

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

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**PREPARED REJOINDER TESTIMONY OF  
CAROL A. SCANLON,  
MANAGER, RATES AND REGULATION  
PEOPLES NATURAL GAS COMPANY LLC**

**PEOPLES NATURAL GAS – PEOPLES DIVISION  
PEOPLES NATURAL GAS – EQUITABLE DIVISION**

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**PUBLIC VERSION**

DATE SUBMITTED: June 17, 2019  
DATE ADMITTED:

Peoples Statement No. 5-RJ

**REJOINDER TESTIMONY OF**  
**CAROL SCANLON**

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**Q. WHAT IS THE PURPOSE OF YOUR REJOINDER TESTIMONY?**

A. I will respond to the Surrebuttal Testimony of C. James Davis on behalf of Duquesne Light Company regarding discounted rates. In the process, I will update my Surrebuttal Testimony, Peoples Statement No. 5-SR, due to subsequent events. I will also address the reconnection fee in response to the surrebuttal testimony of Harry Geller on behalf of The Coalition for the Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”).

**Q. PLEASE REFERENCE MR. DAVIS’ SURREBUTTAL TESTIMONY, PAGE 2 LINES 3-5. DOES MR. DAVIS INCORPORATE PORTIONS OF MR. WATKINS’ SUPPLEMENTAL DIRECT TESTIMONY AS PART OF HIS RESPONSE TO YOUR REBUTTAL TESTIMONY?**

A. Yes.

**Q. BRIEFLY SUMMARIZE MR. WATKINS’ SUPPLEMENTAL DIRECT TESTIMONY.**

A. As Mr. Davis states in his Surrebuttal Testimony, at page 6-7, Mr. Watkins provides a summary itemization of each discounted rate customer, along with Mr. Watkins’ recommendation to allow or disallow such discount for ratemaking purposes. On page 7 of his Surrebuttal Testimony, Mr. Davis states that he generally agrees with Mr. Watkins’ recommendations.

1 **Q. DID MR. WATKINS' RECOMMENDATIONS INCLUDE**  
2 **RECOMMENDATIONS PERTAINING TO CUSTOMERS RECEIVING**  
3 **DISCOUNTS DUE TO GAS-ON-GAS COMPETITION?**

4 A. Yes.

5  
6 **Q. HAVE YOU PREVIOUSLY RESPONDED TO MR. WATKINS'**  
7 **RECOMMENDATIONS REGARDING GAS-ON-GAS COMPETITION?**

8 A. Yes, in my Surrebuttal Testimony submitted June 12, 2019.

9  
10 **Q. WHAT IS THE DATE OF MR. DAVIS' SURREBUTTAL TESTIMONY,**  
11 **INCORPORATING BY REFERENCE PORTIONS OF MR. WATKINS'**  
12 **TESTIMONY?**

13 A. June 12, 2019. Mr. Watkins' testimony was submitted on May 29, 2019.

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15 **Q. WHY ARE THESE DATES IMPORTANT?**

16 A. Mr. Watkins' testimony relies heavily on the May 4, 2017 Opinion and Order ("May  
17 2017 Order") of the Pennsylvania Public Utility Commission ("Commission") in *Joint*  
18 *Petition for Generic Investigation or Rulemaking Regarding "Gas-on-Gas" Competition*  
19 *Between Jurisdictional Natural Gas Distribution Companies*, Docket Nos. P-2011-  
20 2277868 *et al.* ("Gas-on-Gas Proceeding"). The May 2017 Order requested comments  
21 from the parties.

22 On June 13, 2019, the Commission entered an Opinion and Order in the Gas-on-  
23 Gas Proceeding ("June 2019 Order") responding to the comments from the parties. In

1 other words, the Commission issued a pertinent decision after Messrs. Davis and Watkins  
2 submitted their testimony. The Commission's decision was also issued after I submitted  
3 my Surrebuttal Testimony.

