10 gas suppliers for those costs.

11

12 **VI. PSU WITNESS: James L. Crist**

13 Q. WHAT COST OF SERVICE STUDY METHOD DID COLUMBIA RELY
14 UPON TO DETERMINE THE DISTRIBUTION OF THE REVENUE
15 INCREASE IT IS REQUESTING IN THIS PROCEEDING?

16 A. As previously explained, Columbia relied upon the P&A method to determine the
17 distribution of the revenue increase it is requesting in this proceeding. Columbia used
18 the P&A method because it was approved by the Commission in Columbia’s 2020 base
19 rate proceeding (Docket No. R-2020-3018835).

20 Q. DOES MR. CRIST BELIEVE THAT THE P&A METHOD SHOULD BE
21 RELIED UPON IN THIS PROCEEDING BECAUSE IT WAS APPROVED
22 IN COLUMBIA’S 2020 BASE RATE PROCEEDING?

¹⁶ *Id.*, p. 3.

¹⁷ *Id.*, p. 5.

1 A. No. Mr. Crist contends that in Columbia’s 2020 proceeding, the ALJ found in her
2 Recommended Decision that Columbia’s Customer-Demand Allocated Cost of Service
3 (ACOS) would be the preferred method, but the Company’s Customer-Demand study
4 contained serious flaws.¹⁸ Therefore, the ALJ adopted the P&A method rather than the
5 Customer-Demand method.¹⁹ In its final order in the 2020 proceeding, the
6 Commission was not persuaded to reverse the ALJ’s Recommended Decision that
7 adopted the P&A method.²⁰ Mr. Crist claims that the serious flaws in the Company’s
8 Customer-Demand study identified by the ALJ in the 2020 proceeding have now been
9 eliminated.²¹ Mr. Crist explains that the allocation of mains costs has a significant
10 impact on the results of an ACOS study.²² Mr. Crist claims that annual throughput,
11 which is used to allocate 50 percent of mains costs under the P&A method, is not used
12 in the design of gas main piping and that the cost causer of gas mains is demand.²³
13 Therefore, Mr. Crist believes that the Customer-Demand study method should be
14 utilized in this proceeding.²⁴

15 Q. WHAT IS YOUR RESPONSE TO MR. CRIST?

16 A. First, I would note that in the Company’s Customer-Demand ACOS study, mains costs
17 are allocated 45 percent based on demand and 55 percent based on the number of
18 customers. In the P&A ACOS study, mains costs are allocated 50 percent based on
19 demand and 50 percent based on annual throughput. Therefore, it is not clear why, if
20 mains are sized based on demands as Mr. Crist claims, the Customer-Demand method

¹⁸ Direct Testimony of James L. Crist, PSU Statement No. 1, p. 12.

¹⁹ *Id.*, p. 13.

²⁰ *Id.*

²¹ *Id.*

²² *Id.*, p. 14.

²³ *Id.*, p. 17.

²⁴ *Id.*

1 should be utilized in this case when it results in less of an allocation mains costs based
2 on demand than the P&A method.

3 Second, in its Order in Columbia's last 2020 proceeding, the Commission
4 specifically approved the use of the P&A allocation methodology. This finding was
5 not due to the errors in the Customer-Demand ACOS presented by Columbia in its
6 2020 case (that have now been eliminated). Rather, the Commission's findings in
7 Columbia's 2020 proceeding concerning the use of the P&A method are presented on
8 pages 5 through 7 of my Direct Testimony. More specifically, in the 2020 proceeding
9 the Commission found:

10 ...we remain of the opinion that although mains serve
11 customers, it is the throughput that determines the mains
12 investment, not the number of customers served.
13 (Order at 217).

14 Thus, the elimination of the errors in the Customer-Demand ACOS presented by
15 Columbia in its 2020 proceeding had no influence on the Commission's finding that
16 the P&A method is superior as throughput, and not the number of customers,
17 determines the Company's mains investment.

18 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

19 A. Yes, it does.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC)
UTILITY COMMISSION)
v.) Docket No. R-2022-3031211
COLUMBIA GAS OF)
PENNSYLVANIA, INC.)

SCHEDULES ACCOMPANYING THE
REBUTTAL TESTIMONY OF
JEROME D. MIERZWA

ON BEHALF OF THE
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

July 6, 2022

Columbia Gas of Pennsylvania, Inc.
 Estimate of I&E Residential Customer Charge

1 Present Revenues	\$ 813,269,268
2 less Purchased Gas Costs	(235,166,198)
3 Present Base Rate Revenues (Line 1 - 2)	<u>\$ 578,103,070</u>
4 Customer Charge Revenues	\$ 78,102,520
5 Percent of Total Revenues (Line 4 / 5)	14%
6 Requested Increase	\$ 82,151,909
7 Authorized %	60%
8 Authorized increase (Line 6 x 7)	<u>\$ 49,291,145</u>
9 Reduction (Line 6 - 8)	\$ 32,860,764
10 First Dollar Scale Back	<u>\$ 20,000,000</u>
11 Additional Scale Back (Line 9 - 10)	<u>\$ 12,860,764</u>
12 Additional Customer Charge Scale Back Revenues (Line 5 x 11)	\$ 1,737,507
13 Customer Charge Billing Units	4,116,692
14 Additional Customer Charge Scale Back Rate (Line 12 / 13)	\$ 0.42
15 First Dollar I&E Residential Customer Charge	\$20.61
16 Estimated I&E Customer Charge (Line 15 - 14)	<u><u>\$20.19</u></u>

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

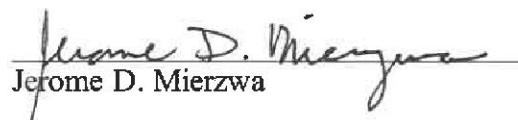
Re: Pennsylvania Public Utility Commission :
 :
 v. : Docket No. R-2022-3031211
 :
 Columbia Gas of Pennsylvania, Inc. :

VERIFICATION

I, Jerome D. Mierzwa, hereby state that the facts set forth in my Rebuttal Testimony, OCA Statement 3R, are true and correct (or are true and correct to the best of my knowledge, information, and belief) 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 6, 2022
*331357

Signature:


Jerome D. Mierzwa

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