



May 31, 2023

**VIA E-MAIL**

The Honorable Eranda Vero  
The Honorable Arlene Ashton  
Office of Administrative Law Judge  
Pennsylvania Public Utility Commission  
801 Market Street, Suite 4063  
Philadelphia, PA 19107

Re: *Pa. PUC v. Philadelphia Gas Works*, Docket No. R-2023-3037933

Dear Judge Vero and Judge Ashton:

Please find enclosed POWER Interfaith Statement No. 3, the Direct Testimony of Ben Havumaki. The parties have been served per the attached Certificate of Service. Should you have any questions, please do not hesitate to contact me. Thank you.

Sincerely,

/s/ Devin McDougall

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cc:

PA PUC Secretary's Bureau (Cover Letter and Certificate of Service only)

Parties of Record

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission, et  
al.

Docket No. R-2023-3037933

v.

Philadelphia Gas Works

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**DIRECT TESTIMONY OF BEN HAVUMAKI**

**ON BEHALF OF**

**POWER INTERFAITH**

**May 31, 2023**

**POWER Interfaith Statement No. 3**

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## EXHIBIT LIST

Exh. BH-1, Ben Havumaki Curriculum Vitae.

Exh. BH-2, PGW Interrogatory Responses.

Exh. BH-3, Maryland Pub. Serv. Comm'n, Order No. 87884.

Exh. BH-4, Pa. Pub. Util. Comm'n, Opinion and Order, PA PUC Docket No. R-2018-3006818 (Oct. 3, 2019).

Exh. BH-5, Pa. Pub. Util. Comm'n, Opinion and Order, PA PUC Docket No. R-2020-3017206 (Nov. 19, 2020).

Exh. BH-6, Pa. Pub. Util. Comm'n, Opinion and Order, PA PUC Docket No. R-2020-3018835 (Feb. 18, 2021).

Exh. BH-7, Pa. Pub. Util. Comm'n, Recommended Decision, PA PUC Docket No. R-2021-3030218 (July 28, 2022).

Exh. BH-8, Pa. Pub. Util. Comm'n, Order, PA PUC Docket No. R-2021-3030218 (Sept. 15, 2022).

Exh. BH-9, Pa. Pub. Util. Comm'n, Recommended Decision, PA PUC Docket No. R-2022-3031113 (Oct. 11, 2022).

Exh. BH-10, Pa. Pub. Util. Comm'n, Order, PA PUC Docket No. R-2022-3031113 (Oct. 27, 2022).

Exh. BH-11, Pa. Pub. Util. Comm'n, Recommended Decision, PA PUC Docket No. R-2020-3018835 (Dec. 4, 2020).

Exh. BH-12, Pa. Pub. Util. Comm'n, Opinion and Order, PA PUC Docket No. R-2021-3023618, (Oct. 28, 2021).

\* Exhibits are available for download [here](#).

1 **I. Witness Identification and Qualifications**

2 **Q. Please state your name, business name and address, and role in this proceeding.**

3 A. My name is Ben Havumaki. I work for Synapse Energy Economics, Inc. (“Synapse”),  
4 with a business address at 485 Massachusetts Avenue in Cambridge, MA. I appear here in  
5 my capacity as an expert witness on behalf of POWER Interfaith.

6 **Q. Please summarize your experience and expertise in the utility industry.**

7 A. I have approximately five years of experience working in regulated utility proceedings as  
8 an analyst and expert witness. At Synapse, I focus on a range of related regulatory topics,  
9 including ratemaking and rate design, performance-based regulation, and grid  
10 modernization. I have sponsored testimony before the Minnesota Public Utilities  
11 Commission, the Public Utilities Commission of New Hampshire, the Georgia Public  
12 Service Commission, the Illinois Commerce Commission, the West Virginia Public  
13 Service Commission, the Rhode Island Public Utilities Commission, and the New  
14 Brunswick Energy and Utilities Board. A copy of my curriculum vitae is attached.<sup>1</sup>

15 **Q. Have you ever testified before the Pennsylvania Public Utility Commission or other  
16 regulatory agencies in Pennsylvania?**

17 A. No.

18

19 **II. Purpose of Testimony**

20 **Q. What is the purpose of your testimony?**

21 A. The purpose of my testimony is to respond to Philadelphia Gas Work’s (“PGW”)  
22 proposal to increase its residential customer charge. After considering PGW’s arguments,

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<sup>1</sup> Exh. BH-1, Ben Havumaki Curriculum Vitae.

