

COMMONWEALTH OF PENNSYLVANIA

PUBLIC UTILITY COMMISSION

ORIGINAL

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 :
Investigation into Financial and :
Collections issues regarding the : Docket Nos.
Philadelphia Gas Works. : P-00042090
 : R-00049157
 Initial Hearing. : M-00021612
 : P-00032061
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Pages 589 through 845

Hearing Room 1
State Office Building
Philadelphia, Pennsylvania

DOCUMENT

Tuesday, July 6, 2004

Met, pursuant to notice, at 10:42 a.m.

BEFORE:

CHARLES E. RAINEY, JR., Administrative Law Judge

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P R O C E E D I N G S

1
2 ADMINISTRATIVE LAW JUDGE CHARLES E. RAINEY, JR.:

3 Good morning. My name is Charles Rainey and I am the
4 Administrative Law Judge who has been assigned to this
5 matter.

6 This is the matter of the investigation into the
7 financial and collections issues regarding the Philadelphia
8 Gas Works at Docket Nos. P-00042090, R-00049157, M-00021612
9 and P-00032061.

10 I'll take this opportunity to allow the parties to
11 identify themselves with the record, and we'll start with
12 PGW.

13 MR. CLEARFIELD: Good morning, Your Honor. My name
14 is Daniel Clearfield and accompanying me today is Mark
15 Stewart from our office, representing PGW; also, Gregory
16 Stunder, in-house counsel for PGW.

17 JUDGE RAINEY: Thank you, Mr. Clearfield.

18 Office of Trial Staff?

19 MR. SIMMS: Yes, Your Honor. Good morning. My name
20 is Johnnie Simms. Accompanying me today is Richard
21 Kanaskie, appearing on behalf of the Office of Trial Staff.

22 JUDGE RAINEY: Thank you. Office of Consumer
23 Advocate?

24 MR. KEENE: Good morning, Your Honor. I'm Stephen
25 Keene and accompanying me is Lori Herman on behalf of the

1 Office of Consumer Advocate.

2 JUDGE RAINEY: Thank you. Office of Small Business
3 Advocate?

4 MR. GRAY: Good morning, Your Honor. Steven Gray for
5 the OSBA, and I'm all alone.

6 JUDGE RAINEY: Thank you, Mr. Gray.

7 Action Alliance, et al.?

8 MR. BERTOCCHI: Good morning, Your Honor. I'm Philip
9 Bertocci, Community Legal Services. With me is Laura
10 Moskowitz. We're representing Action Alliance of Senior
11 Citizens, ACORN and the Tenants Action Group.

12 JUDGE RAINEY: Thank you, Mr. Bertocci.

13 Senator Fumo, et al.?

14 MR. HICKS: Good morning, Your Honor. I am Renardo
15 Hicks, representing Philadelphia public officials including
16 Senator Fumo.

17 JUDGE RAINEY: Thank you, Mr. Hicks. Did I miss
18 anyone?

19 MR. SMITH: Ward Smith for PECO.

20 JUDGE RAINEY: Oh, I'm sorry, Mr. Smith.

21 There was a discussion that took place off the record
22 with regard to a number of matters. One of the matters that
23 we did discuss was a modification to the briefing and
24 discovery schedule.

25 And it was determined that main briefs will now be

1 due in hand by four o'clock p.m. on July 16, 2004 and that
2 reply briefs will now be due in hand to the Presiding
3 Officer and served on the parties by four o'clock p.m. on
4 Friday, July 23, 2004.

5 And as I stated in response to a question, I do want
6 those briefs physically in my hands by the dates and times I
7 stated. However, the parties can reach agreement among
8 themselves with regard to how they would like to receive
9 those briefs on those particular days.

10 Now, with regard to discovery, discovery may
11 continue. However, any document marked as an exhibit that a
12 party wants admitted into evidence after the close of the
13 evidentiary hearings must be moved into evidence by written
14 stipulation of the parties or upon written motion of a party
15 subject to written objection.

16 Any written motions for the admission of an exhibit
17 into evidence must be in my hands and the hands of the other
18 parties no later than four o'clock p.m. on July 12, 2004.

19 Any objections to a written motion for admission of
20 an exhibit into evidence must be in my hands within three
21 days of the date of submission of the written motion, so
22 that for example, if a written motion is submitted on July
23 12, 2004, any objections are due no later than four o'clock
24 p.m. on July 15, 2004.

25 A party may refer in its brief to a document that has

1 not yet been admitted into evidence. However that party is
2 to clearly demarc that document as not having yet been
3 admitted into evidence, and also state that there's a
4 pending motion to admit that document and to also note if
5 there's any objection that had yet been filed with regard to
6 that particular motion, so that a party at its own risk
7 includes an item in its brief that has not been admitted
8 into evidence and it is stressed that parties seek to have
9 any documents that have not been admitted into evidence
10 during the next couple of days of evidentiary hearings do so
11 by stipulation.

12 We also had a discussion with regard to the order of
13 witnesses for today, and it was agreed that we would start
14 with Ms. Coltro for Philadelphia Gas Works.

