

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**REJOINDER TESTIMONY OF
ANTHONY CALDRO
RATE CONSULTANT
ON BEHALF OF
PEOPLES NATURAL GAS COMPANY LLC**

DATE SERVED: June 17, 2019
DATE ADMITTED: _____

Peoples Statement No. 7-RJ

1 **REJOINDER TESTIMONY OF**
2 **ANTHONY CALDRO**

3
4 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

5 A. My name is Anthony Caldoro and my business address is 375 North Shore Drive,
6 Pittsburgh, Pennsylvania 15212.

7
8 **Q. DID YOU SUBMIT PREVIOUS TESTIMONY IN THIS PROCEEDING?**

9 A. Yes, I submitted Peoples Statement Nos. 7 and 7-R on behalf of Peoples Natural Gas
10 Company LLC (“Peoples” or the “Company”).

11
12 **Q. WHAT IS THE PURPOSE OF YOUR REJOINDER TESTIMONY IN THIS**
13 **PROCEEDING?**

14 A. The purpose of my Rejoinder Testimony is to respond to the surrebuttal testimony submitted
15 by Holly Gilliland on behalf of the Pennsylvania Public Utility Commission’s
16 (“Commission”) Bureau of Investigation and Enforcement (“I&E”). Specifically, my
17 rejoinder testimony addresses several misstatements related to Ms. Gilliland’s understanding
18 of Gas Stored Underground – Current, the timing of Peoples’ approved switch from last-
19 in/first-out (“LIFO”) storage inventory accounting to weighted average cost of gas
20 (“WACOG”) storage inventory accounting, and the information requested by I&E in
21 discovery about these issues.

22
23 **Q. TO WHICH STATEMENTS IN I&E WITNESS GILLILAND’S SURREBUTTAL**
24 **TESTIMONY ARE YOU REFERRING?**

25 A. I&E witness Gilliland’s statement at page 7, line 13 to page 8, line 1:

1 “The Company believes that my recommendation failed to capture a **recent**
2 accounting change in the way Gas Stored Underground is valued in the Peoples
3 Division” (emphasis added);
4

5 I&E witness Gilliland’s statement at page 9, lines 7-11:
6

7 “Q: DID THE COMPANY PROVIDE THE MOST RECENT 13-MONTH
8 AVERAGE OF GAS STORED UNDERGROUND AT THE **WACOG**?

9 A: **No. Since the company failed to provide the most recent 13-month**
10 **average of Gas Stored Underground,** the only recent 13-month average of any
11 value of Gas Stored Underground is the response to I&E-RB-8 (emphasis added);
12 and
13

14 I&E witness Gilliland’s statement at page 9, lines 15-21:
15

16 “Q: DID YOU ASK THE COMPANY TO PROVIDE THE MOST RECENT 13-
17 MONTH AVERAGE OF GAS STORED UNDERGROUND AT THE NEW
18 WACOG?

19 A: **Yes.** When the Company provides a response to **I&E-RB-11** showing the
20 most recent 13-month average of Gas Stored Underground at the WACOG, I will
21 modify my recommendation to reflect the most recent 13-month average of Gas
22 Stored Underground at the WACOG (emphasis added).
23

24 **Q. WHAT IS YOUR RESPONSE TO THESE STATEMENTS?**

25 A. All three of these statements are inaccurate. The first statement is inaccurate because
26 while the Commission’s approval of the accounting change with respect to the switch
27 from LIFO to WACOG is recent (the order was issued on April 25, 2019), the actual
28 accounting change will not take effect until January 1, 2020. All data supplied in this
29 proceeding with respect to Gas Stored Underground has reflected the application of LIFO
30 accounting through December 31, 2019, and WACOG accounting from January 1, 2020,
31 forward. References to that effect are contained in: (1) Peoples Natural Gas Statement
32 No. 6, the direct testimony of Peoples witness Karen Worcester, at page 7, lines 17-20,
33 and page 8, lines 7-9; (2) Peoples Natural Gas Statement No. 7-R, my rebuttal testimony
34 in this proceeding, at page 4, lines 4 and 8, page 5, lines 15 and 23; and (3) Peoples
35 Natural Gas Exhibit No. AC-1-R, which contains copies of the Company’s petition for

1 approval of the switch from LIFO to WACOG as well as the Commission’s April 25,
2 2019 order approving the switch effective January 1, 2020.