1 I show that the large increase to the customer charge that has been proposed is not just  
2 and reasonable, because it is neither required nor consistent with past practices and  
3 regulatory precedents in Pennsylvania. I further demonstrate that the proposed increase, if  
4 permitted, would violate the principle of gradualism, unduly burden low-income  
5 customers, and blunt incentives for energy efficiency and conservation that help to reduce  
6 overall gas system costs.

### 8 **III. Summary of PGW’s Rate Design Proposal**

9 **Q. Please describe PGW’s proposed change to its residential customer charge.**

10 A. PGW proposes to increase the residential customer charge by over thirty percent, from  
11 \$14.90 per month to \$19.50 per month.<sup>2</sup>

12 **Q. Why is PGW proposing to increase its residential customer charge?**

13 A. PGW states that its proposed increase would help to better align rates with costs,  
14 resulting in a residential customer charge that would recover a greater share of total  
15 residential class fixed customer costs and improve revenue stability.<sup>3</sup> PGW asserts that its  
16 current rate design that recovers the majority of fixed costs through variable delivery is  
17 “inefficient and distorts the price signals to customers.”<sup>4</sup> By implication, PGW suggests  
18 that its proposed fixed charge increase would improve efficiency and send what PGW  
19 views as the correct or proper price signals to customers.

20 **Q. Why does PGW conclude that raising the residential fixed charge would better align**  
21 **rates and costs?**

22 A. This conclusion is based upon the results of PGW’s Class Cost of Service Study

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<sup>2</sup> PGW Statement No. 1, Direct Test. of Denise Adamucci, at 13:5–6 (Feb. 27, 2023).

<sup>3</sup> PGW Statement No. 6, Direct Test. of Florian Teme, at 8:5–9:4 (Feb. 27, 2023).

<sup>4</sup> PGW Statement No. 6, Direct Test. of Florian Teme, at 9:1 (Feb. 27, 2023).

1 (“CCOSS”).<sup>5</sup>

2 **Q. Is the proposed increase to the residential customer charge reasonable?**

3 A. No, for multiple reasons:

- 4 1. The proposed fixed charge increase is inconsistent with past regulatory practices in  
5 Pennsylvania and would violate the principle of gradualism.
- 6 2. PGW has not justified the need to increase the residential customer charge for  
7 economic efficiency.
- 8 3. Increasing the residential customer charge would harm low-income customers.
- 9 4. Increasing the residential customer charge would blunt incentives for energy  
10 efficiency.

11

12 **IV. The Proposed Increase to the Residential Customer Charge is Inconsistent**  
13 **with Past Pennsylvania Practices and Would Violate the Principle of**  
14 **Gradualism**

15 **Q. How do PGW’s current and proposed residential customer charges compare to**  
16 **those of peer utilities?**

17 A. PGW’s current residential customer charge of \$14.90 is in line with those of peer utilities,  
18 at the median of the customer charges provided for comparison by PGW witness Ms.  
19 Adamucci.<sup>6</sup> If PGW’s proposed increase to its customer charge were granted, this would  
20 make PGW’s residential customer charge notably higher than those of peer utilities (see  
21 **Figure 1**).

