BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

PREPARED REJOINDER TESTIMONY OF JOSEPH A. GREGORINI SENIOR VICE PRESIDENT, CHIEF OPERATING OFFICER PNG COMPANIES LLC

PUBLIC VERSION

DATE SERVED: June 17, 2019
DATE ADMITTED: _____

Peoples Statement No. 2-RJ

PREPARED REJOINDER TESTIMONY OF JOSEPH A. GREGORINI

1	Q.	PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.
2	A.	My name is Joseph A. Gregorini, and my business address is 375 North Shore Drive,
3		Suite 600, Pittsburgh, PA 15212.
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5	Q.	BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?
6	A.	I am employed by PNG Companies LLC as Senior Vice President, Chief Operating
7		Officer.
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9	Q.	HAVE YOU PREVIOUSLY SUBMITTED DIRECT, REBUTTAL AND
10		SURREBUTTAL TESTIMONY IN THIS PROCEEDING?
11	A.	Yes. My direct testimony is set forth in Peoples Statement No. 2, my rebuttal testimony
12		is set forth in Peoples Statement No. 2-R, and my surrebuttal testimony is set forth in
13		Peoples Statement No. 2-SR.
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15	Q.	WHAT ISSUES ARE YOU ADDRESSING IN YOUR REJOINDER
16		TESTIMONY?
17	A.	I am responding to arguments made by Ms. Burgraff on behalf of Snyder Brothers, Inc.,
18		VEC Energy LLC, and Snyder Armclar Gas Co., LP ("SBI") related to proposed Rate
19		Appalachian Gathering Service ("Rate AGS") and water vapor standards and to Mr.
20		Davis on behalf of Duquesne Light Company ("Duquesne Light") related to discounted
21		customers. I note that I have addressed many of these arguments in my rebuttal and

1		surrebuttal testimony, and I stand by the statements made therein. I am not responding to
2		all of the statements made by Ms. Burgraff and Mr. Davis in their surrebuttal to avoid
3		repetition. However, I continue to disagree with their statements and positions.
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5		RATE AGS
6	Q.	MS. BURGRAFF CONTINUES TO OPPOSE RATE AGS IN HER
7		SURREBUTTAL TESTIMONY. DO YOU HAVE ANY GENERAL COMMENTS
8		IN RESPONSE TO HER TESTIMONY?
9	A.	Yes. The fundamental issue in my opinion is whether producers should: (1) pay a portion
10		of Peoples' pipeline system costs because they benefit from the system; or (2) continue to
11		benefit from the pipeline system without having to pay for any of its costs. I think
12		producers should pay for their fair share of pipeline system costs along with customers. I
13		believe that the Company's proposal does that.
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15	Q.	MS. BURGRAFF CONTINUES TO ARGUE THAT PRODUCERS WILL MOVE
16		GAS OFF OF PEOPLES' SYSTEM IF RATE AGS IS APPROVED. (SBI St. No. 1-
17		S, pp. 8-12). PLEASE RESPOND.
18	A.	I would expect any business to sell its product where it can make the most profit. If
19		producers can obtain greater profits by selling their gas in other markets, I would expect
20		them to do so irrespective of Rate AGS. However, this is not a reason to allow the
21		producers to use Peoples' pipeline system at no charge. Producers are greatly benefitting
22		from the pipeline system and should help pay for its costs.
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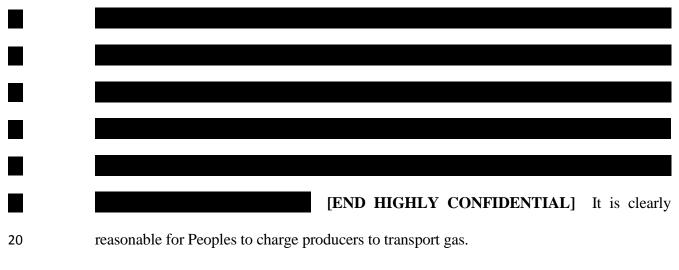
Q. MS. BURGRAFF STATES THAT THE \$0.26 PER MCF CHARGE UNDER RATE AGS IS ARBITRARY. (SBI St. No. 1-S, p. 7.) DO YOU AGREE?

A. No. Once Peoples decided that it would not charge producers for the entire cost of the
gathering system, the Company developed a rate that it thought would be affordable by
producers. As I explained in my Rebuttal testimony, the proposed Rate AGS is
considerably lower than the average AGS fee of \$0.66 per Mcf on the Equitable System.
(Peoples St. No. 2-R, p. 23.)

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9 Q. IS IT REASONABLE TO CHARGE PRODUCERS A FEE FOR TRANSPORTING 10 THEIR GAS?

A. Yes, and this is supported by Ms. Burgraff's Exhibit 1 (EDB-S-1). As shown therein, SBI
 pays gathering or transportation fees on the Columbia Gas Transmission and the Equitrans
 systems, in addition to the Equitable system. [BEGIN HIGHLY CONFIDENTIAL]



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Q. SBI STATES THAT IT HAS MOVED 15 BCF OF GAS OFF OF THE EQUITABLE SYSTEM SINCE 2009 DUE TO THE EQUITABLE RATE AGS. (SBI St. No. 1-S, p. 3.) IS THIS A REASON TO DENY RATE AGS?