15 Ms. Coltro, if you'll come to the witness stand and
16 raise your right hand, I will swear you in.

17 Whereupon,

18 CRISTINA COLTRO

19 having been duly sworn, testified as follows:

20 JUDGE RAINEY: Please be seated and provide your full
21 name for the record and spell your name, please.

22 THE WITNESS: Good morning, Your Honor. My name is
23 Cristina Coltro, C-R-I-S-T-I-N-A, my last name is Coltro,
24 C-O-L-T-R-O.

25 JUDGE RAINEY: And Ms. Coltro, by whom are you

1 employed?

2 THE WITNESS: I'm employed by the Philadelphia Gas
3 Works.

4 JUDGE RAINEY: And what is your business title?

5 THE WITNESS: I am the manager of universal services
6 programs.

7 JUDGE RAINEY: And what is your business address?

8 THE WITNESS: 800 West Montgomery Avenue,
9 Philadelphia, 19122.

10 JUDGE RAINEY: Please proceed, Mr. Clearfield.

11 MR. CLEARFIELD: Thank you, Your Honor.

12 DIRECT EXAMINATION

13 BY MR. CLEARFIELD:

14 Q. Ms. Coltro, have you prepared direct testimony
15 for the purposes of this proceeding?

16 A. Yes, I have.

17 MR. CLEARFIELD: Your Honor, we've handed to the
18 court reporter copies and we've previously distributed to
19 all the parties a multi-page document containing three
20 exhibits which we've identified as PGW Statement CP-2 and
21 ask that it be so marked for identification.

22 JUDGE RAINEY: So marked for identification purposes.

23 (Whereupon, the document was marked
24 as PGW Statement No. CP-2
25 for identification.)

1 BY MR. CLEARFIELD:

2 Q. Ms. Coltro, do you have what we've marked for
3 identification as PGW Statement CP-2?

4 A. Yes, I have.

5 Q. And was that prepared by you or under your
6 supervision and direction?

7 A. Yes, it was.

8 Q. Do you have any additions or corrections that
9 you'd like to make at this time?

10 A. No, I do not.

11 Q. And is the testimony that we've identified true
12 and correct to the best of your information, knowledge and
13 belief?

14 A. Yes, it is.

15 MR. CLEARFIELD: We'd move for admission of PGW
16 Statement CP-2 subject to any appropriate motions to be
17 lodged by the parties in a timely manner.

18 JUDGE RAINEY: Any objections?

19 (No response.)

20 JUDGE RAINEY: Hearing none, so admitted.

21 (Whereupon, the document marked
22 as PGW Statement No. CP-2
23 was received in evidence.)

24 MR. CLEARFIELD: Your Honor, Ms. Coltro has some
25 short rebuttal testimony in response to the testimonies that

1 were submitted last week by the various parties, if we may
2 proceed with that.

3 JUDGE RAINEY: Yes, please proceed.

4 BY MR. CLEARFIELD:

5 Q. Would you please state the purpose of your
6 rebuttal testimony here today, Ms. Coltro?

7 A. Yes. The purpose of my testimony today is to
8 respond to assertions made by other parties' witnesses in
9 their direct testimony in this proceeding regarding PGW's
10 customer responsibility program, CRP, the senior discount
11 program and the LIURP program.

12 Q. Let's start with the testimony of OTS Witness
13 Ms. Hummel. Have you reviewed that testimony?

14 A. Yes, I have.

15 Q. Now, Ms. Hummel testified that PGW's overall
16 universal service costs and cost per customer are in line
17 with other NGDCs. However, she also discussed two
18 recommendations for reducing costs that were made in an
19 evaluation that PGW authorized. Do you have any additional
20 information on PGW's efforts to implement those
21 recommendations?

22 A. Yes, I have. As Ms. Hummel stated, the report,
23 the evaluation report recommended that we shorten our
24 collection procedures for CRP customers and reduce
25 administrative costs associated with the CRP recertification

1 process.

2 The recertification process is a process of which
3 every customer has to reapply for the program to prove their
4 eligibility.

5 Ms. Hummel is correct that we have implemented the
6 recommendation to cut the collection process to no more than
7 50 days. Our current CRP collection is more in line with
8 the regular residential collection process and in line with
9 BCS guidelines.

10 We are also actively engaged in implementing the
11 other recommendation of reducing the administrative costs
12 related to the CRP recertification process.

13 CRP customers had not recertified their agreements
14 for close to four years. PGW's plan was to recertify all
15 participants first and then implement the recommendation of
16 sporadically recertifying those participants who also
17 receive a LIHEAP grant. We are now in the process of moving
18 in that direction.

19 In addition to that, we are presently working with
20 the Department of Public Welfare to obtain income data for
21 customers receiving public assistance which will allow us to
22 automatically recertify those customers who are receiving
23 those public benefits.

24 Q. Now, Ms. Hummel also calls for the company to do
25 another independent evaluation of its administrative program

1 costs in 2005. Do you recall that testimony?

2 A. Yes, I do.

3 Q. What's your position on that recommendation?

4 A. First, I would like to note that on a per
5 customer basis, the PGW CRP administrative cost is within
6 the range of those of the other regulated utilities and in
7 fact is lower than other major gas utilities in the state.