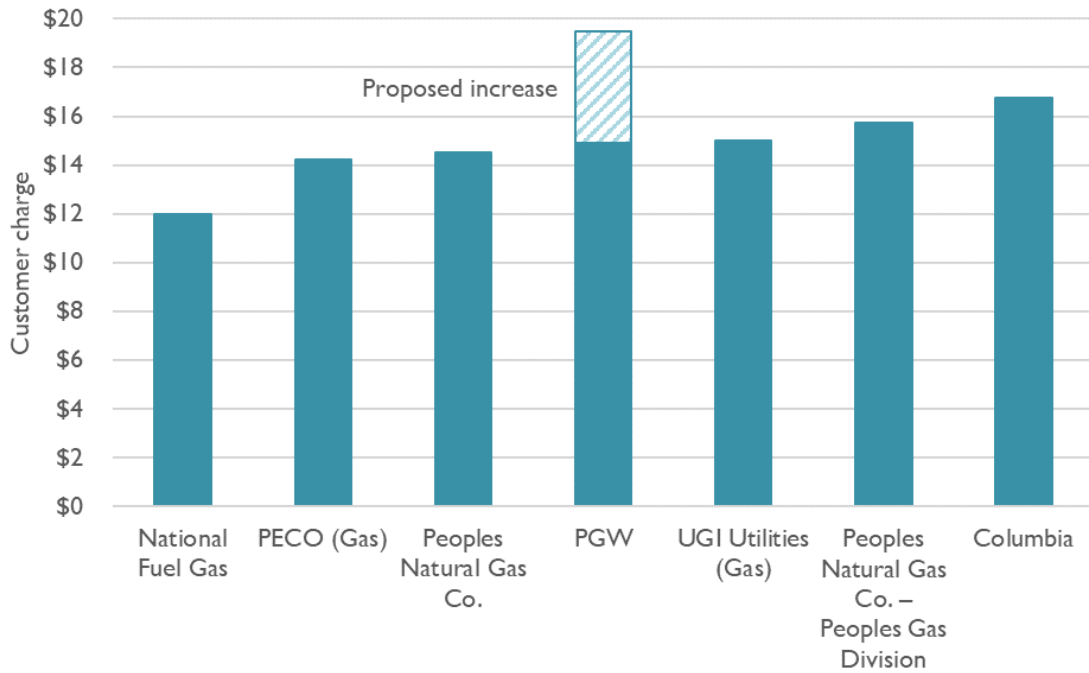
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<sup>5</sup> PGW Statement No. 6, Direct Test. of Florian Teme, at 6:16–20. (Feb. 27, 2023).

<sup>6</sup> PGW Statement No. 1, Direct Test. of Denise Adamucci, at 14, Table: Residential Customer Charge Comparison (Feb. 27, 2023).

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**Figure 1. Monthly residential customer charge comparison**



**Q. Is PGW’s proposed increase consistent with recent gas distribution utility rate cases in Pennsylvania?**

A. The residential customer charge proposals and outcomes from several recent Pennsylvania gas distribution utility rate cases are listed below.

- Peoples Natural Gas Company (R-2018-3006818): requested increase from \$13.95 to \$20.00;<sup>7</sup> actual increase to \$14.50.<sup>8</sup>
- PGW (R-2020-3017206): requested increase from \$13.75 to \$19.25; actual increase to \$14.90.<sup>9</sup>
- Columbia Gas of Pennsylvania (“Columbia”)(R-2020-3018835): requested

<sup>7</sup> Exh. BH-4, Pa. Pub. Util. Comm’n, Opinion and Order, PA PUC Docket No. R-2018-3006818, at 4 (Oct. 3, 2019).  
<sup>8</sup> Exh. BH-4, Pa. Pub. Util. Comm’n, Opinion and Order, PA PUC Docket No. R-2018-3006818, at 25 (Oct. 3, 2019).  
<sup>9</sup> Exh. BH-5, Pa. Pub. Util. Comm’n, Opinion and Order, PA PUC Docket No. R-2020-3017206, at 4 (Nov. 19, 2020).



- 1           increase from \$16.75 to \$23.00;<sup>10</sup> no actual increase.<sup>11</sup>
- 2           • Utilities Gas, Inc. (“UGI”) (R-2021-3030218): requested increase from \$14.60 to
- 3           \$19.95; actual increase to \$15.00.<sup>12,13</sup>
- 4           • PECO (R-2022-3031113): requested increase from \$13.63 to \$18.50;<sup>14</sup> actual
- 5           increase to \$14.25.<sup>15,16</sup>

6           In each of these past cases, the utility requested a considerable increase in the

7           customer charge, and the ultimate result was a far more modest increase (or, in the

8           Columbia case, no increase at all). Whereas granting the proposed customer charges

9           could have resulted in rate shock for residential customers in these cases, the actual

10          outcomes of these cases reflect the principle of gradualism. Similarly, PGW’s current

11          proposed increase in its residential customer charge is unduly large, and in the interest of

12          maintaining gradualism, it should not be granted.

