

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
COMMISSION

v.

PEOPLES NATURAL GAS COMPANY
LLC

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Docket No. R-2018-3006818

**PREPARED DIRECT TESTIMONY OF
MORGAN K. O'BRIEN,
PRESIDENT AND CHIEF EXECUTIVE OFFICER
PEOPLES NATURAL GAS COMPANY LLC**

DATE SERVED: January 28, 2019
DATE ADMITTED: _____

Peoples Statement No. 1

**PREPARED DIRECT TESTIMONY
OF MORGAN K. O'BRIEN**

Introduction

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 **A.** My name is Morgan K. O'Brien. My business address is Peoples Natural Gas Company
3 LLC, 375 North Shore Drive, Suite 600, Pittsburgh, Pennsylvania 15212.

4

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 **A.** I am employed by Peoples Natural Gas Company LLC ("Peoples Natural Gas," "Peoples,"
7 or the "Company") as President and Chief Executive Officer ("CEO"). I also am the
8 President and CEO of Peoples Natural Gas' direct parent, PNG Companies LLC ("PNG").
9 PNG also is the parent of Peoples Gas Company LLC ("Peoples Gas"). I will refer to PNG
10 and its subsidiaries as the "Peoples Companies."

11

12 **Q. PLEASE DESCRIBE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.**

13 **A.** I am a graduate of Robert Morris University with a Bachelor of Science undergraduate
14 degree as well as a Master's of Science degree in Taxation. I began my career in 1982
15 working in public accounting as a CPA. I spent 19 years with Duquesne Light Company
16 ("Duquesne") with the last 8 and one half years as President and CEO. During my term as
17 CEO, Duquesne improved in reliability and customer service. During my final year at
18 Duquesne, the company was recognized as the top customer service utility in the region by
19 J.D. Power and Associates. On February 1, 2010, I accepted the position of President and
20 Chief Executive Officer of Peoples Natural Gas.

21

1 **Q. ARE YOU INVOLVED IN ANY CIVIC ACTIVITIES?**

2 **A.** Yes. I serve as Chairman of the Board of the Greater Pittsburgh Chamber of Commerce
3 and on the board of directors of the Allegheny Conference on Community Development,
4 the United Way of Allegheny County, Team Pennsylvania Foundation, the American Gas
5 Association, Pennsylvania Energy Association, the Pittsburgh Cultural Trust, the
6 Pittsburgh Foundation, Greater Pittsburgh Boy Scouts of America, the Leukemia and
7 Lymphoma Association, as well as serving on the Robert Morris University Board of
8 Trustees.

9

10 **Q. WHAT ARE YOUR CURRENT JOB RESPONSIBILITIES WITH PEOPLES?**

11 **A.** As CEO of the Peoples Companies, I have the overall responsibility of leading the business
12 and establishing the Peoples Companies' strategic plan for Peoples Natural Gas as well as
13 for Peoples Gas.

14 Setting and executing the Peoples Companies' strategy as utility companies is my
15 principal role, followed by building the Peoples Companies' culture. Work gets done
16 through people, and people are profoundly affected by culture both positively and
17 negatively.

18 Since the initial acquisition of Peoples Natural Gas in 2010 by SteelRiver
19 Infrastructure North America LP ("SRIFNA"), my responsibility has been to create a stand-
20 alone organization that will provide the highest levels of service and reliability to
21 customers. The subsequent acquisitions of Peoples Gas and Equitable Gas Company have
22 broadened that responsibility to many additional customers and employees. Although that
23 work is not yet finished, we have made great progress in establishing a stand-alone

1 organization and implementing significant steps that have improved service and will
2 continue to do so. As a result, my current responsibilities now include overseeing the
3 modernization of the Peoples Companies' aging systems to meet the needs of our customers
4 and region and focusing on maximizing the technology investments to ensure the Peoples
5 Companies are providing the best customer service in the Commonwealth. We are
6 committed to realizing that vision. I also serve as the Peoples Companies' chief
7 spokesperson and educator on important energy issues being debated and deliberated on
8 both the federal and state level.