4  
5 **Q. BASED ON THE JUNE 2019 ORDER, DO YOU WISH TO CHANGE YOUR**  
6 **SURREBUTTAL TESTIMONY?**

7 A. No. The June 2019 Order reaffirms much of my earlier testimony.

8 I stated that the Commission did not establish an absolute prohibition against flex  
9 rates for gas-on-gas customers after December 31, 2018. The Commission's June 2019  
10 Order supports that statement. The Commission held that flex rates for gas-on-gas  
11 competition will continue to be limited to non-residential customers. June 2019 Order, p.  
12 11. All of Peoples' customers receiving flex rates due to gas-on-gas competition are non-  
13 residential customers. There is therefore no reason for denying recovery of foregone  
14 revenue on this basis.

15 Additionally, the Commission addressed the rate treatment of foregone revenue,  
16 due to flex rates for gas-on-gas customers, after December 31, 2018. The Commission  
17 stated:

18 However, it is also evident that there remains a difference of  
19 opinion among the Parties as to our caveat in our *May 2017 Order*  
20 that the [natural gas distribution companies ("NGDCs")] may not  
21 be able to recover any foregone revenue in future rate proceedings  
22 beyond December 31, 2018. Therefore, we hereby clarify and  
23 direct that all issues related to the cost recovery of such foregone  
24 gas-on-gas revenues shall be addressed and decided on a case-by-  
25 case basis in the context of each of the Competing NGDCs' base  
26 rate proceedings after December 31, 2018.

27 June 2019 Order, p. 31. In other words, as I stated in my surrebuttal testimony, after  
28 December 31, 2018, the Commission has the discretion to allow or disallow the recovery

1 in rates of foregone revenues resulting from discounted rates due to gas-on-gas  
2 competition.

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4 **Q. IN YOUR SURREBUTTAL TESTIMONY, YOU STATED THAT THE**  
5 **COMMISSION SHOULD EXERCISE ITS DISCRETION IN THIS CASE TO**  
6 **ALLOW THE RECOVERY IN RATES OF FOREGONE REVENUES**  
7 **RESULTING FROM DISCOUNTED RATES DUE TO GAS-ON-GAS**  
8 **COMPETITION. DOES THE JUNE 2019 ORDER CHANGE THAT**  
9 **CONCLUSION?**

10 A. No. To the contrary, it reinforces that conclusion.

11 First, the Commission's May 2017 Order clearly reflected the Commission's  
12 intent to treat all NGDCs subject to gas-on-gas competition in a uniform manner. There  
13 is nothing in the June 2019 Order to indicate that the Commission has changed its  
14 position on preserving a level playing field between NGDCs. Peoples would be severely  
15 disadvantaged if the Commission would not allow it to recover foregone revenues due to  
16 gas-on-gas competition, but allowed other NGDCs to continue to do so.

17 Second, in the June 2019 Order, the Commission stated:

18 Our review of the record and the Comments and Reply  
19 Comments indicates that there is no uniformity among the  
20 Competing NGDCs as to, *inter alia*, billing units, various non-  
21 residential customer classes, and monthly customer charges and  
22 volumetric/usage rates that apply to those classes. Given these  
23 differences, we concur with the Commenting Parties that the  
24 establishment of uniform gas-on-gas flex rate tariff provisions  
25 that provide a straight forward ability to determine the "floor"  
26 rate may prove to be a daunting task, especially if an attempt at  
27 establishing these tariff provisions is done solely through the  
28 submission of written documents. Accordingly, we agree with  
29 the Commenting Parties and conclude that the development of

1 uniform tariff provisions, *including devising the proper*  
2 *methodology to calculate the lowest available tariff rate*, are  
3 tasks that are more appropriately considered in the context of a  
4 working group. As the Commenting Parties point out, the  
5 establishment of a collaborative working group will permit all  
6 interested parties the opportunity to jointly discuss and resolve  
7 issues that are not effectively resolved through written  
8 commentary.

9 June 2019 Order, p. 35 (emphasis added). At this time, the Parties have not even had an  
10 opportunity to meet to discuss the proper methodology to calculate the lowest available  
11 tariff rate – let alone develop a proposal, submit it to the Commission, and have the  
12 Commission rule on it. The Commission should not disallow the recovery in rates of  
13 foregone revenue, on the ground that flex rates are lower than the lowest available tariff  
14 rate, until *after* the Commission has established the rules for determining the lowest  
15 available tariff rate.

