BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

PREPARED REJOINDER TESTIMONY OF
RUSSELL A. FEINGOLD,
VICE PRESIDENT
BLACK & VEATCH MANAGEMENT CONSULTING, LLC

DATE SERVED: June 17, 2019 Peoples Statement No. 11-RJ
DATE ADMITTED: _____

PREPARED REJOINDER TESTIMONY
OF RUSSELL A. FEINGOLD

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Russell A. Feingold and my business address is 2525 Lindenwood Drive, Wexford, Pennsylvania 15090.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Black & Veatch Management Consulting, LLC ("Black & Veatch") as a Vice President and I lead its Rates & Regulatory Services Practice.

Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT, REBUTTAL AND SURREBUTTAL TESTIMONY BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION ("COMMISSION") IN THIS PROCEEDING?

A. Yes. I previously submitted direct, rebuttal and surrebuttal testimony in this proceeding on behalf of Peoples Natural Gas Company LLC ("Peoples" or the "Company") to present and address its filed cost of service studies ("COSS"), proposed class revenues and rate design.

Q. WHAT IS THE PURPOSE OF YOUR REJOINDER TESTIMONY IN THIS PROCEEDING?

A. The purpose of my rejoinder testimony is to respond to the surrebuttal testimony of the Commission's Bureau of Investigation and Enforcement ("I&E") and the Pennsylvania Office of Consumer Advocate ("OCA") related to the Company's COSS. I will specifically respond to certain of the arguments made in the surrebuttal testimonies of I&E witness Ethan H. Cline,

and OCA witness Glenn A. Watkins which they believe support the use of a peak and average demand allocation method without a customer cost component of distribution mains to conduct the Company's COSS.

Q. AT PAGES 12-13 OF MR. CLINE'S SURREBUTTAL TESTIMONY AND AT PAGE 8 OF MR. WATKINS SURREBUTTAL TESTIMONY, THESE WITNESSES CONTEND THAT THERE ARE DIFFERENCES BETWEEN ELECTRIC AND GAS DISTRIBUTION UTILITIES RELATED TO CUSTOMER DENSITY CHARACTERISTICS WHICH JUSTIFY DIFFERENT COSTING TREATMENT FOR CERTAIN PLANT COMPONENTS AND EXPENSES OF ELECTRIC DISTRIBUTION UTILITIES COMPARED TO SIMILAR COSTS OF GAS DISTRIBUTION UTILITIES. DO YOU AGREE WITH THEIR CONTENTION?

A. No. As I explained in my rebuttal testimony, variations in the customer density of a utility's service area should not influence whether a customer component for the utility's distribution facilities is an appropriate costing method.[1] I also explained why distribution mains for a gas utility and overhead/underground lines for an electric utility are functionally equivalent (i.e., serve the same purpose).[2] On that basis, whether used for a gas or electric distribution utility when conducting its COSS, the cost causative characteristics under the minimum system approach used in the Company's preferred COSS are based on the specific design and operating characteristics of the utility's distribution system and provide a more accurate and

[1] Peoples Statement No. 11-R, pages 26-27.
[2] Ibid, page 33.

consistent measure of class cost responsibility than other costing approaches for the provision of distribution service to its customers.[3]

Q. AT PAGE 6 OF HIS SURREBUTTAL TESTIMONY, MR. WATKINS PRESENTS A TABLE WHICH HE CONTENDS PROVIDES AN "ACCURATE DEPICTION" OF THE COMPANY'S UNIT COST OF DISTRIBUTION MAINS BY RATE CLASS. DOES MR. WATKINS' ANALYSIS PROPERLY PORTRAY THE ECONOMIES OF SCALE FOR THE CAPACITY OF DISTRIBUTION MAINS THAT YOU ILLUSTRATED IN PEOPLES EXHIBIT RAF-12?

A. No. Mr. Watkins analysis is incorrect and misleading since he has not illustrated the economies of scale by rate class for the capacity of distribution mains which is reflective of the design characteristics of a gas distribution utility's system. His analysis simply calculates the unit cost of distribution mains by rate class as a function of annual throughput volumes (Mcf) – and not as a function of design day capacity (Mcf/d) – as though the cost of all distribution mains were directly proportional to the volume of gas that could flow through the pipe. This is not the case. As a result, his analysis does not reflect the economies of scale of distribution system capacity and how those economies of scale change by rate class. I discuss this concept in more detail on pages 28-29 of my rebuttal testimony. Therefore, his comparative analysis is of no value and fails to demonstrate that the use of the peak and average demand allocation method without a customer cost component of distribution mains properly reflects the economies of scale of pipeline capacity by rate class inherent in the design of a gas utility's distribution system.

