

**I&E Statement No. 5-SR
Witness: Holly Gilliland**

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PEOPLES NATURAL GAS COMPANY LLC

Docket No. R-2018-3006818

Surrebuttal Testimony

of

Holly Gilliland

Bureau of Investigation and Enforcement

Concerning:

**Test Year
Rate Base
Prepayments
Gas Storage Underground
Rate Base Summary
Reporting Requirements**

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1 **Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS**
2 **ADDRESS?**

3 A. My name is Holly Gilliland. My business address is 400 North Street, Harrisburg,
4 Pennsylvania 17120.

5
6 **Q. ARE YOU THE SAME HOLLY GILLILAND THAT PROVIDED DIRECT**
7 **TESTIMONY ON APRIL 29, 2019?**

8 A. Yes. I submitted Bureau of Investigation and Enforcement (“I&E”) Statement No.
9 5 and I&E Exhibit No. 5 on April 29, 2019.

10

11 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

12 A. The purpose of my surrebuttal testimony is to address the rebuttal testimony of
13 Anthony Caldro submitted on behalf of the Peoples Natural Gas Company LLC’s
14 (“Peoples” or “Company”) request of a base rate revenue increase of \$94,900,000
15 My surrebuttal testimony specifically addresses the following issues:

- 16 • Test Year
- 17 • Rate Base Components
- 18 • Prepayments
- 19 • Gas Storage Underground
- 20 • Rate Base Summary
- 21 • Reporting Requirements

1 **TEST YEAR**

2 **Q. WHAT TEST YEARS HAS THE COMPANY USED IN THIS**
3 **PROCEEDING?**

4 A. The Company used the twelve-month period ending September 30, 2018 as the
5 HTY, the twelve-month period ending September 30, 2019 as the FTY, and the
6 thirteen-month period ending October 31, 2020 as the FPFTY.

7
8 **RATE BASE**

9 **Q. WHAT IS RATE BASE?**

10 A. Rate base is the depreciated original cost of a utility's investment in plant a utility
11 has in place to serve customers plus other additions and deductions that the
12 Commission determines to be necessary in order to keep the utility operating and
13 providing safe and reliable service to its customers. The Company's combined
14 claimed rate base for October 31, 2020 is \$2,052,311,067 (PNG Ex. 8, Sch. 2, p.3,
15 line 17).

16
17 **Q. WHAT ADDITIONS TO RATE BASE DID YOU ADDRESS IN YOUR**
18 **DIRECT TESTIMONY?**

19 A. I addressed the level of Prepayments and the level of Gas In Storage claimed as
20 additions to Rate Base (I&E St. No. 5, Sch. 3, pp. 1-4, and Sch. 5).

1 **Q. DID I&E RECOMMEND ANY ADJUSTMENTS TO ANY OF THE**
2 **ADDITIONS TO RATE BASE LISTED IN YOUR DIRECT TESTIMONY?**

3 A. Yes, as described below changes have been made to the additions of Prepayments
4 and Gas Stored Underground; however, no changes were made to Materials and
5 Supplies or either of the deductions.

6

7 **PREPAYMENTS**

8 **Q. WHAT IS THE COMPANY'S CLAIM FOR PREPAYMENTS?**

9 A. The Company's claims for prepayments are as follows; \$4,639,670 for the Peoples
10 division FTY and FPFTY (Peoples Ex. No. 8, Sch. No. 2, p. 1, ln. 10), \$1,770,211
11 for the Equitable division FTY and FPFTY (Peoples Ex. No. 8, Sch. No. 2, p. 2,
12 ln. 10), and a combined divisions FTY and FPFTY amount of \$6,409,880 (Peoples
13 Ex. No. 8, Sch. No. 2, p. 3, ln. 10).

14

15 **Q. DID YOU RECOMMEND AN ADJUSTMENT TO THE COMPANY'S**
16 **PREPAYMENTS CLAIM?**

17 A. Yes. Based on the calculation of the 13-month average of the most recent,
18 existing data provided by the Company, I recommended an amount for the
19 combined divisions prepayments of \$4,308,774 for both the FTY (I&E Ex. No. 5,
20 Sch. 1, line 13) and FPFTY (I&E Ex. No. 5, Sch. 2, ln. 13). This represents a
21 decrease of \$2,101,106 to the Company's total additions for the combined

1 divisions FTY and FPFTY (\$6,409,880 - \$4,308,774) (I&E Ex. No. 5, Sch. 1 & 2,
2 col. E, ln. 13).