16 This case demonstrates the need for a uniform methodology for determining the  
17 proper “floor” rate for gas-on-gas customers. As I stated in my surrebuttal testimony,

18 **[BEGIN HIGHLY CONFIDENTIAL]** [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED] **[END HIGHLY CONFIDENTIAL]**. Mr. Davis

26 incorporated by reference the mistakes of Mr. Watkins.

1           The Commission should not address methodological questions on a case-by-case  
2 basis because that would undermine the collaborative required by the June 2019 Order.  
3 Moreover, it seems much more logical for the Commission to establish the rules for  
4 determining the “floor” rate for gas-on-gas customers *before* it disallows the recovery in  
5 rates of foregone revenues, on the ground those flex rates were set below the applicable  
6 floor. An NGDC should not have to assume the risk that a negotiated rate will  
7 subsequently be found to be below the applicable floor.

8  
9   **Q.   ARE THERE ADDITIONAL REASONS WHY THE COMMISSION SHOULD**  
10 **EXERCISE ITS DISCRETION IN THIS CASE TO ALLOW PEOPLES TO**  
11 **RECOVER REVENUES FOREGONE DUE TO FLEX RATES TO GAS-ON-GAS**  
12 **CUSTOMERS?**

13 A.   Yes. First, I believe a fair reading of both the Administrative Law Judge’s  
14 Recommended Decision, and the Commission’s May 2017 Order, is that a final  
15 Commission Order in the Gas-on-Gas Proceeding was expected before December 31,  
16 2018. For example, the May 2017 Order stated at page 56:

17           With the expectation that the Commission might enter an order in  
18 this proceeding by December 31, 2014, the ALJ recommended that  
19 ratepayer funded gas-on-gas rate discounts be abolished no later  
20 than December 31, 2018. The ALJ opined that a reasonable  
21 transition period will enable businesses to prepare for the coming  
22 changes through budgeting, operational forecasting, and decision  
23 making, and should serve to address the concerns over any  
24 possible economic disruptions. R.D. at 30.

25           In other words, the Recommended Decision and the Commission’s May 2017  
26 Order contemplated that the rules governing gas-on-gas contracts would be established  
27 before December 31, 2018, so that utilities and their customers could prepare for the

1 changes. The Commission did not announce those changes before December 31, 2018  
2 (and still hasn't resolved some of the critical issues, as discussed above). It would be  
3 terribly unfair to disallow the recovery of revenue in this case, which was filed in  
4 December 2018, based on a decision that was issued just before the hearing in this case.

5 Second, the June 2019 Order noted that the commenters submitted a consensus  
6 proposal that existing contracts between a gas-on-gas customer and an NGDC may  
7 continue in accordance with their original terms, but they would be updated for  
8 consistency with the lowest tariffed rate of a competing NGDC *beginning on October 1,*  
9 *2018* and every two-year anniversary thereafter. June 2019 Order, p. 25. The  
10 Commission adopted this recommendation well after October 1, 2018. Consequently,  
11 Peoples did not have the opportunity to update its contracts, as was contemplated by the  
12 commenting parties' proposal. Under these circumstances, basic fairness dictates that an  
13 NGDC be permitted to recover foregone revenues due to flex rates to gas-on-gas  
14 customers until the NGDC has the opportunity to adjust its contract rates for consistency  
15 with the lowest tariffed rate of a competing NGDC.

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17 **Q. MOVING NOW TO THE RECONNECTION FEE, MR. GELLER STATES IN**  
18 **HIS SURREBUTTAL TESTIMONY THAT YOUR SOLE ARGUMENT FOR**  
19 **RAISING THE RECONNECTION FEE IS GIVEN THE LENGTH OF TIME IT**  
20 **IS NOT UNREASONABLE. WOULD YOU PLEASE RESPOND?**

21 A. To clarify, the Company performed an analysis of the cost of vehicles and labor to  
22 conduct a turn on. The cost study supports the increase in the reconnection fee from \$50  
23 to \$56. When I stated that the increase is not unreasonable due to the length of time, I



1            meant that, given rising costs and inflation, it is not unreasonable that this charge  
2            increased by \$6 since the time the \$50 charge was initially established.

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4    **Q.    DOES THIS CONCLUDE YOUR REJOINDER TESTIMONY?**

5    A.    Yes, it does.