

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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August 19, 2016

Honorable Angela T. Jones
Administrative Law Judge
PA Public Utility Commission
801 Market Street, Suite 4063
Philadelphia, PA 19107

Re: Pa. Public Utility Commission
v.
UGI – Central Penn Gas, Inc.
Docket No. P-2016-2537609

Dear Judge Jones:

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

Rebuttal Testimony of Jerome D. Mierzwa, OCA Statement No. 1R.

Copies have been served on the parties as indicated on the enclosed Certificate of Service.

Respectfully Submitted,

/s/ Erin L. Gannon

Erin L. Gannon
Senior Assistant Consumer Advocate
PA Attorney I.D. # 83487
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Enclosure

cc: Secretary's Office of the PUC (letter & certificate only)
Certificate of Service
*225062

CERTIFICATE OF SERVICE

Petition of UGI Central Penn Gas, Inc. for :
a Waiver of the Distribution System Improvement :
Charge Cap of 5% of Billed Distribution : Docket No. P-2016-2537609
Revenues and Approval to Increase the Maximum :
Allowable DSIC to 10% of Billed Revenues :

I hereby certify that I have this day served a true copy of the testimony of the Office of Consumer Advocate as follows:

Rebuttal Testimony of Jerome D. Mierzwa, OCA Statement No. 1R;

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 19th day of August 2016.

SERVICE BY E-MAIL & INTER-OFFICE MAIL

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of UGI Central Penn Gas, Inc. for a)
Waiver of the Distribution System)
Improvement Charge Cap of 5% of Billed) Docket No. P-2016-2537609
Revenues and Approval to Increase the)
Maximum Allowable DSIC to 10% of Billed)
Distribution Revenues)

REBUTTAL TESTIMONY
OF
JEROME D. MIERZWA

ON BEHALF OF THE
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

August 19, 2016

REBUTTAL TESTIMONY OF JEROME D. MIERZWA

1 Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS AD-
2 DRESS.

3 A. My name is Jerome D. Mierzwa. I am a principal and Vice President with 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. 1.

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

11 A. The purpose of my rebuttal testimony is to respond to the direct testimony of the
12 Bureau of Investigation & Enforcement (“I&E”) witness Sunil R. Patel.

13 Q. PLEASE PROVIDE A SUMMARY OF MR. PATEL’S DIRECT
14 TESTIMONY.

15 A. Mr. Patel notes that UGI Central Penn Gas, Inc. (“CPG”) is required by Federal
16 Regulation to develop and maintain a Distribution Integrity Management Program
17 (“DIMP”) by 49 Code of Federal Regulations (“CFR”) Part 192.1001-192.1015. He
18 claims that the Pipeline and Hazardous Materials Safety Administration (“PHMSA”)
19 created the DIMP regulations to reduce the number of Department of Transportation
20 (“DOT”) reportable incidents, and that two of the main causes of reportable incidents
21 are pipeline leaks caused by corrosion on aging infrastructure, and damage to pipeline
22 caused by excavation. Mr. Patel claims that CPG has determined that in order to
23 mitigate the risks associated with corrosion, CPG must replace risky pipe, and the
24 Company’s riskiest pipe is cast iron and unprotected bare steel.

1 Mr. Patel further notes that CPG's risk for cast iron/wrought iron mains is
2 trending down, declining by nearly 10 percent since 2012. However, since 2012,
3 steel risks increased by 3 percent. Based on these observations, he recommends that
4 CPG's DSIC be set at 7.5 percent.

5 Q. WHAT IS YOUR RESPONSE TO MR. PATEL?

6 A. First, overall, as indicated in the Company's response to I&E-GS-2, CPG's risk for
7 cast iron/wrought iron mains declined from 4,118 to 3,986, or 3 percent in 2015 from
8 2014. Risk for bare steel mains decreased from 68,185 to 65,441, or 4 percent, in
9 2015 from 2014. As such, it appears that CPG made progress in reducing risk in
10 2015. The year 2015 was the first full year CPG's DSIC was in place, and the DSIC
11 cap was set at 5.00 percent of distribution revenues. In addition, as indicated on I&E
12 Exhibit No. 1, Schedule 3, CPG has the lowest number of leaks per mile of any
13 Pennsylvania NGDC. For 2015, CPG's leaks per mile were more than four times
14 lower than that of the average Pennsylvania NGDC. Therefore, at this time, there
15 appears to be no reason to increase CPG's DSIC cap to a level higher than 5 percent.

16 Second, Mr. Patel has presented no analysis to support increasing the DSIC
17 cap to 7.5 percent. That is, he has presented no analysis demonstrating that the 2.5
18 percent increase in the DSIC cap would resolve his concerns, nor has he analyzed the
19 impact the increase would have on CPG's risk levels.

20 Third, in my direct testimony, I noted that the Commission authorized an
21 increase in the DSIC cap of Philadelphia Gas Works ("PGW") to 7.5 percent (Docket
22 No. P-2015-2501500). In approving that increase, the Commission found:

23 It is undisputed in this proceeding that PGW's aging gas
24 distribution infrastructure poses significant safety and
25 reliability issues, and that the current pace of the
26 Company's replacement efforts is unacceptable and
27 potentially harmful to the public.

1 Mr. Patel has not presented undisputed evidence in this proceeding that CPG's aging
2 infrastructure poses significant safety and reliability issues, and that the current pace
3 of the Company's replacement efforts is unacceptable and potentially harmful to the
4 public. In fact, as just explained, CPG's number of leaks per mile is the lowest in the
5 Commonwealth.

6 Finally, as noted in the Company's response to I&E-GS-8, if the requested
7 increase in the DSIC cap is not approved, the Company would continue to meet its
8 obligation to provide safe and reliable service. Therefore, Mr. Patel has not shown
9 that an increase in the DSIC cap to 7.5 percent is necessary for CPG to provide safe
10 and reliable service.

11 Q. DOES THIS COMPLETE YOUR REBUTTAL TESTIMONY?

12 A. Yes it does.

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PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of UGI Central Penn Gas, Inc. for :
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Charge Cap of 5% of Billed Distribution : Docket No. P-2016-2537609
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Allowable DSIC to 10% of Billed Revenues :

VERIFICATION

I, Jerome D. Mierzwa, hereby state that the facts above set forth in my Rebuttal Testimony, OCA Statement No. 1R, are true and correct 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).

Signature:



Jerome D. Mierzwa

Consultant Address: Exeter Associates, Inc.
Suite 300
10480 Little Patuxent Parkway
Columbia, MD 21044

DATED: August 19, 2016