13   **Q.    Please explain how PGW’s proposed increase to the customer charge would violate**

14   **the principle of gradualism.**

15   A.    Gradualism requires that sudden, adverse changes to customer rates should be

16   minimized.<sup>17</sup> PGW proposes to increase the fixed customer charge for residential

17   customers by over thirty percent. PGW’s requested increase is more than double the

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<sup>10</sup> Exh. BH-6, Pa. Pub. Util. Comm’n, Opinion and Order, PA PUC Docket No. R-2020-3018835, at 3 (Feb. 18, 2021).

<sup>11</sup> Exh. BH-6, Pa. Pub. Util. Comm’n, Opinion and Order, PA PUC Docket No. R-2020-3018835, at 264–265 (Feb. 18, 2021).

<sup>12</sup> Exh. BH-7, Pa. Pub. Util. Comm’n, Recommended Decision, PA PUC Docket No. R-2021-3030218, at 33, 44 (July 28, 2022).

<sup>13</sup> Exh. BH-8, Pa. Pub. Util. Comm’n, Order, PA PUC Docket No. R-2021-3030218, at 1–2 (Sept. 15, 2022).

<sup>14</sup> Exh. BH-9, Pa. Pub. Util. Comm’n, Recommended Decision, PA PUC Docket No. R-2022-3031113, at 26 (Oct. 11, 2022).

<sup>15</sup> Exh. BH-9, Pa. Pub. Util. Comm’n, Recommended Decision, PA PUC Docket No. R-2022-3031113, at 2 (Oct. 11, 2022).

<sup>16</sup> Exh. BH-10, Pa. Pub. Util. Comm’n, Order, PA PUC Docket No. R-2022-3031113, at 1–2 (Oct. 27, 2022).

<sup>17</sup> The foundational treatise of rate design principles, including the gradualism principle (“rate stability”) is: Bonbright, James. *Principles of Public Utility Rates*. New York, NY. Columbia University Press, 1961.

1 increase that resulted from its 2017 rate case and nearly four times the increase from the  
2 2020 rate case.

3 **Q. Has the Commission recently made any statements about gradualism?**

4 A. Yes. In Columbia’s 2020 rate case, the Commission adopted the Administrative Law  
5 Judge’s (“ALJ”) recommendation to fully deny Columbia’s request to increase its  
6 residential customer charge from \$16.75 per month to \$23.00 per month, endorsing the  
7 ALJ’s finding “that the proposed increase to the residential customer charge violates the  
8 principle of gradualism.”<sup>18,19</sup> In the 2021 UGI rate case, the Commission adopted the  
9 ALJ’s recommendation to increase the customer charge by substantially less than the  
10 amount proposed by the utility, citing “reducing rate shock to customers” as part of its  
11 justification.<sup>20</sup>

12 **Q. What conclusion do you draw from these past case examples?**

13 A. I conclude that PGW’s proposed increase to the residential customer charge is  
14 inconsistent with recent precedent in Pennsylvania and would violate the principle of  
15 gradualism. In short, I conclude that the proposed rate increase is too large.

16

17 **V. PGW Has Not Justified the Need to Increase the Residential Customer**

18 **Charge for Economic Efficiency**

19 **A. PGW’s Assessment of Economic Efficiency is Flawed**

20 **Q. What is the connection between PGW’s CCOSS analysis and its rate design**

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<sup>18</sup> Exh. BH-11, Pa. Pub. Util. Comm’n, Recommended Decision, PA PUC Docket No. R-2020-3018835, at 399–400 (Dec. 4, 2020).

<sup>19</sup> Exh. BH-6, Pa. Pub. Util. Comm’n, Opinion and Order, PA PUC Docket No. R-2020-3018835, at 264–265 (Feb. 18, 2021).