8 Ms. Hummel did point out that the difference between
9 PGW's program costs and those of other companies are related
10 to the significantly greater number of low income customers
11 in PGW's territory. She is correct.

12 Nonetheless, we would be willing to include an
13 analysis of the administrative costs of CRP in our
14 evaluation that we are planning to conduct in 2005.

15 This planned evaluation is intended to study program
16 design and whether CRP is cost effective in terms of
17 covering the basic cost of service.

18 Q. Have you also reviewed the testimony of Mr.
19 Knecht for OSBA?

20 A. Yes, I have.

21 Q. And let me ask you some questions about that.
22 Mr. Knecht proposes changes in the CRP program's design cost
23 and allocation in this proceeding. Do you believe that
24 those changes are appropriately addressed here?

25 MR. GRAY: Objection. That's a legal question, Your

1 Honor, not a legal witness.

2 MR. CLEARFIELD: I'll withdraw the question.

3 BY MR. CLEARFIELD:

4 Q. Mr. Knecht claims that the Commission decided
5 not to address the universal service cost allocation issues
6 in the restructuring proceeding. As to your review of that
7 determination, is Mr. Knecht correct in that assertion?

8 MR. GRAY: Objection, Your Honor. The record will
9 speak for itself. Again, that's a legal conclusion. It
10 said what it said.

11 MR. CLEARFIELD: Your Honor, we are responding to
12 testimony that Mr. Knecht put into the record stating what
13 his view of the restructuring proceeding was. We're
14 responding to that. So it must call for an expert opinion
15 because Mr. Knecht I'm sure wouldn't have put it in his
16 testimony in the first place if it was something that could
17 easily be reviewed in the record.

18 JUDGE RAINEY: What was your question again, Mr.
19 Clearfield?

20 BY MR. CLEARFIELD:

21 Q. Mr. Knecht claims that the Commission decided
22 not to address the universal service cost allocation issues
23 in the restructuring proceeding. Is he correct?

24 JUDGE RAINEY: Is he correct about whether or not the
25 Commission decided to cover that in the restructuring

1 proceeding or not?

2 MR. CLEARFIELD: Yes.

3 JUDGE RAINEY: I'm going to overrule the objection.

4 THE WITNESS: No, the Commission heard and rejected
5 the argument that commercial customers should not have to
6 pay the universal service charge during that proceeding.

7 BY MR. CLEARFIELD:

8 Q. Now, with respect to Mr. Knecht's criticism of
9 the company's plan as part of its collections initiative to
10 encourage all eligible customers to enroll in CRP -- do you
11 remember that part of his testimony?

12 A. Yes, I do.

13 Q. Mr. Knecht criticizes that and labels it as a
14 stealth rate increase. Do you believe that criticism is
15 appropriate?

16 A. I do not believe so. Under the Gas Choice Act,
17 universal services programs are supposed to be adequately
18 funded and available to eligible customers. Also, the
19 Commission has suggested that companies should ramp up
20 program participation according to need assessment.

21 Chapter 62, Section 4(b)(3) of the Natural Gas Supply
22 Customer Choice requires that the utility provides the
23 projected needs assessment of each program component and an
24 explanation of how each program component responds to one or
25 more identified needs.

1 As both I and Ms. Hummel have testified, the
2 assessment of customer need for CRP in PGW's territory is
3 significant, exceeding by many times that found in other
4 companies' territories.

5 Attempting to encourage eligible low income customers
6 to utilize the CRP program is 100 percent consistent with
7 the Commission's policies and regulations in the Public
8 Utility Code.

9 Q. So do I take it that you also disagree with Mr.
10 Knecht's proposal to cap PGW's CRP program at 60,000?

11 A. Yes, I oppose that. As I testified, such a
12 proposal in the face of a population of eligible customers
13 that exceeds such a cap, which we now estimate at
14 approximately 90,000 customers that are eligible for the
15 program, potentially eligible, is inconsistent with the
16 Commission's policy. Also, I believe waivers of Commission
17 regulation would be required for such proposal.

18 Q. About how many customers are enrolled in CRP
19 today?

20 A. About 62,000 customers currently.

21 Q. So more than the cap?

22 A. More than the cap, yes.

23 Q. I'm going to turn to Mr. Mick's testimony now,
24 okay?

25 A. Okay.

1 Q. Mr. Mick with the OTS testified about a
2 different universal service program, PGW's CWP program. Did
3 you review his testimony?

4 A. Yes, I have.

5 Q. And Mr. Mick suggests that PGW's program is in
6 violation or not consistent with the Commission's LIURP
7 regulations. Do you remember that testimony?

8 A. I remember it, yes.

9 JUDGE RAINEY: Just for clarification of the record,
10 CWP, you're referring to the conservation and weatherization
11 program?