3
4 **Q. DID THE COMPANY ADDRESS YOUR RECOMMENDATION**
5 **CONCERNING PREPAYMENTS?**

6 A. Yes. The Company pointed out two errors in my determination of the level of
7 Prepayments. The first is a typographical error where I should have reflected a
8 balance of \$9,280,390 for December 2018 rather than \$928,039. The second
9 being the total \$4,308,774 that I originally recommended should be \$7,124,749
10 The Company also believes that my recommendation was results driven, and there
11 is no basis for using a more recent 13-month average (PNG St. No. 7-R, pp. 6-7).

12
13 **Q. DO YOU AGREE WITH THE CORRECTIONS PROVIDED BY THE**
14 **COMPANY TO YOUR RECOMMENDED PREPAYMENT AMOUNT**
15 **THAT SHOULD BE REFLECTED IN RATE BASE?**

16 A. Yes. Therefore, I wish to revise my recommendation. The revision results in an
17 increase in the level of Prepayments that should be reflected in Rate Base to
18 account for these corrections. Specifically, the \$6,409,811 claimed by the
19 Company in the filing should be increased to \$7,124,749 which is an increase of
20 \$714,938 (I&E Ex. No. 5-SR, Sch. 1, p. 3).

1 Q. DO YOU AGREE WITH THE COMPANY THAT YOUR
2 RECOMMENDATION IS “RESULTS DRIVEN”?

3 A. No. My recommendation merely reflects updates to a rolling balance that
4 fluctuates month to month.

5
6 Q. WHY IS IT REASONABLE TO UPDATE THE COMPANY CLAIM IF
7 MORE RECENT DATA IS AVAILABLE?

8 A. I believe that actual data should be utilized when possible. As with any other
9 component of the revenue requirement, any update can and should be reflected in
10 the determination of rates. In addition, a utilities ability to use projections to
11 determine amounts that comprise the Fully Projected Future Test Year (FPFTY)
12 makes it more critical to utilize updates based on actual data to provide more
13 accurate inputs to establish rates. Therefore, these updates are critical if the
14 Commission is to establish reasonable rates based upon the FPFTY.

15
16 GAS STORED UNDERGROUND

17 Q. WHAT IS THE COMPANY’S CLAIM FOR GAS STORED
18 UNDERGROUND?

19 A. As described on page 8 on my direct testimony, the Company’s claim for Gas

1 Stored Underground is outlined in the table below:

2

Division	Test Year	Company Gas Stored Underground
Peoples	FTY	\$3,682,101
Peoples	FPFTY	\$13,272,445
Equitable	FTY	\$18,742,010
Equitable	FPFTY	\$17,843,381
Combined	FTY	\$22,424,111
Combined	FPFTY	\$31,115,826

3
4 **Q. DID YOU RECOMMEND A DIFFERENT LEVEL OF GAS STORED**
5 **UNDERGROUND IN THE RATE BASE IN YOUR DIRECT TESTIMONY?**

6 A. Yes, I recommend the use of the most recent 13-month average for the Gas Stored
7 Underground, as shown in the table below (I&E Stmt. No. 5 pp. 9-10):

Division	Test Year	I&E Adjusted Gas Stored Underground
Peoples	FTY, FPFTY	\$3,398,041
Equitable	FTY, FPFTY	\$17,111,119
Combined	FTY, FPFTY	\$20,739,930

8

1 **Q. HOW DID YOU DETERMINE THE ADJUSTED AMOUNTS LISTED IN**
2 **THE TABLE ABOVE?**

3 A. In response to I&E-RB-8, the Company provided the most recent, existing data for
4 Gas Stored Underground (I&E Ex. No. 5, Sch. 5). This data was used to calculate
5 the 13-month average value (I&E Ex. No. 5, Sch. 6, ln. 14). The resulting
6 decrease in the Gas Stored Underground between the Company's proposed values
7 and the I&E adjusted values (I&E Ex. No. 5, Sch. 1 & 2 col. E, ln. 9, Sch. 7 & 8,
8 col. E, ln. 10 and Sch. 9 & 10 col. E, ln. 10) are outlined below:

Division	Test Year	Company	I&E	Adjustment
Peoples	FTY	\$3,682,101	\$3,398,041	(\$284,060)
Peoples	FPFTY	\$13,272,445	\$3,398,041	(\$9,874,404)
Equitable	FTY	\$18,742,010	\$17,111,119	(\$1,630,891)
Equitable	FPFTY	\$17,843,381	\$17,111,119	(\$732,262)
Combined	FTY	\$22,424,111	\$20,739,930	(1,684,181)
Combined	FPFTY	\$31,115,826	\$20,739,930	(\$10,375,896)

10

11 **Q. DID THE COMPANY ADDRESS YOUR RECOMMENDATION**
12 **CONCERNING GAS IN STORAGE?**

13 A. Yes. The Company believes that my recommendation failed to capture a recent
14 accounting change in the way Gas Stored Underground is valued in the Peoples

1 Division. The Company also believes there is no basis for using the most recent
2 13-month average (PNG St. No. 7-R, pp. 3-6).