<sup>20</sup> Exh. BH-12, Pa. Pub. Util. Comm’n, Opinion and Order, PA PUC Docket No. R-2021-3023618, at 30 (Oct. 28, 2021).

1           **proposal?**

2    A.     PGW suggests that increasing the customer charge would improve overall efficiency by  
3           better aligning rates with costs, as dictated by its CCOSS.<sup>21</sup> In PGW’s view, efficiency  
4           could be improved by increasing the fixed residential customer charge, thereby reducing  
5           the gap between PGW’s residential customer charge and the theoretical customer charge  
6           indicated by PGW’s CCOSS.

7    **Q.     What does PGW mean when it refers to “efficiency?”**

8    A.     PGW is referring to *economic* efficiency, which is a theoretical condition of resource  
9           allocation that maximizes collective wellbeing. Economic efficiency is abstract and  
10           unmeasurable. In the gas utility context, economic efficiency means that customers are  
11           consuming the optimal amount of gas, and achieving efficiency could even mean  
12           *increasing* overall gas consumption—unlike energy efficiency, which targets reductions  
13           in consumption.

14   **Q.     What are the technical limitations of PGW’s CCOSS for assessing economic**  
15           **efficiency?**

16   A.     PGW’s CCOSS is based upon embedded costs.<sup>22</sup> While PGW’s methodology for  
17           classifying certain costs as customer-related appears to be reasonable, making  
18           conclusions about *efficient* rate design based solely on this study is not reasonable,  
19           because the study is based upon historical (embedded) costs and is therefore not  
20           forward-looking.

21   **Q.     Why must efficient pricing be assessed on a forward-looking basis?**

22   A.     Economic theory holds that efficiency is maximized when prices are set to reflect

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<sup>21</sup> PGW Statement No. 6, Direct Test. of Florian Teme, at 6:16–20, 8:5–9:4 (Feb. 27, 2023).

<sup>22</sup> Exh. BH-2, PGW Interrogatory Responses, Response to POWER-01-53.

1 marginal costs.<sup>23</sup> In the context of PGW’s customer charge, marginal cost-based pricing  
2 would reflect the incremental cost of connecting an additional residential customer to the  
3 utility distribution system.<sup>24</sup>

4 **Q. What is the implication of PGW’s reliance on an embedded study for the aim of**  
5 **setting efficient rates?**

6 A. The implication is that PGW’s CCROSS does not provide a definitive answer about  
7 making rates efficient. To determine the theoretically efficient rate design, including the  
8 economically efficient level for the residential customer charge, PGW would need to  
9 consider marginal cost data.

10  
11 **B. The Commission Should Consider Multiple Goals of Rate Design, Not Just**  
12 **Economic Efficiency**

13 **Q. Is improving economic efficiency a worthy goal?**

14 A. Yes. However, like other aspects of rate design, increasing efficiency is not the only  
15 consideration when assessing rate design options.

16 **Q. Why do you say that economic efficiency is not the lone aim of rate design?**

17 A. Efficiency is one worthy goal in rate design, but increasing efficiency is not a  
18 straightforward objective and it may conflict with other goals—a point that PGW seems  
19 to recognize. Given these tensions between competing goals, utilities and regulatory  
20 authorities generally strive to balance economic efficiency with other considerations,  
21 including gradualism, fairness, the avoidance of undue impacts on low-income, low-

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<sup>23</sup> Lazar, Jim, et al., Regulatory Assistance Project, *Electric Cost Allocation for a New Era: A Manual*, at 79 (Jan. 2020), <https://perma.cc/S267-RUUE>.

<sup>24</sup> When rates based on marginal costs do not yield approved revenue requirements, they can be escalated to ensure recovery of approved costs.

1 usage, customers, and promoting energy efficiency and conservation.<sup>25</sup>

2 **Q. Could PGW’s focus on economic efficiency conflict with other rate design**  
3 **objectives?**

4 A. Yes, it could. I’ve already discussed the conflict between PGW’s proposal and adherence  
5 to the principle of gradualism. I also believe that PGW’s emphasis on increasing  
6 economic efficiency may be in tension with the objectives of promoting reasonable  
7 conservation and energy efficiency. Implicit in PGW’s argument for increasing the  
8 residential fixed charge in the name of economic efficiency is the view that *higher* gas  
9 consumption could be a desirable outcome. I will address this issue in more detail in a  
10 later section of my Testimony.

