

COMMONWEALTH OF PENNSYLVANIA



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May 29, 2019

The Honorable Joel H. Cheskis
Chief Administrative Law Judge
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: Pennsylvania Public Utility Commission v. Peoples Natural Gas Company LLC
Docket No. R-2018-3006818

Dear Judge Cheskis:

Enclosed please find a copy of the Supplemental Direct Testimony of Glenn Watkins, OCA Statement No. 3-Supp (HIGHLY CONFIDENTIAL), being submitted on behalf of the Office of Consumer Advocate in the above proceeding. The enclosed Highly Confidential Testimony will be provided in hard copies to those parties that have signed the Protective Agreement and Protective Order.

Copies have been served on the parties as indicated on the enclosed Certificate of Service.

Respectfully Submitted,

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CERTIFICATE OF SERVICE

Pennsylvania Public Utility Commission :
v. : Docket No. R-2018-3006818
Peoples Natural Gas Company LLC :

I hereby certify that I have this day served a true copy of the foregoing document, the Office of Consumer Advocate's Supplemental Direct Testimony of Glenn Watkins, OCA Statement No. 3-Supp (HIGHLY CONFIDENTIAL VERSION), upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 29th day of May 2019.

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission)	
)	
)	
v.)	Docket No. R-2018-3006818
)	
)	
Peoples Natural Gas Company LLC)	

PUBLIC VERSION

SUPPLEMENTAL DIRECT TESTIMONY
OF
GLENN A. WATKINS
ON BEHALF OF THE
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

MAY 29, 2019

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Glenn A. Watkins. My business address is 1503 Santa Rosa Road,
3 Suite 130, Richmond, VA 23229.

4
5 **Q. DID YOU PREVIOUSLY PROVIDE PRE-FILED DIRECT TESTIMONY IN THIS**
6 **CASE?**

7 A. Yes. I provided direct testimony in this proceeding on April 29, 2019, which was
8 designated as OCA Statement No. 3. As indicated in my initial direct testimony, I had not
9 been able to verify the need for, or legitimacy of, the level of discounts provided by Peoples
10 Natural Gas (“Peoples” or “Company”) to various negotiated rate customers at the time of
11 that testimony. This was due to the fact that the Company had not provided full responses
12 to OCA’s discovery requests on this issue until the day before my testimony was written
13 and that my limited review of these discovery requests at that time indicated that the
14 documents provided thus far were lacking. As such, OCA propounded additional
15 discovery requests which have been received and examined. Therefore, the purpose of this
16 supplemental testimony is to provide the Commission with the results of my investigation
17 and recommendations relating to the issue of discounted rates offered to selected
18 customers.

19
20 **Q. HOW IS THIS SUPPLEMENTAL TESTIMONY STRUCTURED?**

21 A. In this testimony, I provide my overall recommendation as to the amount of
22 discounted rates that should be disallowed for ratemaking purposes; *i.e.*, the level of
23 discounts that should not be borne by captive ratepayers. My investigation and
24 recommendations are separated into two separate subgroups: those discounts associated
25 with Gas-on-Gas competition and those discounted rates not associated with Gas-on-Gas
26 competition; *i.e.*, threats of by-pass, alternative energy sources, and economic reasons.

27 My Highly Confidential Schedule GAW-10 (Supplemental) provides a summary
28 itemization of each discounted rate customer along with my recommended allowance or
29 disallowance of discounted rates for ratemaking purposes. This summary Schedule GAW-
30 10 (Supplemental) also provides a reference to my supplemental schedule numbers that

1 provide the details of my investigation and basis for recommendation for each individual
2 customer.

3
4 **Q. PLEASE PROVIDE AN OVERALL SUMMARY OF YOUR**
5 **RECOMMENDATIONS AS IT RELATES TO PEOPLES' DISCOUNTED RATES**
6 **OFFERED TO SELECTED CUSTOMERS.**

7 A. Overall, I recommend a disallowance of \$37,487,734 million in total relating to the
8 Company's discounted rates, which consists of \$1,952,060 associated with Gas-on-Gas
9 competition and \$35,535,674 associated with threats of by-pass, alternative energy sources,
10 and economic reasons. In this regard, OCA witness Dante Mugrace did not reflect my
11 recommended revenue adjustments in his direct testimony since my recommendations
12 were not quantified at the time he filed his direct testimony. However, Mr. Mugrace will
13 reflect my recommended revenue adjustments in his surrebuttal testimony.