12 THE WITNESS: It's called conservation works program.

13 MR. CLEARFIELD: Thank you, Your Honor.

14 BY MR. CLEARFIELD:

15 Q. Do you agree with his suggestion that PGW's
16 program is inconsistent with the LIURP regulations?

17 A. I do not agree with that statement. First,
18 PGW's CWP program was thoroughly reviewed in the
19 restructuring proceeding and approved by the Commission a
20 little over a year ago. The CWP program in place today is
21 the same program that was approved by the PUC.

22 In his testimony, Mr. Mick states his concern with
23 PGW's low cost approach to offering conservation and
24 weatherization measures to its CWP participants. He
25 compares PGW's expenditure on a per customer basis with that

1 of other utilities in the state and assumes that PGW is not
2 following PUC LIURP regulations for determining usage
3 reduction measures to be installed.

4 Chapter 58, Section 14 of the residential low income
5 usage reduction program outlines the program measures,
6 installations that may be applied to program participants.
7 PGW does apply the outlined measures but not all of them at
8 the same time into every participant.

9 The latest evaluation of the program submitted as
10 exhibit to my PGW restructuring filing does state all the
11 measures implemented with the program.

12 The CWP program design emphasizes energy education
13 and low but cost effective measures to help participants
14 reduce usage consumption, improve payment behavior and
15 become more a successful CRP participant. That's the
16 customer responsibility program.

17 PGW's concern is to offer the services to as many
18 eligible customers as possible in a cost effective manner.
19 Another important component of the program is to coordinate
20 our efforts with other conservation and weatherization
21 services available in the city.

22 The program evaluation recognizes that the CWP
23 program is not necessarily similar to those of the more
24 traditional weatherization programs. However, it recognizes
25 that the PGW CWP program results are quite impressive.

1 PGW's CWP budget of \$2 million per year is \$400,000
2 more than the amount suggested by the Commission's guideline
3 of .2 percent of gross revenue, and that difference was even
4 greater when the budget was established and gas costs were
5 lower, thus lowering the company's gross revenues.

6 With the current budget, PGW is able to serve
7 approximately 3,300 customers per year. If PGW were to
8 spend \$2,800 per customer as Mr. Mick suggests, only 700
9 customers per year would be able to receive CWP services and
10 coordination with other weatherization programs would become
11 less meaningful.

12 PGW has potentially 90,000 customers eligible for
13 this program. We have already offered to 30,000 of them.
14 We have 60,000 to go, so we are concerned with offering to
15 as many as possible in helping them equally.

16 PGW agrees, however, that a meeting with Mr. Mick and
17 BCS staff would be a good opportunity to present the CWP
18 program in a more detailed manner. We have history and we
19 can converse then.

20 Q. Just to clarify, Mr. Mick also makes a
21 suggestion that the company is not using sufficient cost
22 reduction treatments and therefore is not sufficiently
23 lowering customers' bills that are part of that program. Do
24 you have a response to that point?

25 A. Yes, I actually do. Mr. Mick should know that

1 all of PGW's CWP participants are also CRP participants.
2 Therefore, their bills are already as affordable as
3 possible.

4 Q. All right. Let's change gears and discuss Mr.
5 Weakley's testimony with respect to the senior citizen
6 discount proposal. You've reviewed that testimony, I take
7 it?

8 A. Yes, I have.

9 Q. Now, Mr. Weakley made a calculation which showed
10 that the means tested senior citizen discount amounted to an
11 additional \$60 million in cost to non-recipient ratepayers
12 through 2020, I believe. Do you recall that?

13 A. Yes, I recall that.

14 Q. Do you believe that that's a meaningful analysis
15 when comparing the appropriateness of the proposed means
16 tested senior citizen discount?

17 A. No, I do not believe so. Mr. Weakley's Exhibit
18 1, Schedule 1 really does nothing more than take my Exhibit
19 CP/CC-2 and add up the annual costs for a period of 16
20 years. Any expense --

21 JUDGE RAINEY: I'm sorry, Ms. Coltro. Why don't we
22 do this just for clarification of the record. What
23 question, what number question was that in response to in
24 terms of Mr. Weakley and your response to him?

25 Just for clarification of the record, the Commission

1 asked that eight questions be responded to and so I've asked
2 the witness which number question is she referring to.

3 THE WITNESS: Your Honor, I believe that is within
4 question number five, perhaps a little bit within question
5 number six as well. They all deal with the costs of the
6 senior discount program on a yearly basis.

7 JUDGE RAINEY: Okay. I'm sorry, go ahead.

8 MR. CLEARFIELD: Should she continue, Your Honor?

9 BY MR. CLEARFIELD:

10 Q. Go ahead.

11 A. So his exhibit adds up all the annual costs for
12 the 16 years. Any expense added up for that amount of time
13 is going to appear larger than if you look at it on an
14 annual basis.

15 It certainly does not lead to the conclusion that the
16 expenditure in the first instance is not valid or
17 worthwhile. For example, all things remaining equal, the
18 cumulative cost to ratepayers of PGW CRP program over 16
19 years would be \$880 million. I don't think anyone would
20 conclude that PGW shouldn't have a CRP program.

21 Q. Is there a more meaningful number that you can
22 provide based on Mr. Weakley's Exhibit 1, Schedule 2?

23 A. Yes, I believe so. His Schedule 2 compares the
24 annual cost of the grandfathered senior citizen discount
25 with and without the means tested program. It shows the

1 yearly cost per Mcf, each of the two scenarios.