11 **Q. How has PGW arrived at its specific proposal to increase the residential customer**  
12 **charge?**

13 A. It is not entirely clear, but it appears that the proposed increase is based on judgment and  
14 not the outcome of any specific quantitative analysis. While PGW presents the results of  
15 its CCOSS in testimony, it does not ultimately suggest that these results be enacted in  
16 cost allocation or rate design. Instead, it has attempted to balance the cost-of-service  
17 results with other considerations.<sup>26,27</sup>

18 **Q. Has PGW demonstrated a necessity to increase the residential customer charge?**

19 A. No. PGW has not shown that increasing the residential customer charge is necessary or

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<sup>25</sup> The need to balance efficiency with other goals for rate design was noted by James Bonbright in his seminal rate design treatise, where he attributed the “complexity” of “rate-structure problems” partially to “the necessity, faced alike by public utility managements and by regulating agencies, of taking into account numerous conflicting standards of fairness and functional efficiency in the choice of a rate structure.” Further elucidating the concept of balancing objectives with reference to the specific challenge of designing rates to be both cost-reflective and simple, Bonbright wrote that, “as with other clashes among various desiderata of rate-making policy, the wise choice must be that of wise compromise.” See: Bonbright, James. *Principles of Public Utility Rates*. New York, NY. Columbia University Press, 1961, at 288–289.

<sup>26</sup> PGW Statement No. 6, Direct Test. of Florian Teme, at 6:16–25 (Feb. 27, 2023).

<sup>27</sup> Exh. BH-2, PGW Interrogatory Responses, Response to POWER-01-52.

1 even warranted. While PGW cites concerns about efficiency and revenue stability, it is  
2 evident that the proposed increase is ultimately based upon PGW's judgment rather than  
3 relevant, forward-looking analysis. In my view, for the reasons discussed above, the  
4 balance of judgment should militate against increasing the residential charge. In the  
5 remainder of my testimony, I will consider two additional factors that weigh against  
6 increasing the residential customer charge: adverse impacts on low-income customers,  
7 and diminished incentives to conserve energy.

8 **Q. Should PGW increase its residential fixed charge to promote revenue stability?**

9 A. No. I understand that PGW favors greater fixed charge recovery because this recovery is  
10 *fixed*. In other words, raising fixed charges would increase the share of revenues that is  
11 assured to PGW. Yet PGW has not demonstrated that revenue sufficiency is a material  
12 concern, and even if it had, concerns about revenue sufficiency are not a reason alone to  
13 increase fixed charges.

14  
15 **VI. Increasing the Residential Customer Charge Would Harm Low-Income**  
16 **Customers**

17 **Q. Please explain your concerns about impacts to low-income customers.**

18 A. PGW's proposal to increase the residential fixed charge would also increase the fixed  
19 proportion of customers' monthly bills (Table 1). For low-income customers, the increase  
20 to the fixed portion of the bill may be particularly deleterious because it is unavoidable.  
21 On the other hand, increases to variable rates can be mitigated by reducing gas  
22 consumption.

1 **Table 1. Impact of rate changes to fixed share of residential bills, by usage**

Usage tier	Monthly use (Mcf)	Fixed share (current)	Fixed share (proposed)	Change in fixed share
Low usage	30.5	24%	27%	3.8%
Typical usage	71	12%	14%	2.3%
High usage	229	4%	5%	0.9%

2 *Source: Exh. BH-2, PGW Interrogatory Responses, Response to OCA-05-47, Attachment C; Response to*  
3 *POWER-01-57.*

4 **Q. Does PGW’s Customer Responsibility Program (“CRP”) address these concerns?**

5 A. Not adequately. PGW incorrectly claims that CRP “render[s] the proposed changes moot”  
6 for low-income customers, low users of energy, and customers on fixed incomes.<sup>28</sup>  
7 However, only a small proportion of eligible households are enrolled in CRP.