9
10 **Q. HAVE YOU TESTIFIED PREVIOUSLY IN ANY REGULATORY**
11 **PROCEEDING?**

12 **A.** Yes, on several occasions. During my 19-year career at Duquesne, I testified in numerous
13 regulatory proceedings, including the company's electric restructuring plan, the proposed
14 merger with Allegheny Energy, numerous Provider of Last Resort proceedings, the
15 acquisition of Duquesne by an investor consortium, as well as other regulatory proceedings
16 before this Commission. I also submitted testimony in Peoples Natural Gas' base rate case
17 at Docket No. R-2012-2285985. I also submitted direct and rebuttal testimony in the
18 proceeding at Docket Nos. A-2013-2353647, A-2013-2353649 and A-2013-2353651
19 concerning the acquisition of Equitable Gas Company and its merger into Peoples Natural
20 Gas.

21
22 **Purpose of Testimony**

23 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?**

1 **A.** First, I will introduce Peoples’ witnesses in this case. Then, I will discuss various priorities
2 in Peoples’ operation. I will also describe Peoples’ pipeline replacement plan and the
3 progress the Company has made in modernizing its system through pipeline replacement.
4 In addition, I will discuss Peoples’ customer service metrics and how the Company has
5 been improving the customer’s experience. Also, I will highlight Peoples’ proposals to
6 expand the use of natural gas in Pennsylvania. I will conclude my testimony by discussing
7 the many benefits to our customers and western Pennsylvania resulting from Peoples’
8 execution of its strategic plan.

9
10 **Q.** **PLEASE PROCEED WITH THE INTRODUCTION OF PEOPLES’ WITNESSES.**

11 **A.** Peoples’ other witnesses, and the subject matter of their testimony, are:

12 Joe Gregorini, Senior Vice President, Chief Operating Officer, will describe the
13 Company’s gas supply plan, the Company’s gathering study, the capital work associated
14 with Peoples’ pipeline replacement program, UFG project work, PHMSA regulations, and
15 operations performance. (Peoples Statement No. 2)

16 Andrew P. Wachter, Director, Finance and Regulation, will discuss the overall rate
17 case organization. In addition, he will identify the Peoples Companies’ revenue
18 requirements and identify and explain Peoples’ operating and maintenance expenses for
19 the Historic Test Year, Future Test Year, and the Fully Forecasted Future Test Year.
20 (Peoples Statement No. 3)

21 Matthew Wesolosky, Director, Finance and Regulation, will sponsor and support
22 the Company’s tax calculations for ratemaking purposes and the tax-related information

1 provided by Peoples in response to the Commission's rate filing regulations. (Peoples
2 Statement No. 4)

3 Carol Scanlon, Manager of Rates and Regulation, will discuss the Company's
4 calculation of historical and projected revenues, including customer counts and volume
5 projections and the determination of rates for competitive accounts. In addition, she will
6 discuss the Company's tariff changes and the proposal to consolidate the Peoples and
7 Equitable Divisions' retail tariffs into one retail tariff. (Peoples Statement No. 5)

8 Karen Worcester, Director, Finance and Accounting will sponsor the accounting
9 filing requirements and explain how the accounting records of Peoples are maintained
10 under industry standards. (Peoples Statement No. 6)

11 Anthony Caldoro, Rates Consultant, will present the calculation of the Company's
12 rate base. (Peoples Statement No. 7)

13 Eric Petrichevich, Senior Financial Analyst, will present the calculation of the
14 Company's cash working capital requirements. (Peoples Statement No. 8)

15 Paul Moul, Managing Consultant, P. Moul & Associates, will present an
16 independent assessment of the fair rate of return that Peoples should be authorized to earn
17 on its investment in providing gas delivery service to customers. (Peoples Statement No.
18 9)

19 John Spanos, Vice President, Gannett Fleming, Inc., will sponsor a depreciation
20 study that determined Peoples' annual depreciation accrual rates. (Peoples Statement No.
21 10)

22 Russell A. Feingold, Vice President, Black & Veatch Management Consulting,
23 LLC, will sponsor the cost of service allocation studies prepared by his firm and he will