14
15 **Q. BEFORE YOU BEGIN YOUR DESCRIPTION AND DISCUSSION OF**
16 **INDIVIDUAL DISCOUNTED RATE CUSTOMERS, IS THERE A GENERAL**
17 **CONCERN YOU HAVE RELATING TO SOME NON-GAS-ON-GAS DISCOUNTS**
18 **OFFERED TO INDIVIDUAL CUSTOMERS?**

19 A. Yes. Perhaps the most concise way to describe a concern I have is the spiraling
20 effect of the discounts offered to some customers. As will be discussed below, there are
21 some customers that have an alleged alternative fuel of steam. These customers claim they
22 can purchase steam at a lower price than the full tariff price for natural gas even though
23 these customers do not mention or factor in the commodity cost of gas that would also be
24 part of the customers' energy costs. At the same time, there are steam distribution company
25 customers that claim without a discount to the natural gas rate, which is used to produce
26 steam, these customers may go out of business or shift operations to other plants.

27 If an industrial customer that had the ability of using steam purchased from a steam
28 distribution company as an alternative, this would provide additional revenue to the steam
29 distribution company which would then increase the steam distribution company's
30 revenues. Moreover, and perhaps more importantly, is the fact that the steam distribution

1 company would require additional natural gas in order to supply additional steam to the
2 industrial customer's loads. This of course would increase the cost of steam that would be
3 used as a substitute for natural gas to the industrial customers. Put concisely, the
4 discounted natural gas distribution prices offered to steam customers are lower than what
5 they should be under full tariff natural gas distribution rates which makes steam a cheaper
6 alternative to the industrial customers that claim steam as a substitute. At the same time,
7 the discounted natural gas distribution rates offered to the industrial customer is lower than
8 what they should be under full tariff rates, thereby making steam not competitive with
9 Peoples natural gas rates. Hence, the economic hardship claimed by the steam distribution
10 company for needing a lower natural gas distribution rate in order to survive or maintain
11 its current operations.

12 13 **GAS-ON GAS DISCOUNTS**

14 15 **Q. PLEASE PROVIDE A HISTORICAL PERSPECTIVE OF THE ISSUES** 16 **CONCERNING GAS-ON-GAS COMPETITION.**

17 A. With regard to Gas-on-Gas competition, the Commission initiated a generic
18 investigation or rulemaking relating to this issue in Docket Nos. P-2011-2277868 and I-
19 2012-2320323. On May 4, 2017, the Commission issued an Opinion and Order that set
20 forth certain ground rules relating to Gas-on-Gas competition including an absolute floor
21 on the discounted rates that NGDCs may offer to selected customers. In this Order, the
22 Commission required that NGDC tariff provisions which pertain to Gas-on-Gas discounted
23 rates, be amended to include a floor equal to the lowest tariffed rate under which a customer
24 is capable of receiving service from a competing NGDC(s).¹

25 With regard to existing long-term contracts resulting from Gas-on-Gas competition,
26 the Commission also stated:

27 the NGDCs have been fully aware that there may be changes in Gas-on-Gas
28 discounts since at least 2012. Consequently, NGDCs knew there may be
29 some risk in entering into *long-term* contracts once this proceeding began.
30 Therefore, we concur with the ALJ that December 31, 2018, may be a

¹ Order, page 54.

1 reasonable date to end ratepayer subsidies of Gas-on-Gas discounts that
2 exceed applicable rates of competing NGDCs. Accordingly, the NGDCs
3 are placed on notice that they may not be able to recover any foregone
4 revenue beyond December 31, 2018, in future rate proceedings. [Order,
5 page 57].
6

7 In its May 4, 2017 Order in these dockets, the Commission also sought comments
8 from the various parties relating to uniform tariff provisions. The various parties met
9 several times and developed a consensus on several of the questions posed by the
10 Commission in this Order including what customer classes should be offered Gas-on-Gas
11 flex rates and what should be the criteria and associated documentation for customers to
12 demonstrate they are capable of receiving service from another NGDC. With regard to
13 which customer classes should be offered Gas-on-Gas flex rates, all parties agreed that
14 such rates should be limited to non-Residential customer classes. With regard to the criteria
15 and documentation for customers to demonstrate they are capable of receiving service from
16 another NGDC, all parties agreed that:

17 A G-O-G flex rate must be supported by a sworn G-O-G Customer affidavit.
18 An existing G-O-G Customer's affidavit must attest that the G-O-G
19 Customer meets one or more of the eligibility criteria listed above. A new
20 G-O-G Customer's affidavit must attest that (i) the G-O-G Customer has
21 been offered service from a Competing NGDC with a lower tariffed rate
22 and (ii) the Competing NGDC is physically able to connect the G-O-G
23 Customer and has sufficient capacity to serve. All affidavits must include
24 all relevant terms, conditions, rates, and customer contributions and
25 advances associated with the competitive service offering. The G-O-G
26 Customer affidavit shall be treated as confidential and disclosed in a
27 Commission proceeding only pursuant to a protective agreement or order.²
28

29 **Q. PLEASE EXPLAIN THE DISCOUNT OFFERED TO GAS-ON-GAS CUSTOMER**
30 **#6.**

31 A. As indicated in my Schedule GAW-10 (Supplemental), the discount offered to this
32 customer [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]

33 [REDACTED]
34 [REDACTED]

² Reply Comments of OCA, Appendix A, Consensus Positions of Commenting Parties, September 21, 2017.

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[REDACTED]
[REDACTED] [END HIGHLY CONFIDENTIAL]

Q. PLEASE EXPLAIN THE DISCOUNT OFFERED TO GAS-ON-GAS CUSTOMER #8.

A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] [END HIGHLY CONFIDENTIAL]

Q. PLEASE EXPLAIN THE DISCOUNT OFFERED TO GAS-ON-GAS CUSTOMER #12.

A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] [END HIGHLY CONFIDENTIAL]

Q. PLEASE EXPLAIN THE DISCOUNT OFFERED TO GAS-ON-GAS CUSTOMER #20.

³ Per U.S. Energy Information Administration, Frequently Asked Questions (<https://www.eia.gov/tools/faqs/faq.php?id=45&t=8>).

1 A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED] [END HIGHLY CONFIDENTIAL]

10
11 Q. PLEASE EXPLAIN THE DISCOUNT OFFERED TO GAS-ON-GAS CUSTOMER
12 #22.

13 A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED] [END HIGHLY
19 CONFIDENTIAL]

20
21 Q. PLEASE EXPLAIN THE DISCOUNT OFFERED TO GAS-ON-GAS CUSTOMER
22 #23.

23 A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]
24 [REDACTED]
25 [REDACTED]
26 [REDACTED]
27 [REDACTED]
28 [REDACTED]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED] [END HIGHLY
5 CONFIDENTIAL]

7 Q. PLEASE EXPLAIN THE DISCOUNT OFFERED TO GAS-ON-GAS CUSTOMER
8 #24.

9 A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED] [END HIGHLY CONFIDENTIAL]

15 Q. PLEASE EXPLAIN THE DISCOUNT OFFERED TO GAS-ON-GAS CUSTOMER
16 #25.

17 A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED]
26 [REDACTED]
27 [END HIGHLY CONFIDENTIAL]

⁴ [BEGIN HIGHLY CONFIDENTIAL] [REDACTED] [END HIGHLY CONFIDENTIAL].

⁵ [BEGIN HIGHLY CONFIDENTIAL] [REDACTED] [END HIGHLY CONFIDENTIAL].

1 Q. PLEASE EXPLAIN THE DISCOUNT OFFERED TO GAS-ON-GAS CUSTOMER
2 #28.

3 A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]. [END HIGHLY CONFIDENTIAL]

10 Q. PLEASE EXPLAIN THE DISCOUNT OFFERED TO GAS-ON-GAS CUSTOMER
11 #30.

12 A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED] [END HIGHLY
24 CONFIDENTIAL]

26 Q. PLEASE EXPLAIN THE DISCOUNT OFFERED TO GAS-ON-GAS CUSTOMER
27 #38.

⁶ [BEGIN HIGHLY CONFIDENTIAL] [REDACTED] [END HIGHLY CONFIDENTIAL]

1 A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]

6 [END HIGHLY CONFIDENTIAL]

7
8 Q. PLEASE EXPLAIN THE DISCOUNT OFFERED TO GAS-ON-GAS CUSTOMER
9 #40.