8 **Q. Why do you conclude that CRP participation is low?**

9 A. Based on the latest available data from December 2022, only forty-one percent of  
10 confirmed low-income customers in PGW’s service territory were enrolled in CRP.<sup>29</sup> In  
11 addition, PGW’s count of confirmed low-income customers is likely incomplete, meaning  
12 that the percentage of enrolled versus eligible customers is probably even lower than  
13 reported. PGW identifies “confirmed low income” customers as those who have  
14 proactively sought assistance through CRP or Low Income Home Energy Assistance  
15 Program (“LIHEAP”) grants or who have contacted PGW to self-declare their  
16 low-income status in the past two years.<sup>30</sup>

17 **Q. Are there other reasons to be concerned about impacts to low-income, low-use**  
18 **customers?**

19 A. Yes. In addition to the concerns already articulated about impacts to all low-income

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<sup>28</sup> Exh. BH-2, PGW Interrogatory Responses, Response to POWER-01-62.

<sup>29</sup> Exh. BH-2, PGW Interrogatory Responses, Response to POWER-01-61.

<sup>30</sup> Exh. BH-2, PGW Interrogatory Responses, Response to CAUSE-01-3.

1 customers, the proposed fixed charge increase would disproportionately raise the bills of  
2 low-use customers—including low-income, low-use customers. Simply put, the lower a  
3 customer’s monthly gas consumption, the greater the percentage increase in their bill.

4 The relationship between consumption and bill impacts is shown below in Table 2.

5 **Table 2. Impacts of rate changes on total bills for residential customers, by usage**

Usage tier	Monthly use (Mcf)	Total bill (current)	Total bill (proposed) <sup>31</sup>	Percentage change in bill
Low usage	30.5	\$63.00	\$71.12	12.9%
Typical usage	71	\$125.38	\$137.73	9.9%
High usage	229	\$368.75	\$397.59	7.8%

6  
7 **Q. How would the two adverse effects of fixed charge increases impact low-income,**  
8 **low-use customers?**

9 A. These two effects would interact unfavorably for low-income, low-use customers, as  
10 these customers would experience disproportionate bill increases while simultaneously  
11 suffering a decline in their ability to mitigate against the bill increases through  
12 conservation.

13  
14 **VII. Increasing the Residential Customer Charge Would Reduce Incentives**  
15 **for Conservation and Energy Efficiency**

16 **Q. What is the connection between customer charges and incentives for conservation**  
17 **and energy efficiency?**

18 A. Recovering revenues through increased customer charges rather than increased variable  
19 rates will tend to reduce the incentive to conserve energy relative to alternative rate

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<sup>31</sup> These values were calculated using PGW’s response to OCA-05-47, Attachment C and differ slightly from the values provided in PGW’s response to POWER-01-58. Both responses are included in Exh. BH-2, PGW Interrogatory Responses.



1 designs with lower fixed charges. That's because customers with higher fixed charges and  
2 lower variable rates stand to derive less of an economic benefit from conservation since a  
3 lower share of their monthly bill is avoidable. Meanwhile, under a low fixed charge and  
4 higher variable rate scheme, customers stand to benefit more from conservation and  
5 energy efficiency.

6 **Q. Does PGW's proposal have adverse implications for conservation and energy**  
7 **efficiency?**

8 A. Yes, I believe that it does. PGW proposes to recover a large share of its requested  
9 increase in residential class revenues through raising the residential customer charge  
10 rather than by increasing variable delivery charges. Specifically, PGW is proposing to  
11 increase its residential customer charge by about thirty-one percent and to increase its  
12 variable delivery charge for the residential class by only about eleven percent.<sup>32</sup> Favoring  
13 increases to fixed charges over increases to variable charges reduces incentives for  
14 conservation and energy efficiency and encourages *greater* consumption of gas.

15 **Q. Has PGW introduced any evidence justifying that it is in the public interest for its**  
16 **residential customers to receive price signals that incentivize consuming more gas**  
17 **instead of rewarding efficiency?**

18 A. No, and I do not believe that sending a price signal that deters energy efficiency is in the  
19 public interest. Rather, PGW has only suggested that increasing the fixed residential  
20 charge will improve economic efficiency. If PGW believes that a higher fixed charge/low  
21 variable rate regime is desirable, then it should provide evidence that such an approach is  
22 in the public interest and consistent with state policy and regulatory priorities.