1 explain how Peoples' rates were designed to produce the revenue requirement described in
2 Peoples' witness Andrew Wachter's testimony. (Peoples Statement No. 11)

3
4 **Q. AQUA AMERICA RECENTLY FILED AN APPLICATION TO ACQUIRE THE**
5 **PEOPLES COMPANIES. DOES THAT APPLICATION AFFECT THIS BASE**
6 **RATE FILING?**

7 A. No. The acquisition of Peoples Companies by Aqua America will be addressed in the
8 Application proceeding at Dockets A-2018-30061, A-2018-30062 and A-2018-30063.

9
10 **Company Operations**

11 **Q. PLEASE DESCRIBE PEOPLES' BUSINESS OPERATION TODAY COMPARED**
12 **TO ITS BUSINESS OPERATION IN 2012 WHEN YOU LAST PRESENTED**
13 **TESTIMONY ON THIS ISSUE.**

14 A. In 2013, Peoples Natural Gas acquired the Equitable Gas Company. Over the past few
15 years, the Company has devoted significant energy to merge the two companies and
16 provide best in class service to customers throughout Western Pennsylvania. In addition,
17 Peoples has continued the Company's planned replacement of aging infrastructure
18 throughout both its Peoples and Equitable Divisions.

19
20 **Q. WHAT STEPS HAS THE COMPANY TAKEN TO UNIFY THE PEOPLES AND**
21 **EQUITABLE DIVISION OPERATIONS?**

22 A. The Company has taken a variety of steps to unify the operations of its divisions. In
23 particular, the organizational structures of the two divisions have been restructured to avoid

1 duplicative positions, the unions have been merged, and the vehicles, tools, and equipment
2 have been standardized across the divisions. In addition, the Company has restructured the
3 locations of offices across the combined service territory to better serve the customers and
4 avoid duplicative offices. The Company has gone to great efforts to create a single
5 operations that provides the most valuable services to our customers in the most efficient
6 means possible.

7
8 **Q. HAS THE COMMISSION APPROVED THE CONSOLIDATION OF THE**
9 **PEOPLES AND EQUITABLE DIVISION PURCHASED GAS COST RATES?**

10 A. Yes, the Commission approved the consolidation of the Peoples and Equitable Division
11 Purchase Gas Cost Rates in the 2015 1307(f) proceeding at Docket Nos. R-2015-2465172
12 and R-2015-2465181.

13
14 **Q. WHAT IS PEOPLES PROPOSING IN THIS PROCEEDING WITH RESPECT TO**
15 **THE PEOPLES AND EQUITABLE DIVISION BASE RATES, TARIFFS AND**
16 **ACCOUNTING?**

17 A. The Company is requesting consolidation of the base rates and accounting of the Peoples
18 and Equitable divisions together into one unified company and the elimination of any
19 requirement to maintain separate divisions. In addition, the Company is proposing one
20 new retail tariff, Peoples Natural Gas Tariff Gas No. 47 to serve all retail customers.
21 Peoples Natural Gas' Tariff Gas- PA PUC No. 45 and Peoples-Equitable's Tariff Gas – PA
22 PUC No. 46 would be superseded by this new retail tariff, Peoples Natural Gas Tariff Gas
23 No. 47. In addition, the Company is proposing to update the Peoples Division supplier

1 tariff and apply this tariff to all suppliers who currently provide service to customers on
2 either the Peoples or Equitable Divisions. Carol Scanlon's testimony (Peoples Statement
3 No. 5) discusses this in more detail.
4

5 **Q. WHAT ARE THE BENEFITS OF COMBINING THE PEOPLES AND**
6 **EQUITABLE DIVISION RATES AND TARIFFS?**

7 A. As described above, the Company has taken great strides in combining the operations
8 procedures of the two divisions since the 2013 acquisition. The final step to complete the
9 acquisition will be in combining the tariffs and rates of the Peoples and Equitable
10 Divisions. By combining the rates and tariffs, the Company will ensure that standards,
11 procedures and customer charges are uniform across its service territory. This will present
12 the Company to customers as one company and avoid customer confusion concerning rates
13 and services. Duplicative regulatory filings for the Peoples and Equitable Divisions will
14 be eliminated. In addition, the new rates will reflect more accurate costs to customer of
15 the current structure of the unified company, instead of separate rates for each division. As
16 previously described the Company operates and holds itself out as a single business to the
17 people and business' it serves. This will simplify that even further for customers benefit.
18