2 Using PGW's average annual consumption figures for
3 heating and non-heating customer, the average difference
4 between the two programs over the 16 years that a heating
5 and non-heating customer would have to pay for the means
6 tested senior citizen discount is only \$5.81 and \$1.88 per
7 year respectively.

8 These figures of annual cost to residential customers
9 are much more telling. Certainly Mr. Weakley would agree
10 that this is a very minor cost for the non-low income senior
11 to have to pay.

12 The City of Philadelphia and PGW customers as viewed
13 by passing City Council resolution support this program and
14 wishes it to be implemented. Likewise, all parties to this
15 proceeding but OTS -- or at least they do not not oppose it
16 -- also support the program. That's about as close to
17 consensus as you get for PGW.

18 Q. Just a clarification. Mr. Weakley mentioned
19 that your annual enrollment projections that you used in
20 your Exhibit CP/CC-2 did not appear to account for the
21 uptick in enrollment due to the aging baby boomers. Do you
22 remember that testimony?

23 A. Yes, I do.

24 Q. Do you have a response to that point?

25 A. Yes, I have. It is important to clarify that

1 the forecasted participation levels for the grandfathered
2 senior discount program with and without the means tested
3 program was presented in Dr. Gil Peach's evaluation of PGW's
4 senior discount program.

5 His calculations are from year 2002 through 2020, and
6 are based on census data and take into account baby boomers
7 as well as death rates.

8 This forecast is outlined on page one of my Exhibit
9 CP/CC-2. I merely used the difference in the population
10 rate of the two scenarios to calculate an average yearly
11 participation rate. I believe that such a calculation
12 provides a close enough average for the yearly enrollment
13 projections.

14 MR. CLEARFIELD: Thank you, Your Honor. That's all
15 we have in rebuttal.

16 JUDGE RAINEY: I have some questions but I'll let the
17 other parties go first. Mr. Simms?

18 MR. SIMMS: Thank you, Your Honor.

19 CROSS-EXAMINATION

20 BY MR. SIMMS:

21 Q. Good morning, Ms. Coltro. My name is Johnnie
22 Simms. I'm with the Office of Trial Staff. You made a
23 reference in your direct testimony and I believe in your
24 rebuttal regarding the total yearly cost of the means tested
25 program of, I think it's being revised to \$365,421; is that

1 correct?

2 A. Yes, it is.

3 Q. And you indicated that Mr. Weakley's analysis
4 was incorrect; am I not correct?

5 A. I just stated that his analysis just takes my
6 analysis and adds up all the yearly costs and accumulates it
7 over a period of 16 years, and that I thought that that was
8 not a meaningful analysis. A better one is his Schedule 2,
9 which outlines the costs per Mcfs per year. That is in my
10 opinion a more meaningful analysis.

11 Q. Let me ask you this question here. Is the
12 \$365,000, is that a figure that the company is willing to
13 accept on an annual basis and no more than that from now
14 until the year 2020?

15 A. The company has not stated that it would not
16 accept any more than that, merely is calculating what it
17 believes the average cost to be per year for all the new
18 participants that come on.

19 Q. I understand your point. I'm asking you the
20 question, is the company willing to settle for, to receive
21 \$365,421 on an annual basis for the implementation of the
22 senior citizen discount from this period to the year 2020?

23 MR. CLEARFIELD: Your Honor, I'm sorry. I object for
24 clarification. Is Mr. Simms asking whether the company
25 would agree to that amount being recovered in the universal

1 service charge and then to essentially hold the discount so
2 that only that amount of discount is provided to seniors on
3 a means tested basis, or --

4 MR. SIMMS: I'm asking the question, your witness
5 testified that the means tested program is now \$365,421, and
6 I'm asking the question, is that the figure that the company
7 is willing to settle for for the implementation of the
8 senior citizen discount from this date until the year 2020
9 on a yearly basis?

10 MR. CLEARFIELD: I guess I would object, Your Honor.
11 I don't believe Ms. Coltro is in a position to bind the
12 company on that kind of issue here on the stand. We can
13 consider it and discuss with Mr. Simms and OTS off line.

14 MR. SIMMS: Well, Your Honor, she is a witness
15 testifying as to the annual costs of this, and I'm simply
16 asking her if that is what the company is willing to --
17 that's what the company is saying is the annual cost. My
18 question to her, is that the cost the company is willing to
19 accept for the duration of the time period they have in
20 their filing, which is 2020.

21 JUDGE RAINEY: I'm going to overrule the objection.

22 THE WITNESS: Yes. I cannot respond. Again, we're
23 not prepared to settle on a particular number. We believe
24 that the City, City Council, the people of Philadelphia want
25 to have this program offered to anyone who qualifies for

1 it. I am not in a position to say that that is the number
2 that we are going to be settling the program for.

3 Q. Now --

4 JUDGE RAINEY: Let me just be clear. Let me ask this
5 question. I'm sorry, Mr. Simms. The \$356,421 that you
6 refer to in your testimony at page seven, is that a figure
7 only associated with the current fiscal year?