10 A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED] [END HIGHLY

21 CONFIDENTIAL]

22
23 DISCOUNTS DUE TO THREATS OF BY-PASS, ALTERNATIVE FUELS, AND
24 ECONOMIC REASONS

25
26 Q. PLEASE PROVIDE A HISTORICAL PERSPECTIVE OF DISCOUNTED RATES
27 RELATING TO THREATS OF BY-PASS, ALTERNATIVE FUEL OPTIONS, AND
28 ECONOMIC REASONS.

⁷ [BEGIN HIGHLY CONFIDENTIAL] [REDACTED] [END HIGHLY CONFIDENTIAL]

1 A. Some Large Industrial and Commercial customers are located in close proximity to
2 an interstate pipeline such that it may be economically feasible for a customer to by-pass a
3 NGDC by building and installing their own natural gas main spur and connecting directly
4 to an interstate pipeline. This is commonly known as a potential threat of by-pass. As
5 such, all stakeholders are better served if such customers contribute some revenue (above
6 variable cost as well as above the dedicated capital cost required to serve that customer) to
7 the NGDC rather than leaving the NGDC system entirely.

8 With regard to discounted rates associated with customers that have alternative fuel
9 or energy options, there is no doubt that the use of natural gas for industrial purposes
10 sometimes competes with alternative fuel or energy sources such as coal, steam, oil,
11 electricity, or propane. Although natural gas tends to have a distinct price advantage over
12 most alternative energy sources, situations do exist wherein such alternative fuels do
13 effectively compete with natural gas. As such, and similar to the benefits accruing to all
14 stakeholders resulting from threats of by-pass, negotiated, discounted rates may be
15 appropriate.

16 In Equitable's last general rate case (Docket No. R-2008-2029325), the issue of
17 discounted rates was a contentious issue particularly as it relates to the Company's
18 documentation and verification as to the legitimacy, need for, and level of specific
19 discounted rates. In that case, the parties ultimately reached a Settlement Agreement which
20 was approved by the Commission that states:

21 B.3. Equitable will agree to maintain a highly confidential log of
22 negotiated delivery service agreements available for review by the OTS, the
23 OCA and the OSBA. The log will contain the following information related
24 to negotiated agreements:

25 Customer number, effective date of the agreement, the reason(s) for
26 offering a negotiated delivery agreement, supporting work papers relied
27 upon to substantiate the negotiated agreement, and an analysis which
28 evaluates the contribution to overall fixed costs provided by each customer.
29

30 **Q. WHAT STANDARDS SHOULD APPLY TO PEOPLES AS THEY RELATE TO**
31 **WHETHER CAPTIVE RATEPAYERS SHOULD OR SHOULD NOT BE**
32 **REQUIRED TO FOOT THE BILL FOR DISCOUNTED RATES OFFERED TO**
33 **SELECTED COMMERCIAL AND INDUSTRIAL CUSTOMERS?**

1 A. Considering that Peoples is requesting that captive ratepayers fully fund the
2 discount offered to a selected few Commercial and Industrial customers, reasonable and
3 best industry practices require that Peoples diligently ensure that such discounts are
4 required with detailed analyses conducted concerning an individual customer's ability to
5 purchase its natural gas from a competing NGDC, by-pass the Peoples' distribution system
6 or utilize an alternative energy source. Furthermore, it is important that proper records be
7 kept to verify the legitimacy of such negotiated rates on a customer-by-customer basis.
8

9 **Q. PLEASE EXPLAIN THE DISCOUNTED RATES AND REVENUES ASSOCIATED**
10 **WITH CUSTOMER #1.**

11 A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED] [END
16 HIGHLY CONFIDENTIAL]
17

18 **Q. PLEASE EXPLAIN THE DISCOUNTED RATES AND REVENUES ASSOCIATED**
19 **WITH CUSTOMER #2.**

20 A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED]
26 [REDACTED]
27 [REDACTED]
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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [END HIGHLY CONFIDENTIAL]

Q. PLEASE EXPLAIN THE DISCOUNTED RATES AND REVENUES ASSOCIATED WITH CUSTOMER #3.

A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]

[REDACTED]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]

6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]

11 [REDACTED] [END HIGHLY CONFIDENTIAL] My data and
12 information (excluding the contract) sources relating to this customer are provided in my
13 Schedule GAW-12 (Supplemental).