19 **Q. WHAT IS THE FOCUS OF PEOPLES' STRATEGIC PLAN?**

20 A. Peoples continues to focus on becoming a valuable provider of high quality customer
21 service. With management fully engaged in the Western Pennsylvania community, we
22 work hard to support all of our customers and help the community grow and prosper. We
23 currently are sitting atop the second largest natural gas reserve on the planet. Our legacy

1 will be to bring the economic advantage of having the most abundant supply of clean
2 energy made available to the customers we serve. Our simple mission is to make their
3 lives better by having the cleanest and most affordable energy anywhere in the world right
4 here in Western Pennsylvania. We are working with producers and customers as well as
5 economic leaders to optimize this incredible asset for the benefit of this state. Helping
6 customers understand the environmental and economic benefits of natural gas is a key part
7 of our mission. We plan to continue to provide the highest quality of service to all of our
8 customers and partner with leaders in this state and region to drive the economic
9 development of this region for many years into the future.

11 **Infrastructure Investment**

12 **Q. PLEASE EXPLAIN THE COMPANY'S LTIIIP.**

13 A. The Peoples Companies, and their predecessor companies, have had Long Term
14 Infrastructure Improvement Plans ("LTIIIPs") in place since 2013. The most-recently
15 approved version is a Combined Distribution LTIIIP that encompasses the Peoples
16 Companies, Peoples Natural Gas - Peoples Division, Peoples Natural Gas - Equitable
17 Division and Peoples Gas. The current plan increases planned spending on Mains and
18 Services investment by \$228.8 million over the five-year term (2017-2021) from \$593.7
19 million to \$822.5 million as compared to the prior plans and is designed to result in 620
20 miles of at-risk pipe and 83,041 services being removed from the system. Spending for all
21 LTIIIP categories will total \$919.4 million during this period.

22
23 **Q. ON WHAT DOES THE COMBINED DISTRIBUTION LTIIIP FOCUS?**

1 A. The Combined Distribution LTIP is focused on removing the highest risk pipe across all
2 of the Peoples Companies first, which will result in having 75% of the customers removed
3 from high risk pipe in the first 10 years and the remaining 25% of the customers removed
4 in the remaining years. The highest risk pipes are mainly located in urban areas, which
5 have the highest concentration of customers being served. These pipe replacement projects
6 are significantly more costly per mile than the rural pipe replacement projects causing the
7 actual miles being replaced to be lower in the early years and greater in the latter years.
8 But, as has been shown in the Commission-approved Combined Distribution LTIP, a
9 greater amount of risk is mitigated (less customers being served off of high-risk pipe) in
10 the early years by prioritizing investment based on the Peoples Companies' relative risk
11 factors. In addition and of growing importance to all of us, are all of the environmental
12 benefits our LTIP has in mitigating and eliminating methane impacts on the quality of air.
13 We have partnered with the Environmental Defense Fund and Carnegie Mellon University
14 to educate ourselves and the broader community on the methane issues of having old
15 infrastructure. We have mapped and provided updated disclosures around methane
16 impacts of our system. Our approach has received overwhelming recognition as showing
17 leadership in battling these environmental issues from many in leadership including
18 Governor Wolf and his administration.