3
4 **Q. WHAT ISSUES DO YOU HAVE WITH RESPECT TO THE SECOND**
5 **STATEMENT?**

6 A. The statement that “the Company failed to provide the most recent 13-month average of
7 Gas Stored Underground” is misleading. The Company did provide the most recent 13-
8 month average of Gas Stored Underground in its response to I&E-RB-8, which reflected
9 the most recent actual balances of Gas Stored Underground through February 2019 and
10 reflected the LIFO valuation since that is the current valuation method that Peoples
11 Division uses for storage inventory accounting. The Company did not provide the actual
12 storage inventory data using the WACOG valuation because the currently-approved
13 valuation methodology is LIFO and the switch to the WACOG valuation methodology is
14 not effective until January 1, 2020. Thus, Peoples provided the data as requested.

15
16 **Q. WOULD YOU PLEASE ADDRESS THE THIRD STATEMENT?**

17 A. Ms. Gilliland’s testimony claims that I&E propounded a discovery request (I&E-RB-11)
18 asking the Company to provide the most recent 13-month average of Gas Stored
19 Underground at WACOG. However, Peoples never received any such discovery request.
20 Indeed, the last interrogatory received in the I&E-RB series was I&E-RB-10.
21 Nevertheless, based on Ms. Gilliland’s statement, I have prepared Peoples Exhibit No.
22 AC-RJ-1, which provides the most recent 13-month average of Gas Stored Underground

1 at WACOG through February 2019. As stated therein, the most recent 13-month average
2 of Gas Stored Underground at WACOG is \$31,660,477.

3

4 **Q. DOES THIS COMPLETE YOUR REJOINDER TESTIMONY AT THIS TIME?**

5 A. Yes, it does.

Estimate of Peoples Division Storage Inventory at WACOG for 13 Months ended February 2019

Date	EGC			PNG			Combined		
	MCF	Storage Inv \$	WACOG	MCF	Storage Inv \$	WACOG	MCF	Storage Inv \$	WACOG
Feb 2018	3,298,459	\$ 7,782,958	\$ 2.36	4,165,464	\$ 9,828,720	\$ 2.36	7,463,923	\$ 17,611,678	\$ 2.36
Mar 2018	685,506	\$ 1,617,503	\$ 2.36	2,759,532	\$ 6,511,318	\$ 2.36	3,445,038	\$ 8,128,820	\$ 2.36
Apr 2018	1,968,188	\$ 4,811,381	\$ 2.44	1,939,223	\$ 4,740,573	\$ 2.44	3,907,411	\$ 9,551,953	\$ 2.44
May 2018	4,103,329	\$ 10,427,042	\$ 2.54	3,064,420	\$ 7,787,051	\$ 2.54	7,167,749	\$ 18,214,093	\$ 2.54
Jun 2018	6,041,793	\$ 15,152,960	\$ 2.51	4,304,181	\$ 10,794,987	\$ 2.51	10,345,974	\$ 25,947,948	\$ 2.51
Jul 2018	8,023,328	\$ 20,420,398	\$ 2.55	5,283,141	\$ 13,446,270	\$ 2.55	13,306,469	\$ 33,866,668	\$ 2.55
Aug 2018	9,947,588	\$ 25,696,305	\$ 2.58	6,455,185	\$ 16,674,836	\$ 2.58	16,402,773	\$ 42,371,141	\$ 2.58
Sep 2018	11,770,335	\$ 30,529,631	\$ 2.59	7,956,477	\$ 20,637,331	\$ 2.59	19,726,812	\$ 51,166,962	\$ 2.59
Oct 2018	13,290,335	\$ 34,740,378	\$ 2.61	8,456,477	\$ 22,104,875	\$ 2.61	21,746,812	\$ 56,845,253	\$ 2.61
Nov 2018	11,440,335	\$ 29,767,468	\$ 2.60	8,142,477	\$ 21,186,523	\$ 2.60	19,582,812	\$ 50,953,991	\$ 2.60
Dec 2018	8,481,335	\$ 22,604,513	\$ 2.67	7,605,087	\$ 20,269,130	\$ 2.67	16,086,422	\$ 42,873,643	\$ 2.67
Jan 2019	5,226,752	\$ 13,715,013	\$ 2.62	7,036,623	\$ 18,464,120	\$ 2.62	12,263,375	\$ 32,179,133	\$ 2.62
Feb 2019	3,116,992	\$ 8,178,997	\$ 2.62	5,219,477	\$ 13,695,923	\$ 2.62	8,336,469	\$ 21,874,921	\$ 2.62
13 months		\$ 225,444,548			\$ 186,141,656			\$ 411,586,204	
13mth AVE		\$ 17,341,888			\$ 14,318,589			\$ 31,660,477	