

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY	:	
COMMISSION	:	
	:	Docket No. R-2018-3006818
v.	:	
	:	
PEOPLES NATURAL GAS COMPANY LLC	:	

**PREPARED REBUTTAL TESTIMONY
MORGAN O'BRIEN
PRESIDENT AND CHIEF EXECUTIVE OFFICER
PEOPLES NATURAL GAS COMPANY LLC**

DATE SERVED: May 28, 2019

DATE ADMITTED: _____

Peoples Natural Gas Statement No. 1-R

PREPARED REBUTTAL TESTIMONY OF

MORGAN O'BRIEN

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

2 A. My name is Morgan K. O'Brien and my business address is 375 North Shore Drive,
3 Suite 600, Pittsburgh, PA 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,"
7 "Peoples," or the "Company") as President and Chief Executive Officer ("CEO"). I also
8 am the President and CEO of Peoples Natural Gas' direct parent, PNG Companies LLC
9 ("PNG"). PNG also is the parent of Peoples Gas Company LLC ("Peoples Gas"). I will
10 refer to PNG and its subsidiaries as the "Peoples Companies."

11

12 **Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN THIS**
13 **PROCEEDING?**

14 A. Yes. My direct testimony is set forth in Peoples Statement No. 1.

15

16 **Q. WHAT IS THE PURPOSE OF THIS REBUTTAL TESTIMONY?**

17 A. In my direct testimony, **Peoples Statement No. 1**, I identified the different ways Peoples
18 is providing exceptional service to the community, through accelerating pipeline
19 replacement, bringing jobs to its service territory, and improving customer service. I also
20 requested that the Pennsylvania Public Utility Commission ("Commission") recognize

1 these efforts by awarding Peoples a cost of equity at the high end of the equity cost rate
2 range determined by the Commission from the rate of return witnesses in this case.

3 The Bureau of Investigation & Enforcement (“I&E”) witness, Christopher Henkel
4 contends that rewarding the Company in this matter is not justified or appropriate. My
5 rebuttal responds to his contention and explains why it is appropriate to encourage
6 utilities such as Peoples to improve safety and customer service by rewarding
7 shareholders for such activities. I am not suggesting that Peoples should receive any type
8 of special treatment by the Commission. I am merely suggesting that, as a matter of
9 public policy, the Commission should recognize utilities that go above and beyond the
10 standard required by the Pennsylvania Public Utility Code.

11
12 **Q. PLEASE SUMMARIZE MR. HENKEL’S POSITION REGARDING THE**
13 **INCLUSION OF 25 BASIS POINTS IN PEOPLES’ PROPOSED RETURN FOR**
14 **MANAGEMENT PERFORMANCE.**

15 **A.** Mr. Henkel concludes that Peoples, or any utility, should not be given additional basis
16 points for doing what is required of them under 66 Pa. C.S.A. § 1501. (I&E St. No. 2, pp.
17 50-52.) In addition, he claims that there are deficiencies in Peoples’ customer service
18 that would make rewarding additional basis points inappropriate.

19
20 **Q. DO YOU AGREE WITH MR. HENKEL THAT A UTILITY SHOULD NOT BE**
21 **REWARDED FOR UNDERTAKING ACTIVITIES THAT ARE REQUIRED TO**
22 **MAINTAIN REASONABLE SERVICE TO CUSTOMERS?**

1 A. No, I do not. While Mr. Henkel’s position is that utilities should never be given
2 additional basis points for management effectiveness, this is not the position of the
3 Commission. The Company’s Counsel has advised me that, according to Pennsylvania
4 law, when considering the determination of just and reasonable rates, the Commission
5 shall consider the efficiency, effectiveness and adequacy of service. Title 66, Section
6 523, states that the Commission “shall give effect to this section by making such
7 adjustments to specific components of the utility’s claimed cost of service as it may
8 determine to be proper and appropriate.”