19

20 **Q. IS THE COMPANY CONTINUING TO INVEST IN REPLACING**
21 **INFRASTRUCTURE UNDER ITS LTIP IN THE FUTURE?**

1 A. Yes, Peoples is committed to continue the replacement of infrastructure in the future.
2 Witness Joe Gregorini further details the Company’s projected spend on infrastructure
3 replacement in the coming years.
4

5 **Customer Service**

6 **Q. PLEASE EXPLAIN THE COMPANY’S GOALS WITH RESPECT TO**
7 **CUSTOMER SERVICE.**

8 A. One of our primary operational goals has been to focus on and continually improve our
9 customer service, and I am happy to be able to testify that we have been successful in this
10 area. Peoples had some objective targets for measuring the quality of its call center, which
11 were contained in the settlement agreement, which was approved by the Commission in
12 the Equitable Gas Company acquisition case at Docket No. A-2013-2353647. Peoples has
13 met all of the call center metric targets. We have embraced the principle that people who
14 care about what they are doing will provide a more efficient and higher quality of service
15 to customers. Our employees are proud to work for the Company and recognize the
16 importance of their services to the region where they live. They see themselves as
17 neighbors helping to make their neighbors’ lives better, which is a long-term core value in
18 Western Pennsylvania.

19 While we are excited about the progress we have made in this area, we are still
20 working hard at becoming the best customer service utility in this state. And with the
21 commitment and pride that is growing in our employees along with the tools we have built
22 here, we are confident of our ability to reach that goal.
23

1 **Q. PLEASE DESCRIBE SOME OF PEOPLES RECENT INITIATIVES TO**
2 **IMPROVE THE CUSTOMER EXPERIENCE.**

3 **A.** In 2018, Peoples began a pilot program of offering customers the ability to schedule
4 appointments within a two-hour timeframe. The Company plans to expand this to all areas
5 by the second quarter of 2019. In addition, both evening and weekend appointments are
6 now accepted for providing customers more flexibility and avoiding the potential of having
7 to take off work. Also, in response to changing trends in bill payments, Peoples now offers
8 options to use Google Pay or Apple Wallet for customers to pay their bill. To further
9 improve the bill payment process, as described in Andrew Wachter’s testimony, (Peoples
10 Statement No. 3), in this rate case Peoples is proposing to waive payment fees for credit
11 card and walk-in payments. This is in line with making customer interaction to be more
12 market based. As more and more service providers like Amazon and Apple redefine
13 customer expectations, we are evolving as well.

14
15 **Q. WHAT HAS BEEN PEOPLES’ PERFORMANCE REGARDING CUSTOMER**
16 **SERVICE?**

17 **A.** When Peoples developed a Customer Service center, numerous targets were set for the
18 Company. The following table shows Peoples’ performance compared to the metrics and
19 the great improvement the Company has experienced over the years with the creation and
20 development of its own, in house call center:

Customer Service	Target	2017 YE
Call Center: % calls answered within 30 seconds	≥ 70.00%	83.0%
Call Center: Average busy-out rate	< 0.5%	0.00%
Call Center: Average call abandonment rate	≤ 7%	1.1%
Number of customer disputes not issued a report within 30 days	≤ 3.0%	0.00%
% of meters not read as required by 56.12(4)(ii) (6 mos.)	.25%	.06%
% of meters not read as required by 56.12(4)(iii) (12 mos.)	.03%	.01%
% of bills not rendered once every billing period	.01%	.00%

1 Every quarter, we review our performance internally to make sure we are on the right track.

2

3 **Q. CAN YOU PROVIDE EXAMPLES OF PEOPLES PROVIDING QUALITY**
4 **CUSTOMER SERVICE?**

5 **A.** Yes, as demonstrated in the PUC’s Annual Utility Consumer Report and Evaluation for
6 2016 Peoples provided excellent service. The report provides information on each utility’s
7 performance in handling complaints. The three main areas covered in the report are:
8 Consumer Complaints, Payment Arrangement Requests (“PAR”) and Compliance with
9 Commission regulations. As shown in the table below, Peoples Justified Consumer
10 Complaint Rate for both divisions is significantly less than the average and close to the
11 best of any gas distribution company.