14

15 **Q. PLEASE EXPLAIN THE DISCOUNTED RATES AND REVENUES ASSOCIATED**
16 **WITH CUSTOMER #4.**

17 A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
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[REDACTED]

[REDACTED] [END HIGHLY CONFIDENTIAL]

Q. PLEASE EXPLAIN THE DISCOUNTED RATES AND REVENUES ASSOCIATED WITH CUSTOMER #7.

A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]

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[REDACTED]

[REDACTED] [END HIGHLY CONFIDENTIAL]

Q. PLEASE EXPLAIN THE DISCOUNTED RATES AND REVENUES ASSOCIATED WITH CUSTOMER #10.

A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]

[REDACTED]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]

6 [REDACTED] [END HIGHLY CONFIDENTIAL]

7
8 **Q. PLEASE EXPLAIN THE DISCOUNTED RATES AND REVENUES ASSOCIATED**
9 **WITH CUSTOMER #11.**

10 **A. [BEGIN HIGHLY CONFIDENTIAL]** [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
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28 [REDACTED] [END HIGHLY CONFIDENTIAL]

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1 **Q. PLEASE EXPLAIN THE DISCOUNTED RATES AND REVENUES ASSOCIATED**
2 **WITH CUSTOMER #13.**

3 A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
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11 [REDACTED]
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15 [REDACTED]
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17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED] [END HIGHLY CONFIDENTIAL]

22
23 **Q. PLEASE EXPLAIN THE DISCOUNTED RATES AND REVENUES ASSOCIATED**
24 **WITH CUSTOMER #14.**

25 A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]
26 [REDACTED]
27 [REDACTED]
28 [REDACTED]
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[REDACTED]

[REDACTED] [END HIGHLY CONFIDENTIAL]

1 **Q. PLEASE EXPLAIN THE DISCOUNTED RATES AND REVENUES ASSOCIATED**
2 **WITH CUSTOMER #15.**

3 A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

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7 [REDACTED]
8 [REDACTED]
9 [REDACTED] [END HIGHLY CONFIDENTIAL]

10
11 **Q. PLEASE EXPLAIN THE DISCOUNTED RATES AND REVENUES ASSOCIATED**
12 **WITH CUSTOMER #16.**

13 A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
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9 [REDACTED]
10 [REDACTED]

11 [REDACTED] [END HIGHLY CONFIDENTIAL]

12
13 **Q. PLEASE EXPLAIN THE DISCOUNTED RATES AND REVENUES ASSOCIATED**
14 **WITH CUSTOMER #17.**

15 **A. [BEGIN HIGHLY CONFIDENTIAL]** [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
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[REDACTED]

[REDACTED] [END HIGHLY CONFIDENTIAL]

Q. PLEASE EXPLAIN THE DISCOUNTED RATES AND REVENUES ASSOCIATED WITH CUSTOMER #21.

A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]

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1 [REDACTED]

2 [REDACTED] [END HIGHLY

3 CONFIDENTIAL] The information provided for this customer is contained in my

4 Schedule GAW-20 (Supplemental).

5

6 **Q. PLEASE EXPLAIN THE DISCOUNTED RATES AND REVENUES ASSOCIATED**

7 **WITH CUSTOMER #26.**

8 A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 [REDACTED]

25 [REDACTED]

26 [REDACTED]

27 [REDACTED]

⁸[BEGIN HIGHLY CONFIDENTIAL] [REDACTED] [END HIGHLY CONFIDENTIAL].

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED] [END HIGHLY CONFIDENTIAL]

6
7 **Q. PLEASE EXPLAIN THE DISCOUNTED RATES AND REVENUES ASSOCIATED**
8 **WITH CUSTOMER #31.**

9 A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED] [END HIGHLY
14 CONFIDENTIAL]

15
16 **Q. PLEASE EXPLAIN THE DISCOUNTED RATES AND REVENUES ASSOCIATED**
17 **WITH CUSTOMER #32.**

18 A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
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[REDACTED]

[REDACTED] [END HIGHLY CONFIDENTIAL] The information provided for this customer is contained in my Schedule GAW-23 (Supplemental).

Q. PLEASE EXPLAIN THE DISCOUNTED RATES AND REVENUES ASSOCIATED WITH CUSTOMER #33.

A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [END HIGHLY CONFIDENTIAL]

The information provided for this customer is contained in my Schedule GAW-24 (Supplemental).

Q. PLEASE EXPLAIN THE DISCOUNTED RATES AND REVENUES ASSOCIATED WITH CUSTOMER #34.

A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [END HIGHLY CONFIDENTIAL] The information provided for this customer is contained in my Schedule GAW-25 (Supplemental).