8 THE WITNESS: In a sense, yes, Your Honor, because it
9 uses current rates. If rates are changed, the program costs
10 evidently will change as well. Discounts can be more or
11 less. This is an average. This is what we forecast to be
12 the yearly cost for the first year.

13 And on my page two of my exhibit, I do that forecast,
14 considering the estimated dollar per unit cost for all the
15 years throughout 2020.

16 JUDGE RAINEY: So as far as your exhibit is
17 concerned, are you, for purposes of computing the costs
18 through year 2020, using that figure, \$365,421 as the cost
19 in each year from 2004 to the year 2020?

20 THE WITNESS: Yes. The \$365,000 is what we estimated
21 the cost to be on the first year of the program.

22 JUDGE RAINEY: Okay. So that you would then be
23 adding that, you're adding that cost each year?

24 THE WITNESS: Each year.

25 JUDGE RAINEY: I'm sorry. Go ahead, Mr. Simms.

1 MR. SIMMS: Thank you, Your Honor.

2 BY MR. SIMMS:

3 Q. You indicated that if the rates changed, that
4 that amount would change, the \$365,000 would change; is that
5 correct?

6 A. What I meant to say is that the discount is
7 related to the participation level as well as the cost of
8 gas, correct?

9 Q. Now, isn't it also correct that if the
10 population, senior citizen population increased during that
11 same time period, the cost would increase as well, correct?

12 A. That is correct, but the calculation on the
13 estimated participation level is based on census information
14 that we have as to the participation level throughout year
15 2020.

16 Q. And as I understand your testimony, you added
17 that information and came up with an average of 1,300 new
18 participants every year between now and the year 2020?

19 A. Correct.

20 Q. Let me just stay with that point for a moment.
21 Is it your testimony that included in that average is, you
22 took into account or the company took into account the rise
23 in population dealing with the baby boomer generation,
24 correct?

25 A. Our senior citizen discount program was

1 evaluated by an outside evaluator, Dr. Gil Peach, who
2 estimated what the population levels would be for the
3 program with and without the means tested program throughout
4 the year 2020.

5 I restated his estimates on my exhibit on Table 1,
6 page one of my exhibit. All I did really was to take the
7 difference between what he estimated for both scenarios and
8 divided that by the number of years to come up with an
9 average participation level per year. His calculations
10 based on census data thus reflect baby boomers, death rates
11 and so forth.

12 Q. Dr. Peach is not a witness in this proceeding,
13 correct?

14 A. No, he's not. I'm using his numbers.

15 Q. And you relied upon Dr. Peach's numbers,
16 correct?

17 A. Yes, I have.

18 Q. Now, let me refer you to Exhibit CP/CC-2. Do
19 you have that before you?

20 A. Yes.

21 Q. I'm looking at the program population scenario.
22 These numbers, are these Dr. Peach's numbers or are these
23 your numbers?

24 A. On Table 1 of my exhibit, program population
25 scenarios, this was taken, extracted from Dr. Gil Peach's

1 evaluation. He forecasted what the population levels would
2 be if we were to offer this program to grandfathered
3 customers only which he calls in his evaluation Option 3,
4 and then grandfathered and means tested, which he calls
5 Option 4d.

6 Q. By the way, so that the record is clear, am I
7 not correct that in the restructuring proceeding, Dr. Peach
8 advocated that the program be phased out, did he not?

9 A. He did advocate that. He recommended that in
10 his evaluation.

11 Q. Now, since you have used this as your exhibit,
12 let me refer you to the "Only Grandfathered," Option 3.

13 A. Okay.

14 Q. Between the years 2004 and 2005, there's a
15 reduction of about 1,000 senior citizens; do you see that?

16 A. Yes, I do. In fact, if you allow me, I would
17 like to make a correction to something I just said. I did
18 say that I took these numbers from Dr. Peach's evaluation.
19 Dr. Peach, at the time where he prepared his report, was
20 year 2002, and so that the first year of his forecast
21 started at year 2002.

22 I did not state those figures here on my table. I
23 started with year 2004 based on the current number, the
24 current participation levels that we have in the program at
25 this time.

1 Q. I understand.

2 A. Okay. So yes, I note 1,000 participation level
3 difference.

4 Q. And do you know what caused that reduction of
5 1,000?

6 A. PGW is in the process of conducting a senior
7 audit with all of the participants in the senior citizen
8 discount program, and those customers that do not recertify
9 their eligibility for the program are being removed from the
10 discount, and that's what we are experiencing right now.

11 So we forecast that another 1,000 or so participants
12 will no longer be in the program because they have not
13 passed the audit.

14 Q. Just for clarification, this audit that was
15 conducted by PGW, prior to this audit, when was the last
16 time PGW conducted an audit for the senior citizen discount?

17 A. I believe it was 1998.

18 Q. Now, as I look at the time period of 2005 to
19 2020, there appears to be a reduction, and correct me if my
20 math is wrong, but I think it's about 22,000 participants.