[3] Ibid, pages 33-34.

Q. AT PAGES 12-13 OF HIS SURREBUTTAL TESTIMONY, MR. CLINE POINTS OUT THAT ELECTRIC AND GAS UTILITIES ARE DIFFERENT BECAUSE ELECTRIC UTILITY COSS "USE CUSTOMER AND DEMAND ALLOCATORS, WHILE GAS AND WATER UTILITIES ALSO USE VOLUMES AS AN ALLOCATOR…" HOW DO YOU RESPOND?

A. Mr. Cline's point is meaningless since the choice of allocation methods between electric, gas, and water utilities is, in fact, the issue at hand here. Nevertheless, the average and excess demand allocation method used by some electric utility COSS analysts, which is equivalent to the peak and average method used by Mr. Cline in this proceeding, is partially based on average demands – which are derived from annual kWh usage (which correlates to volume in gas or water utilities). As a result, Mr. Cline is incorrect in how he characterized the differences in allocation methods between electric, gas and water utilities.

Q. AT PAGES 8-9 OF HIS SURREBUTTAL TESTIMONY, MR. CLINE CONTENDS THAT BECAUSE CUSTOMERS' MAXIMUM USE OF GAS CAN OCCUR AT DIFFERENT TIMES OF THE DAY, IT JUSTIFIES THE USE OF THE PEAK AND AVERAGE DEMAND ALLOCATION METHOD TO ASSIGN THE DEMAND-RELATED COSTS OF A GAS DISTRIBUTION UTILITY TO ITS RATE CLASSES. DO YOU AGREE WITH HIS CONTENTION?

A. No. Once again, Mr. Cline is incorrectly focusing on the use of the utility's gas system rather than on how the gas system is designed (which is the basis for the cost of the system) as the

basis for his choice of demand allocation factor. Before a new customer initiates gas service, the Company must determine the customer's maximum capacity requirements to be able to properly size the distribution-related facilities to accommodate the customer's design day demand. The peak and average method does not adequately reflect this important cost causative characteristic. As an aside, if Mr. Cline was concerned about the cost causative characteristics of customers' maximum use of gas occurring at different times of the day, then he should have considered the adoption of a non-coincident demand allocation method rather than to use the peak and average method which he apparently prefers. Because Mr. Cline has accepted the Company's use of design day demands by rate class in its derivation of the peak and average demand allocation factor, I can only assume that he is not concerned about any diversity that may exist between the peak demands of the Company's rate classes. This is because the Company's peak and average demand allocation factor assumes that each rate class' design day demand is coincident with Peoples' system peak demand.

Q. AT PAGE 13 OF HIS SURREBUTTAL TESTIMONY, MR. CLINE CONTENDS THAT BECAUSE AN ELECTRIC UTILITY MUST SERVE ALL CUSTOMERS IN ITS SERVICE AREA, WHILE A GAS UTILITY DOES NOT HAVE THAT SAME REQUIREMENT, IT JUSTIFIES TREATING ELECTRIC AND GAS UTILITIES DIFFERENTLY FOR COSTING PURPOSES. DO YOU AGREE WITH HIS CONTENTION?

A. No. The different service requirements between electric and gas utilities does not impact the fundamental cost causative characteristics of electric overhead/underground lines or gas distribution mains - which are the same. The utility's costs of electric distribution lines and

gas distribution mains are incurred based on the same two factors which are reflective of the sizing and installation requirements to serve customers: (1) the total installed miles of electric lines or gas mains is influenced by the need to expand the utility's distribution grid over time to connect new customers to the system; and (2) the size of the electric line or gas main is directly influenced by the peak demand (on a design basis) placed on the utility's system by its customers.

Q. DOES THIS COMPLETE YOUR PREPARED REJOINDER TESTIMONY?

A. Yes. I reserve the right to submit supplemental testimony as additional issues arise during the course of this proceeding. Thank you.