3
4 **Q. WHAT SPECIFICALLY DID THE COMPANY STATE CONCERNING**
5 **THE RESPONSE TO I&E-RB-8 THAT YOU RELIED UPON TO MAKE**
6 **YOUR RECOMMENDATION?**

7 A. The Company states that in the response to I&E-RB-8, the balances of gas stored
8 underground in the Peoples division was not adjusted for the Weighted Average
9 Cost of Gas (WACOG) methodology, but rather reflected the Last In First Out
10 accounting methodology.

11
12 **Q. DID THE COMPANY EXPLAIN IN THE FILING HOW THE VALUE OF**
13 **GAS STORED UNDERGROUND SHOWN ON PNG EXHIBIT NO.1,**
14 **SCHEDULE 6, OR THE RESPONSE TO I&E-RB-8 WAS DETERMINED?**

15 A. No. The Company failed to describe how the value of Gas Stored Underground
16 was valued on both Sch. 6, and the response to I&E-RB-8. Therefore, based upon
17 the Company's testimony, schedules, and response to I&E-RB-8, it was
18 reasonable to believe that the value of the Gas Stored Underground was being
19 reflected at the WACOG.

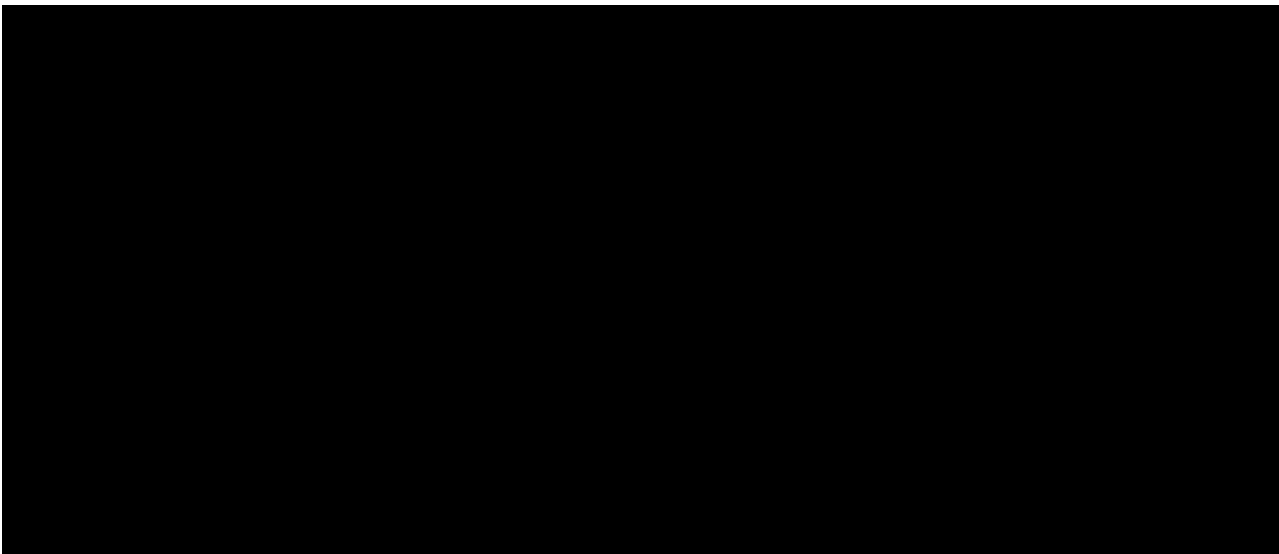
1 **Q. DO YOU BELIEVE THAT GAS STORED UNDERGROUND AND**
2 **REFLECTED IN RATE BASE SHOULD BE VALUED AT THE WACOG?**

3 A. Yes. Because of the change to WACOG in the future, it would be reasonable to
4 reflect Gas Stored Underground at the WACOG in this filing. Therefore, the
5 \$31,115,826 balance claimed by the Company should be updated.

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 average of
10 Gas Stored Underground, the only recent 13-month average of any value of Gas
11 Stored Underground is the response to I&E-RB-8. Therefore, I continue to
12 recommend the value of Gas Stored Underground be \$20,739,930 as described
13 above.