A. Absolutely not. I note that the proposed minimum Rate AGS fee of \$0.26 per Mcf in this
proceeding is considerably lower than the current average Rate AGS fee of \$0.66 per Mcf
on the Equitable system. This alone should encourage producers on the Equitable system
not to move gas to other systems, if Ms. Burgraff's argument is accepted.

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WATER VAPOR STANDARDS

Q. MS. BURGRAFF STATES THAT A SEVEN-POUND WATER VAPOR STANDARD IS NOT REALISTIC ON A LOW PRESSURE GATHERING LINE. (SBI St. No. 1-S, p. 15.) PLEASE RESPOND.

As I described in my rebuttal testimony, Peoples is willing to provide a negotiated water 13 A. vapor standard in many cases and where Peoples can effectively extract water vapor from 14 gas production or in areas where local production is not affecting system operations and 15 pipeline integrity or causing customers service interruptions. However, if the negotiated, 16 17 flexible water vapor level is not adequate to avoid system operational or customer service issues, Peoples must retain the right to lower the water vapor requirements and even take 18 19 it to seven-pounds if it is necessary to ensure reliable system operations. I note that other operators of low pressure gathering systems [BEGIN HIGHLY CONFIDENTIAL] 20

[END HIGHLY CONFIDENTIAL] also require

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a seven pound water vapor standard.

- 2 Q. MS. BURGRAFF CONTINUES TO ARGUE THAT THE PRIOR PES FEES
 3 SHOULD COVER DEHYDRATION SERVICE FOR PRODUCERS. (SBI St. No. 14 S, p. 16.) DO YOU AGREE?
- The revenues paid by producers under the PA PEP and PA PES programs helped to support 5 A. 6 the investments made by Peoples for added compression, operational enhancements, and dehydration facilities. In exchange for the fees paid under these programs, the producers 7 derived considerable benefits over the years through enhanced production volumes and the 8 9 dehydration services provided by Peoples. The facilities related to these investments are 10 still owned and operated by Peoples and continue to be in use today and into the future. Peoples also will continue to incur costs to operate, maintain, and upgrade these facilities to 11 12 the continued benefit of conventional producers. It is therefore appropriate for producers to pay for a portion of these gathering related expenditures through the fees under the Rate 13 AGS. 14
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DISCOUNTED RATES

17 **Q**. DUOUESNE LIGHT WITNESS MR. DAVIS CRITICIZES **PEOPLES'** PROCESSES FOR ASSESSING WHETHER CUSTOMERS SHOULD RECEIVE A 18 (Duquesne Light St. No. 1-SR, pp. 2-6.) 19 **DISCOUNTED RATE.** PLEASE 20 **RESPOND.**

A. I disagree with his statements. Mr. Davis states that Peoples does not have a systematic,
 data-based approach for determining discounts. I note that each customer is unique and
 presents different circumstances. Some customers are large businesses, some are

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universities, and some provide services to other customers. Peoples works with each
customer on an individual basis to better understand the customer's unique circumstances.
Peoples evaluates whether each customer has a reasonable, justified alternative and
evaluates the estimated cost of that alternative to determine whether a discount is
warranted. I do not believe that there is a one size fits all approach to determining whether
a discount is warranted.

In addition, many discounted customers have relied on discounts for many years in
operating their businesses. This must be taken into account when evaluating a customer's
unique circumstances. Abrupt removal of discounts for many of the customers could cause
severe financial harm to their businesses and employees.

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Q. MR. DAVIS STATES THE PEOPLES HAS TOO MUCH DISCRETION IN DISCOUNTING ITS RATES AND DOES NOT RECEIVE COMMISSION APPROVAL OF ITS DISCOUNTED RATE CONTRACTS. PLEASE RESPOND.

I disagree with Mr. Davis' conclusions. I note that all of Peoples' discount rate contracts 15 A. are subject to review in base rate proceedings, such as this one. Moreover, the alternative 16 competitive options associated with a very large portion of the competitive customer 17 discounts have been routinely reviewed and approved in Peoples' ongoing annual gas cost 18 recovery proceedings. In fact, of all of the competitive discounts challenged by OCA 19 20 witness Watkins in this case, ninety three (93%) are associated with customers that also receive a waiver of gas retainage and have had their competitive options reviewed and 21 22 approved in the annual gas cost cases.

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Q. MR. DAVIS ALSO CRITICIZES THE TERM OF CERTAIN DISCOUNTS. PLEASE RESPOND.

A. Longer term discounts are necessary for certain customers to make investments in their
operations and natural gas equipment and provide greater certainty for both the customer
and the Company. This is especially true for some of the Company's largest customers
that have available bypass options. Longer term contracts are effective in keeping these
customers from focusing on and pursuing cost-effective bypass options.

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9 Q. MR. DAVIS ALSO STATES THAT ELECTRICITY SHOULD NOT BE 10 CONSIDERED A COMPETITIVE ALTERNATIVE. DO YOU AGREE?

- A. No, I do not agree. In addition to the reasons explained by Ms. Scanlon in her rebuttal
 testimony (Peoples Statement No. 5-R), I note that gas versus electric competition is
 extremely rare. Only one of Peoples' customers arguably receives a discount on this basis,
 and even this customer has another competitive alternative to electric and gas. Mr. Davis's
 concerns about gas versus electric competition are over-stated.
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17 Q. DOES THIS CONCLUDE YOUR REJOINDER TESTIMONY AT THIS TIME?

18 A. Yes.