21 Do you see that?

22 A. Yes, I do.

23 Q. Is that 22,000 participants associated with the
24 audit, upcoming audit, or what does that figure represent,
25 the difference between those two numbers?

1 A. Again, those precise numbers are based on Dr.
2 Gil Peach's estimates of the population level for senior
3 participants here in Philadelphia during those years.

4 Q. And they are based on what?

5 A. According to his report, those levels are based
6 on census information.

7 Q. Which includes what?

8 A. Which includes death rates, just the profile of
9 seniors who would still be in our system that had been
10 grandfathered in year 2003 in the program and no longer
11 would be -- that would continue to be eligible for the
12 program.

13 Q. So according to PGW, beginning in year 2005 and
14 2010, the five year period, for customers that are 65 years
15 or older, some 22,000 customers will be no longer in the
16 program?

17 A. Not all of our customers that are participants
18 in the senior discount program at this point are 65 years
19 old. Many of them are older than that, so his estimates
20 take that into account.

21 Q. How many now are 65 years?

22 A. I do not know how many at this point are 65, how
23 many are 70. I don't have that age breakdown with me right
24 now.

25 Q. Do you have it at your office?

1 A. It's data that we can obtain.

2 MR. SIMMS: I'd like to make an on-the-record data
3 request, Your Honor, that the company provide that data.

4 JUDGE RAINEY: Very well.

5 MR. CLEARFIELD: Let me just make sure I have it
6 right, Your Honor. You want a breakdown of the age
7 groupings of the individuals who are now in the senior
8 citizen discount program?

9 MR. SIMMS: That's correct.

10 MR. CLEARFIELD: To the extent that we have it.

11 MR. SIMMS: Well, Ms. Coltro said you have it.

12 THE WITNESS: We have it.

13 MR. CLEARFIELD: Then we have it.

14 MR. SIMMS: Maybe she should talk to you before she
15 answers.

16 MR. CLEARFIELD: No. Anything you want, we have.

17 JUDGE RAINEY: And when can that be provided?

18 THE WITNESS: It will take a few days. This is a
19 query that we have to do in our billing system to extract
20 that data, and --

21 JUDGE RAINEY: Can it be provided by the end of the
22 week?

23 THE WITNESS: Yes.

24 MR. SIMMS: Thank you, Your Honor.

25 BY MR. SIMMS:

1 Q. Would I be correct that your answer would be the
2 same in respect to, that you made in colloquy between the
3 years 2005 and 2010, would it be the same for the years 2010
4 and 2015 and 2015 and 2020?

5 A. Again, I'd like to state that those numbers were
6 forecasted numbers that our expert analysts have prepared
7 for us during our restructuring plan. It is based on census
8 information and his expertise in the area.

9 I believe that his numbers are accurate. I'm not an
10 expert on census data to say that the differential between
11 the year 2005 and 2010 are similar to 2010 and --

12 Q. So I'd be correct that you don't know whether or
13 not your answers would be the same?

14 A. No, I don't.

15 MR. CLEARFIELD: Your Honor, just one clarification
16 for the record. Dr. Peach did testify and submitted
17 testimony in the original proceeding involving the senior
18 citizen discount petition and did support and was available
19 to support these numbers.

20 I'm not saying that Mr. Simms lost the opportunity to
21 ask these questions, however. If there are specific
22 questions about any of these data, we can ask Dr. Peach to
23 submit an on-the-record data request and response for the
24 record since he's already a witness, he's already been sworn
25 in and he has verified and supported these data in the

1 earlier part of this proceeding. It's all part of this
2 record.

3 MR. SIMMS: Well, he was in CRRC.

4 MR. CLEARFIELD: No, he was also submitted in the
5 senior discount part of the proceeding. He submitted
6 testimony along with Ms. Coltro in that --

7 MR. SIMMS: When you filed the petition to --

8 MR. CLEARFIELD: Yes. I'm 98 percent right, I think
9 I'm right -- oh, and Mr. Bertocci says I'm right.

10 MR. BERTOCCI: Yes, in the restructuring proceeding,
11 one of the parts of Dr. Peach's testimony which supported
12 the CRP and the senior citizen discount, one discrete
13 section was a specific analysis of the senior citizen
14 discount, and that was then carried forward, was used as a
15 basis for subsequent --

16 THE WITNESS: In fact, it was part of my testimony.
17 It was an exhibit to my testimony during the restructuring
18 proceeding.

19 JUDGE RAINEY: Is that also something that you're
20 submitting in this proceeding as well?

21 THE WITNESS: No, it --

22 JUDGE RAINEY: You haven't submitted that in terms of
23 the analysis of Dr. Peach's --

24 MR. CLEARFIELD: It's attached to her testimony, Your
25 Honor.

1 JUDGE RAINEY: I do have a question with regard to
2 that, but I'll let Mr. Simms finish because there may need
3 to be some further breakdown or at least record designation
4 as to where that breakdown, that population breakdown is.
5 But go right ahead, Mr. Simms.

6 MR. SIMMS: Just so the record is clear, Your Honor,
7 I'm aware, fully aware that Dr. Peach presented testimony in
8 the restructuring proceeding.