Q. PLEASE EXPLAIN THE DISCOUNTED RATES AND REVENUES ASSOCIATED WITH CUSTOMER #35

A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]

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[REDACTED]

[REDACTED] [END HIGHLY CONFIDENTIAL] The information provided for this customer is contained in my Schedule GAW-26 (Supplemental).

Q. PLEASE EXPLAIN THE DISCOUNTED RATES AND REVENUES ASSOCIATED WITH CUSTOMER #36.

A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [END HIGHLY CONFIDENTIAL]

The information provided for this customer is contained in my Schedule GAW-27 (Supplemental).

Q. PLEASE EXPLAIN THE DISCOUNTED RATES AND REVENUES ASSOCIATED WITH CUSTOMER #37.

A. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]

9 [REDACTED] [END HIGHLY CONFIDENTIAL]

10
11 **Q. PLEASE EXPLAIN THE DISCOUNTED RATES AND REVENUES ASSOCIATED**
12 **WITH CUSTOMER #39**

13 **A. [BEGIN HIGHLY CONFIDENTIAL]** [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]

19 [REDACTED]
20 [REDACTED]
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22 [REDACTED]
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25 [REDACTED]
26 [REDACTED]
27 [REDACTED]
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32 [REDACTED]
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34 [REDACTED]

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[REDACTED]

[REDACTED] **[END HIGHLY CONFIDENTIAL]** The information provided for this customer is contained in my Schedule GAW-28 (Supplemental).

Q. PLEASE EXPLAIN THE DISCOUNTED RATES AND REVENUES ASSOCIATED WITH CUSTOMER #41.

A. **[BEGIN HIGHLY CONFIDENTIAL]** [REDACTED]

[REDACTED]

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[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED] [END HIGHLY CONFIDENTIAL] The information provided for this customer is contained in my Schedule GAW-29 (Supplemental).

Q. PLEASE EXPLAIN THE DISCOUNTED RATES AND REVENUES ASSOCIATED WITH CUSTOMER #42.

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A. [BEGIN HIGHLY CONFIDENTIAL]

[REDACTED]

1 [REDACTED] [END HIGHLY CONFIDENTIAL] The information provided for
2 this customer is contained in my Schedule GAW-30 (Supplemental).
3

4 **Q. DO YOU HAVE ANY CONCLUDING COMMENTS REGARDING THE**
5 **DISCOUNTED RATES OFFERED BY PEOPLES TO SELECTED CUSTOMERS?**

6 A. Yes. The issue of discounted rates has been controversial for Peoples and Equitable
7 for many years. While discounted rates may be justified in some circumstances, the burden
8 of proof regarding the need for, and level of, discounts to these customers should fall
9 squarely on the Company. It is apparent that the Company's recordkeeping and bases for
10 offering discounted rates is severely lacking.

11 My recommendations and conclusions are based on the best information that I
12 could obtain from the Company's responses to discovery. To the extent the Company has
13 more detailed data and analyses that it has yet to provide, I am willing to revisit these
14 recommendations and conclusions.
15

16 **Q. DOES THIS COMPLETE YOUR SUPPLEMENTAL DIRECT TESTIMONY?**

17 A. Yes.
18

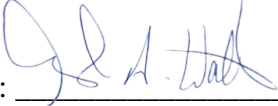
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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
v. : Docket No. R-2018-3006818
Peoples Natural Gas Company LLC :

VERIFICATION

I, Glenn Watkins, hereby state that the facts above set forth in my Supplemental Direct Testimony OCA Statement No. 3-Supp are true and correct and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Signature:  _____
Glenn Watkins
Technical Associates, Inc.
1503 Santa Rosa Road
Suite 130
Richmond, VA 23229
watkinsg@tai-econ.com

DATED:
*273002

HIGHLY CONFIDENTIAL

SCHEDULE GAW-10 (SUPPLEMENTAL)

HIGHLY CONFIDENTIAL

SCHEDULE GAW-11 (SUPPLEMENTAL)

HIGHLY CONFIDENTIAL

SCHEDULE GAW-12 (SUPPLEMENTAL)

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SCHEDULE GAW-13 (SUPPLEMENTAL)

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SCHEDULE GAW-14 (SUPPLEMENTAL)

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SCHEDULE GAW-15 (SUPPLEMENTAL)

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SCHEDULE GAW-16 (SUPPLEMENTAL)

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SCHEDULE GAW-30 (SUPPLEMENTAL)