9 Since there is a range of acceptable service under the broad standards of the
10 Pennsylvania Public Utility Code, utilities should be incentivized by the Commission to
11 provide service at the higher end of that acceptable range, instead of the lower end of the
12 range. It is appropriate to encourage utilities to provide better service by allowing a cost
13 of equity at the higher end of cost equity range where the company is providing higher
14 quality service. By rewarding companies for going beyond the minimum required, the
15 Commission will encourage other companies to follow suit.

16

17 **Q. DO YOU HAVE ANY COMMENT IN RESPONSE TO MR. HENKEL’S**
18 **STATEMENT REGARDING PEOPLES’ LEVEL OF CUSTOMER SERVICE?**

19 A. Yes, I do. Mr. Henkel notes a few areas where the Company’s performance has declined
20 from 2015 – 2017 on the 2017 Customer Service Performance Report for Pennsylvania as
21 his basis for disallowing the management recognition points, but these few statistics do
22 not tell the whole story. He conveniently omits any discussion of any of the customer
23 initiatives or customer service statistics mentioned in my direct testimony, which indicate

1 that Peoples is providing exceptional customer service. As shown in the Company's
2 discovery response to Duquesne Light, which is attached to my testimony as Exhibit No.
3 MKO-R-1, almost all of the Company's customer satisfaction annual scores, as measured
4 by Research America have improved since 2016. The Company has met the customer
5 service goals for its call center, and continues to be a leader in improving the customer
6 experience, through new initiatives like, the ability to schedule a two-hour appointment
7 window, the option to pay their bill through Google Pay and Apple Wallet, and the
8 proposal to waive payment fees for credit-card and walk-in payments in this rate case.

9
10 **Q. PLEASE SUMMARIZE YOUR PERSPECTIVE ON THE APPROPRIATENESS**
11 **OF RECOGNIZING MANAGEMENT PERFORMANCE IN THE COST OF**
12 **EQUITY.**

13 **A.** The Commission has recognized in prior cases that management performance should be
14 considered in arriving at the cost of equity, whether through a positive or negative
15 adjustment. Incentives are important to attract capital to Pennsylvania utilities,
16 encourage management to provide service above what is legally required, and
17 demonstrate to capital markets and credit rating agencies what the Commission expects in
18 the performance of utilities under its jurisdiction. Peoples has provided exceptional
19 service and this should be reflected in the cost of equity determined in this rate case.

20
21 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

22 **A.** Yes. I reserve the right to supplement my testimony as additional issues arise during the
23 course of this proceeding. Thank you.

Docket No. R-2018-3006818
Peoples Natural Gas Company LLC
Data Requests

Respondent: Morgan O' Brien

DLC-II-4 Please identify any other metrics, other than those identified in the tables at Peoples Statement No. 1, pp. 13-15, by which Peoples measures its performance in customer service or experience. Please provide Peoples' performance under these metrics for each year 2016 through the FPFTY. For any years in which actual data are not yet available, please provide Peoples' projections.

Response:

In addition to the tables included in Peoples Statement No. 1, pp. 13-15, Peoples also measures Customer Satisfaction through surveys conducted by Research America Inc. (formally known as Metrics Matrix). Peoples strives to be a leader in Customer Satisfaction. Historic performance is provided in the table below.

Annual Scores	2016	2017	2018	2019
Ease of Contact	90%	92%	91%	94%
IVR Ease	80%	83%	82%	89%
IVR Choices	80%	82%	84%	84%
IVR Overall Satisfaction	81%	84%	84%	86%
CSR Wait Time	84%	88%	87%	90%
CSR Courtesy	97%	98%	98%	97%
CSW Knowledge	95%	97%	96%	96%
CSR Overall	94%	96%	95%	96%
FSR Timely Completion	89%	93%	96%	82%
FSR Time to Respond	89%	93%	94%	80%
FSR Courtesy	96%	99%	99%	100%
FSR Knowledge	97%	99%	98%	100%
FSR Respect for Property	99%	98%	97%	100%
FSR Overall Satisfaction	97%	98%	96%	100%
Overall Satisfaction	93%	94%	94%	94%

The Company has not identified or presented specific customer metrics projections in this proceeding.