**2015-16 Justified Residential
Consumer Complaint Rates
Major Natural Gas Distribution Companies**

Company	2015	2016
Columbia	0.02	0.02
NFG	0.06	0.02
Peoples	0.04	0.02
Peoples-Equitable	0.04	0.04
PGW*	0.28	0.37
UGI-Gas	0.04	0.02
UGI Penn Natural	0.09	0.03
Average	0.08	0.07

1
2 Regarding PARs, Peoples and Equitable Division rates of 2.10 and 1.83 per 1,000
3 residential customers were significantly less than the average, and also at the low end of
4 the range.

**2016 Residential Payment Arrangement Request (PAR) Rates/
Justified PAR Rates*
Major Natural Gas Distribution Companies**

Company	PAR Rate	Justified PAR Rate
Columbia	1.75	0.03
NFG	1.68	0.07
Peoples	2.10	0.05
Peoples-Equitable	1.83	0.13
PGW	15.98	0.62*
UGI-Gas	6.31	0.37*
UGI Penn Natural	8.89	0.94*
Average	5.51	0.31

5
6 Finally, Peoples infraction rates remain very low in the state.

7

**Commission Infraction Rates
Major Natural Gas Distribution Companies**

Company	2014	2015	2016
Columbia	0.01	0.01	0.01
NFG	0.03	0.04	0.02
Peoples	0.08	0.03	0.02
Peoples-Equitable	0.01	0.03	0.03
PGW	0.20	0.35	0.50
UGI-Gas	0.08	0.03	0.01
UGI Penn Natural	0.03	0.07	0.04

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Q. CAN YOU PROVIDE EXAMPLES OF PEOPLES' PERFORMANCE IN THE FIELD?

A. Yes, as demonstrated in the 2017 results from the Research America survey, Peoples' field employees continue to do a superb job in providing customer service. The following percentages represent the percentage of customers that were very satisfied with the Company's field employees.

FSR Timely Completion	94%
FSR Time to Respond	93%
FSR Courtesy	99%
FSR Knowledge	98%
FSR Respect for Property	99%
FSR Overall Satisfaction	98%
Overall Satisfaction	93%

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Economic Development

Q. EARLIER YOU TESTIFIED THAT PEOPLES WILL REMAIN FOCUSED ON DRIVING ECONOMIC DEVELOPMENT AND JOB CREATION IN WESTERN PENNSYLVANIA. WHY IS THIS IMPORTANT TO PEOPLES?

1 A. Peoples serves approximately 620,000 customers in western Pennsylvania. Each customer
2 represents at least one individual, but most represent more than that – perhaps a family or
3 a business with employees. Peoples will only continue to be successful if its customers are
4 successful, meaning that the businesses that Peoples serves should be growing and that the
5 families that it serves should be working. I believe that Peoples can help make this happen
6 by creating jobs at Peoples itself and by investing in its business in ways that create jobs at
7 businesses that serve and supply Peoples. To this end, we have created nearly 200 jobs at
8 Peoples over the last 2 years and project to create additional jobs as we continue with the
9 pipeline replacement program. Our LTIP alone has created significant employment
10 opportunities beyond any project in the company’s long history. We expect the total
11 number of jobs necessary to execute the company’s LTIP to approximate 1,000 jobs in
12 2019. This number includes both internal positions as well as positions outside the
13 company but employed by contractors to execute the Company’s program. The vast
14 majority of these jobs are good paying union positions including positions in the building
15 trades in the region.

16
17 In addition, Peoples will continue to support and encourage local production of
18 natural gas in whatever ways we can. Our commitment to bring our customers gas supply
19 from locally drilled gas wells has driven more jobs for local drilling companies and related
20 activities. We consider ours a partnership with those companies making sure this region
21 and our state realize the full economic benefits of having this incredible abundance of gas
22 supply right beneath our feet.

1 At the same time, we are working with others in this region at educating businesses
2 and institutions on seeing the value from both an environmental and economic perspective
3 in using more natural gas as an alternative to less clean and more expensive fossil fuels.
4 This includes conversion to natural gas fuel for large fleets of trucks as well as river barge
5 transportation and even railroad transportation. In addition, we are actively supporting the
6 development of natural gas fired electric generation on large scale projects that will replace
7 the older coal and oil fired units as well as customer specific electricity production that can
8 serve a single customer.

