

**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.

4

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.

8

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.

14

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

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

8

9 **WATER VAPOR STANDARDS**

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

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

[REDACTED]

[REDACTED] [END HIGHLY CONFIDENTIAL] also require
23 a seven pound water vapor standard.

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Q. MS. BURGRAFF CONTINUES TO ARGUE THAT THE PRIOR PES FEES SHOULD COVER DEHYDRATION SERVICE FOR PRODUCERS. (SBI St. No. 1-S, p. 16.) DO YOU AGREE?

A. The revenues paid by producers under the PA PEP and PA PES programs helped to support the investments made by Peoples for added compression, operational enhancements, and dehydration facilities. In exchange for the fees paid under these programs, the producers derived considerable benefits over the years through enhanced production volumes and the dehydration services provided by Peoples. The facilities related to these investments are 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 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 AGS.

DISCOUNTED RATES

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

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

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

11
12 **Q. MR. DAVIS STATES THE PEOPLES HAS TOO MUCH DISCRETION IN**
13 **DISCOUNTING ITS RATES AND DOES NOT RECEIVE COMMISSION**
14 **APPROVAL OF ITS DISCOUNTED RATE CONTRACTS. PLEASE RESPOND.**

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

23

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

3 A. Longer term discounts are necessary for certain customers to make investments in their
4 operations and natural gas equipment and provide greater certainty for both the customer
5 and the Company. This is especially true for some of the Company's largest customers
6 that have available bypass options. Longer term contracts are effective in keeping these
7 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?**

11 A. No, I do not agree. In addition to the reasons explained by Ms. Scanlon in her rebuttal
12 testimony (Peoples Statement No. 5-R), I note that gas versus electric competition is
13 extremely rare. Only one of Peoples' customers arguably receives a discount on this basis,
14 and even this customer has another competitive alternative to electric and gas. Mr. Davis's
15 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.