23 **Q. Has the relationship between customer charges and conservation been addressed in**

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<sup>32</sup> Exh. BH-2, PGW Interrogatory Responses, Response OCA-05-47, Attachment C.

1           **any recent Pennsylvania proceedings?**

2    A.    Yes. In Columbia’s 2020 rate case, the ALJ agreed with the Office of Consumer Advocate  
3           (“OCA”) that a lower fixed monthly charge would provide greater incentive to customers  
4           to conserve energy and reduce consumption.<sup>33</sup> The Commission in turn accepted the  
5           ALJ’s recommendations in that case.<sup>34</sup>

6    **Q.    Have other utility regulatory commissions recognized the detrimental impact of**  
7           **higher fixed customer charges?**

8    A.    Yes, the negative effects of increasing customer charges are well-recognized in both gas  
9           and electric proceedings. One example comes from a 2016 rate case in Maryland. While  
10           the Potomac Electric Power Company requested to increase its basic service charge for  
11           residential customers from \$7.39 per month to \$12.00 per month, the Maryland Public  
12           Service Commission approved a much smaller increase to only \$7.60 per month and  
13           explained that the proposed change would result in customers having less control over  
14           their bills and would be antithetical to energy conservation efforts.<sup>35</sup>

15                 In arriving at this increase, we place emphasis on Maryland’s public  
16                 policy goals that intend to encourage energy conservation.  
17                 Maintaining relatively low customer charges provides customers  
18                 with greater control over their electric bills by increasing the value  
19                 of volumetric charges. No matter how diligently customers might  
20                 attempt to conserve energy or respond to AMI-enabled peak pricing  
21                 incentives, they cannot reduce fixed customer charges.<sup>36</sup>

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<sup>33</sup> Exh. BH-11, Pa. Pub. Util. Comm’n, Recommended Decision, PA PUC Docket No. R-2020-3018835, at 401 (December 4, 2020).

<sup>34</sup> Exh. BH-6, Pa. Pub. Util. Comm’n, Opinion and Order, PA PUC Docket No. R-2020-3018835, at 264–265 (February 18, 2021).

<sup>35</sup> Exh. BH-3, Maryland Pub. Serv. Comm’n, Order No. 87884, MD PSC Case No. 9418, at 110 (Nov. 15, 2016).

<sup>36</sup> Exh. BH-3, Maryland Pub. Serv. Comm’n, Order No. 87884, MD PSC Case No. 9418, at 110 (Nov. 15, 2016).

1 **IX. Summary of Recommendations**

2 **Q. Please summarize your findings.**

3 A. I find that PGW has not justified the need to increase its residential customer charge.

4 Specifically, I find that:

- 5 • The proposed increase would violate gradualism and run counter to recent  
6 Pennsylvania regulatory precedent and rate design practices among peer utilities in  
7 the state.
- 8 • PGW has not demonstrated that the residential customer charge needs to be increased  
9 to promote economic efficiency.
- 10 • Increasing the residential customer charge would unduly harm low-income  
11 customers.
- 12 • Increasing the residential customer charge would blunt incentives for conservation  
13 and energy efficiency.

14 **Q. Please summarize your recommendations.**

15 A. I recommend that the Commission deny PGW’s requested increase in the residential  
16 customer charge and instead maintain the residential customer charge at its current level.

17  
18 **X. Conclusion**

19 **Q. Does this conclude your testimony?**

20 A. Yes.

## **VERIFICATION**

I hereby verify that the facts contained in the foregoing testimony are true and accurate to the best of my knowledge, that I am duly authorized to make this verification, and that I expect to be able to prove the same at any hearing held in this matter. I understand that the statements herein are made subject to penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Dated: May 31, 2023

/s/  
\_\_\_\_\_

Ben Havumaki

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served via email a true copy of this document upon the parties, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

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Dated: May 31, 2023

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