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1 **Q. WAS YOUR RECOMMENDATION CONCERNING GAS STORED**
2 **UNDERGROUND “RESULTS DRIVEN”?**

3 A. No. Similar to my recommendation concerning Prepayments, my
4 recommendation concerning Gas Stored Underground merely reflects updates to a
5 rolling balance that fluctuates month to month.

6
7 **Q. WHAT IS THE BASIS FOR USING THE RECENT DATA TO UPDATE**
8 **THE COMPANY’S CLAIM FOR THE WACOG STORED**
9 **UNDERGROUND?**

10 A. For the same reasons identified above that the balance of Prepayments should
11 reflect the most recent 13-month average.

12

13 **RATE BASE SUMMARY**

14 **Q. DID YOU RECOMMEND A RATE BASE FOR THE FPPTY ENDING**
15 **OCTOBER 31, 2020 FOR EACH COMPANY AND THE COMBINED**
16 **COMPANY?**

17 A. Yes. In my direct testimony I recommended a rate base of \$1,064,552,443 for the
18 People’s Division (I&E Ex. No. 5, Sch. 8, ln. 21), a rate base of \$975,187,392 for
19 the Equitable Division (I&E Ex. No. 5, Sch. 10, ln. 21), and a rate base of
20 \$2,039,834,066 for the Combined (I&E Ex. No. 5, Sch. 2, ln. 21).

1 **Q. DO YOU WISH TO REVISE YOUR RECOMMENDED RATE BASE FOR**
2 **THE FPFTY ENDING OCTOBER 31, 2020 FOR EACH COMPANY AND**
3 **THE COMBINED COMPANIES?**

4 A. Yes. Based upon the corrections to the Prepayments described above, I
5 recommend a rate base of \$1,064,691,236 for the People's Division (I&E Ex. No.
6 5-SR, Sch. 1, p. 1, ln. 21), a rate base of \$975,343,137 for the Equitable Division
7 (I&E Ex. No. 5-SR, Sch. 1, p. 2, ln. 21), and a rate base of \$2,042,454,876 for the
8 Combined (I&E Ex. No. 5-SR, Sch. 1, p. 3, ln. 21).

9
10 **REPORTING REQUIREMENTS**

11 **Q. WHAT AMOUNT OF ADDITIONAL PLANT IN SERVICE WILL BE**
12 **ASSOCIATED WITH THE INCLUSION OF FTY ENDING SEPTEMBER**
13 **30, 2019 AND FPFTY ENDING OCTOBER 31, 2020 FOR THE**
14 **COMPANY?**

15 A. The additional amount of plant in service for the proposed FTY is shown below:

16

Division	Company HTY	Company FTY	Change in Plant in Service
People's	\$1,485,289,997	\$1,624,127,819	\$138,837,822
Equitable	\$1,225,725,751	\$1,341,926,059	\$116,200,308
Combined	\$2,711,015,748	\$2,966,053,878	\$255,038,130

1 The additional amount of plant in service between the FTY and FPFTY is shown
2 below:

Division	Company FTY	Company FPFTY	Change in Plant in Service
People's	\$1,624,127,819	\$1,772,914,418	\$148,786,599
Equitable	\$1,341,926,059	\$1,471,566,896	\$129,640,837
Combined	\$2,966,053,878	\$3,244,481,314	\$278,427,436

4
5 The values in the table for the HTY, FTY and FPFTY were taken from the
6 Company's filing (Peoples Ex. No. 8, Sch. 2, pp. 1-3, ln. 3).

7
8 **Q. DID YOU HAVE ANY RECOMMENDATIONS REGARDING PLANT**
9 **ADDITIONS THAT THE COMPANY PROJECTS TO BE IN SERVICE**
10 **DURING THE FTY ENDING SEPTEMBER 30, 2019 AND THE FPFTY**
11 **ENDING OCTOBER 31, 2020 IN YOUR DIRECT TESTIMONY?**

12 A. Yes. I recommended that the Company provide the Commission's Bureaus of
13 Technical Utility Services and Investigation and Enforcement with an update to
14 Peoples Natural Gas Exhibit No. AC-1 (Peoples Statement No. 7, pp. 1-4) for both
15 the Peoples and Equitable divisions no later than January 2, 2020, which should
16 include actual capital expenditures, plant additions, and retirements by month for
17 the twelve months ending October 31, 2019. An additional update was also

1 requested, which would provide actuals through October 31, 2020, no later than
2 February 1, 2021.

3
4 **Q. DID THE COMPANY ADDRESS YOUR RECOMMENDATION**
5 **CONCERNING THESE UPDATES?**

6 A. Yes. The Company agreed with my recommendation to provide these updates
7 within the specified timelines.

8
9 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

10 A. Yes.