9
10 **Q. HAS PEOPLES SUPPORTED THE EXPANSION OF NATURAL GAS**
11 **THROUGHOUT PENNSYLVANIA?**

12 **A.** Yes. The Company has an approved Mainline Extension Service (“MLX”) which can be
13 used to expand service into unserved/underserved areas. In addition, Peoples is working
14 with PennDot to construct the pipelines to provide natural gas to various transit authorities
15 throughout our service territory. The authorities will be converting their fleet from diesel
16 to clean burning natural gas. So far, the Company has completed six projects, with another
17 two more under construction, and one final station scheduled to be completed in future
18 years. Also, Peoples is a founding partner of “Forge the Future”, a private sector-led effort,
19 to unlock the economic potential of Pennsylvania’s energy resource – in terms of GDP
20 growth, jobs growth, and government revenues to support the needs of the state. This
21 initiative has become a state wide economic growth strategy supported by the Chamber of
22 Commerce of Greater Philadelphia, the Allegheny Conference on Community

1 Development, the Pennsylvania Chamber of Business and Industry, and the Pennsylvania
2 Manufacturing Association.

3
4 **Q. HOW IS PEOPLES PROPOSING TO EXPAND DISTRIBUTION SERVICE TO**
5 **CUSTOMERS IN THIS PROCEEDING?**

6 **A.** There are many barriers to potential customers obtaining natural gas to serve their homes. It
7 is our experience that residential customers have difficulty understanding and financing
8 contributions to extend Peoples mains. To help reduce these barriers and provide an easier
9 way for people in our service territory to obtain natural gas service, the Company is
10 proposing to offer 150 feet of main line without charge to each residential applicant who
11 chooses natural gas service for their homes. This proposal is explained in greater detail in
12 Joe Gregorini's testimony. (Peoples Statement No. 2).

13 **Q. WHAT IS THE VALUE OF NATURAL GAS AS A HEATING SOURCE TO**
14 **RESIDENTIAL CUSTOMERS AS COMPARED TO PROPANE OR OIL?**

15 **A.** Natural gas is a clean, affordable, and abundant resource. While other heating sources
16 prices are rising, natural gas prices are stable and low due to the amount of natural gas in
17 our region from the Marcellus Shale. Homeowners prefer natural gas as a heating source
18 because it heats up quickly, costs less than other heating alternatives, and is locally sourced.
19 Having plentiful and economic energy is a key factor in providing a higher standard of
20 living for the people of this region and state. Energy is the key to both our economic and
21 the quality of living future for the people here. Having more natural gas than anywhere
22 else in the U.S. and second most in the world being right here and yet to be produced,
23 makes this a critically important asset for this State.

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Community Support

Q. PLEASE EXPLAIN THE PEOPLES COMPANIES’ COMMITMENT TO THE COMMUNITIES THEY SERVE.

A. Community commitment is not only one of the Peoples Companies' stated core values, it is how we have become recognized in the communities we serve as a true community leader. In a time when governmental support is becoming more challenging at both the federal and state levels, the need for social services in our region continues to grow. Peoples Natural Gas committed in the Equitable acquisition case settlement to provide annual corporate contributions and community support in southwestern Pennsylvania of at least \$1.4 million. We have exceeded this commitment level by contributing in 2018 more than \$3 million to over 175 community-based organizations and charities. The Peoples Companies make financial commitments to organizations that serve our service territory communities - both large organizations and small. Some examples of organizations we support are the Greater Pittsburgh Food Bank, United Way, Leukemia/Lymphoma Society, Dollar Energy Fund, March of Dimes, Salvation Army and Greater Pittsburgh Literacy Council.

One of the key values our employees have embraced is the need to support the communities we serve. I am proud to say that we have a very active Volunteer Activities Committee and many of our employees volunteer on the boards of community organizations. A large number of Peoples' corporate donations are made to organizations in which our employees are actively involved or actively support.

