

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission

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v.

: Docket No. R-2018-3006818

Peoples Natural Gas Company, LLC

Rebuttal Testimony of C. James Davis on Behalf of
Duquesne Light Company

May 28, 2019

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REBUTTAL TESTIMONY OF C. JAMES DAVIS

Q. Please state your full name and business address.

A. My name is C. James Davis. My business address is 411 Seventh Avenue, Pittsburgh, PA 15219.

Q. By whom are you employed and in what capacity?

A. I am employed by Duquesne Light Company (“Duquesne Light”) as the Director – Rates, Energy Procurement, and Federal/RTO Affairs.

Q. Did you previously submit testimony in this proceeding?

A. Yes, I submitted direct testimony that is marked as DLC Statement No. 1. My background and qualifications are set forth in that statement.

Q. Please describe the purpose of this rebuttal testimony.

A. The purpose of this rebuttal testimony is to respond to certain comments and recommendations made by other parties’ witnesses in their prepared direct testimonies; namely, Peoples Industrial Intervenors (“PII”) witness James Crist (PII Statement No. 1).

Q. Are you sponsoring any exhibits as part of this rebuttal testimony?

A. No.

ALLOCATION OF RATE LGS REVENUES

Q. Have you reviewed PII Statement No. 1, the direct testimony of James Crist?

1 A. Yes. I would like to respond to Mr. Crist's recommendations regarding Peoples'
2 proposed allocation of revenue increases to the LGS rate class.

3

4 **Q. Please summarize Mr. Crist's recommendation.**

5 A. Mr. Crist recommends that the majority of the revenue increase Peoples has proposed to
6 allocate to non-competitive LGS customers (i.e., those LGS customers not on a flex rate)
7 be re-assigned to other customer classes. Mr. Crist states in part, at page 11, lines 5-10:

8 Offering competitive rates to retain customer load benefits all the classes
9 of customers of the NGDC for those competitive rate customers are
10 making a positive contribution to revenues, in excess of the marginal costs
11 to serve them. For this reason, the increase in revenue that the Company
12 has allocated to the non-competitive customers of the LGS class should
13 actually be allocated to all non-competitive customers of all classes.
14

15 Mr. Crist observes that competitive LGS customers account for 72.7% of LGS gas
16 volumes, and goes on to recommend that the revenue increase allocated to the LGS rate
17 class be reduced by a corresponding 72.7%. Mr. Crist recommends that the amount of
18 this adjustment – approximately \$940,294, at Peoples' proposed revenue requirement –
19 be reallocated to other rate classes. PII St. No. 1, p. 11, lines 20-23; p. 12, lines 15-17.

20

21 **Q. Do you agree with this recommendation?**

22 A. No. Mr. Crist's recommended reallocation is not consistent with basic principles of cost-
23 of-service ratemaking. Mr. Crist's recommendation may also be illogical from an
24 affordability perspective, given that the customers it would benefit already stand to
25 experience significantly lower overall rate increases than other customer classes. For
26 example, Exhibit 11, Schedule 8, Peoples Natural Gas (Peoples Division) estimates

1 customer bill increases (at Peoples' proposed revenue requirement) of 14.1% for a typical
2 residential bill; 14.4% for a typical Small General Retail Service bill; and 16.2% for a
3 typical Medium General Retail Service bill. Large General Retail Service customers, in
4 contrast, would experience between a 2.7% bill reduction to a 6.7% increase (dependent
5 on Mcf per year). Mr. Crist's recommendation would further exacerbate this disparity in
6 customer bill impacts.

7 Similarly, Mr. Crist's recommendation does not appear to consider that
8 residential, small, and medium customer are already shouldering the vast majority of
9 Peoples' requested revenue increase. Peoples Exhibit RAF-4, page 3 of 3, Table 4 –
10 "Proposed Class Revenue Apportionment" shows that the Residential Service Rate Class
11 would be allocated 84.2% of Peoples' total requested revenue change; the Small General
12 Service Rate Class would be allocated 9.2%; and the Medium General Service Rate Class
13 would be allocated 5.2%, while the Large General Service Rate Class would be allocated
14 only 1.4%.

15 **Q. Does this conclude your rebuttal testimony?**

16 A. Yes, it does. However, I reserve the right to supplement my testimony at some point in
17 the future based on the review of further information and discovery responses from
18 Peoples, and/or to address additional issues that may arise during the course of this
19 proceeding.