1 This includes giving time and money to help those in need. We offer ongoing
2 volunteer events such as collecting and packing food in partnership with local food banks,
3 cleaning the rivers with Paddle without Pollution, mentoring youths through Big Brothers
4 Big Sisters and providing winter outwear for children with the Salvation Army's Project
5 Bundle Up. This is helping our customers to see us differently, as something other than a
6 company who sends them a bill every month for their utility services, and at the same time
7 building a pride in the employee ranks that we have not seen before.

8
9 **Q. HAS PEOPLES BEEN SUCCESSFUL IN THE SAFETY AREA?**

10 **A.** Yes, and that success is demonstrated by the OSHA recordable incident rate, which was
11 2.16 in 2015, 2.30 in 2016, and 1.95 in 2017. In addition, the Company's success is also
12 demonstrated by a Lost Day/Restricted Duty injury (LDRD) rate of 1.20 in 2015, 1.28 in
13 2016, and 0.97 in 2017. Our employees have clearly embraced Safety as a core value.

14
15 **Return on Equity**

16 **Q. DO YOU BELIEVE THAT PEOPLES' ACTIVITIES THAT YOU HAVE**
17 **DISCUSSED IN THIS TESTIMONY SHOULD HAVE ANY IMPACT ON THE**
18 **RESULT OF THIS RATE CASE?**

19 **A.** Yes, I do. We all know that in deciding these cases, the presiding Administrative Law
20 Judge and then the Commission consider many conflicting positions and, with respect to
21 the authorized return on common equity, often end up with a range of returns recommended
22 by various experts from which an authorized return is selected. Peoples' success in many
23 of the areas I have discussed in this testimony - improving its customer service and

1 accelerating pipeline replacements, bringing jobs to its service territory, and demonstrating
2 that Peoples is a valuable corporate citizen – should lead the decision makers to authorize
3 a .25% addition to the determination of the return on common equity proposed by Mr.
4 Moul to bring it to the high end of the range of returns being considered. Peoples has
5 become a critically valuable business to the region and to the state. It’s impact has made a
6 positive difference in the lives of people and the prosperity of its customers in many ways.
7 We believe our importance will continue to grow into the future.

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10 **Q. TO WHAT DO YOU ATTRIBUTE THE SUCCESS THAT PEOPLES HAS**
11 **ACHIEVED?**

12 **A.** To attain these results, Peoples’ employees have shown great skill, innovation and
13 dedication, but they would not be able to do their jobs as successfully as they have if
14 Peoples does not have access to capital to improve Peoples’ facilities and service. I am
15 confident that I can continue to lead and motivate Peoples’ employees to improve Peoples.
16 A results-based return on capital will encourage continued financial support for that
17 improvement.

18 Our investors have the ability and the interest to fund the necessary additional
19 equity needed to modernize this critical infrastructure. This rate case will send a loud
20 message to our investors and, just as importantly, to the investment community in general
21 on how this Commonwealth views critical infrastructure investment and service to
22 customers. It is critically important at this time to provide a positive message to that
23 important stakeholder group that Pennsylvania is a good place to invest.

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Conclusion

Q. WILL PEOPLES' STRATEGIC PLAN CHANGE IN THE FUTURE?

A. As Part of the Company's mission to Make Your Life Better, Peoples will not change its four core values, Safety, Community, Customer Commitment, and Trust, so Peoples will not give up its emphasis on employee and public safety, customer service, community involvement, economic development, and conducting its business in the correct way. The Why we exist will not change. How we provide our services changes regularly with advances in technology, innovation as well as changes in our customer expectations and their needs. Within this framework, our primary focus will continue to be on providing high quality customer service and improving our infrastructure through pipeline replacement and modernization.

Q. WHY IS A RATE INCREASE NECESSARY FOR PEOPLES AT THIS TIME?

A. Peoples' continuing investment in its infrastructure is driving the need for an increase in base rates. Peoples is experiencing higher costs resulting from increases in both its plant in service and its labor complement. Without a base rate increase, Peoples' revenues will no longer be adequate to cover its costs to provide service and to provide an opportunity to earn a fair rate of return on Peoples' investment.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does. I reserve the right to submit supplemental testimony as additional issues arise during the course of this proceeding. Thank you.