9 So the record is clear, Dr. Peach, when he presented
10 that testimony, indicated that he would recommend that the
11 program be phased out, so I didn't have a need to cross-
12 examination Dr. Peach with that recommendation, regardless
13 of what he put in his data.

14 Secondly, with respect to the petition that's the
15 subject matter of this proceeding here, if there were
16 evidentiary hearings, we were not participants in the
17 evidentiary hearings.

18 However, so that the record is clear, however, to the
19 extent that we may need Dr. Peach here or have a data
20 request made to Dr. Peach, I don't know, but I will take
21 that under advisement.

22 MR. CLEARFIELD: That's fine. And I reiterate, I'm
23 not suggesting that Mr. Simms' questions are inappropriate
24 in any way. I just want to alert you, Your Honor, that Dr.
25 Peach did submit testimony not only in the restructuring but

1 also in the senior discount petition.

2 It was not subject to cross-examination because we
3 arrived at a stipulation with all the parties that were
4 participating at that point.

5 JUDGE RAINEY: I see the references to Dr. Peach's
6 analysis in Ms. Coltro's testimony, and as you stated also,
7 I think that there are exhibits from Dr. Peach or at least
8 she in her previous testimonies had also referred to Dr.
9 Peach's analysis as well and that previous testimony is part
10 of what is attached to her testimony.

11 But in any event, Mr. Simms said he will take it
12 under advisement, and I have some questions too as I stated
13 with regard to that. But go right ahead, Mr. Simms.

14 MR. SIMMS: Thank you, Your Honor.

15 BY MR. SIMMS:

16 Q. Let me now refer you to the column entitled,
17 "Grandfathered & Means Tested," Option 4d. Do you see that?

18 A. Yes.

19 Q. Am I correct that you used Option 3, Option 4d
20 to come up with your number that you have recommended to the
21 Commission, participants in the program as of 2020 of 37,398
22 people?

23 A. Yes.

24 Q. Now, as I look at Option 4d, between the years
25 2004 and 2005, the difference is approximately 5,000, is it

1 not?

2 A. Yes, it is.

3 Q. Rounding off. And then between 2005 and 2010,
4 the number is almost, is reduced down to 58,000, rounding
5 the number off, or 59,000, rounding off; is that correct?

6 A. Correct.

7 Q. And as I look at 2010 to 2015, the number is
8 reduced even further to 51,000, correct?

9 A. That is correct.

10 Q. And in using the year 2015 to 2020, it's reduced
11 down to 48,000, about 49,000, 48,418 to be exact; is that
12 correct?

13 A. That's what it says.

14 Q. And those numbers are used to come up with your
15 recommendation or PGW's recommendation that at the end of
16 2020, the participants in the program will be approximately
17 37,398 senior citizens, correct?

18 A. Yes, that are in the means tested program.

19 Q. In the means tested program. And these are
20 numbers that Dr. Peach developed, correct?

21 A. Table 1 of my exhibit mimics a table that is in
22 Dr. Peach's report, as I have stated.

23 MR. STEWART: I'm sorry. Just for the record, which
24 exhibit were you looking at when you stated that?

25 THE WITNESS: Of Dr. Peach's?

1 MR. STEWART: You said "Table 1 of my exhibit."

2 THE WITNESS: Of my Exhibit CP/CC-2, Table 1.

3 MR. STEWART: Thanks.

4 BY MR. SIMMS:

5 Q. Ms. Coltro, putting aside the exhibits for a
6 moment, to the best of your knowledge, do you know the year
7 that the baby boom generation started?

8 A. I believe it's around 2010.

9 Q. No, the year that the baby --

10 A. That will be --

11 Q. No, strike that. Do you know what year the
12 first baby boomers were born in?

13 A. No, sir.

14 Q. Do you know what caused the baby boom
15 generation?

16 A. Actually, I'm going to take a guess it's 1950's.

17 Q. No, do you know what caused the baby boom
18 generation?

19 (No response.)

20 Q. Let me suggest to you that World War II is what
21 created the baby boom generation.

22 A. Yes.

23 Q. World War II ended in August, 1945. Let me
24 suggest to you, by all statistics, the baby boom generation
25 started in 1946. The present, the start of the baby boom

1 generation as we speak today is age 58. Seven years from
2 now is when those individuals will become age 65.

3 As I look at these years here starting in 2005, every
4 year after that there's a reduction in the grandfathered and
5 means tested individuals for senior citizens. Do you see
6 that?

7 A. Yes, I see that.

8 Q. So is it the company's position that these
9 numbers reflect the baby boom generation?

10 A. Yes, we believe it does. I believe that you
11 would see a very different number if we were not using
12 customers -- if we were not stating participation levels for
13 means tested program. Again, we have to remember that these
14 participation levels are for customers that are within the
15 250 percent of the federal poverty guideline, not to every
16 senior that is here in Philadelphia.

17 Q. I understand that.

18 A. Right.

19 Q. But with that statement that you just made,
20 would it not hold true that you would have a larger percent
21 than you have now of individuals who are baby boomers who
22 are at 150 to 250 percent of the poverty line than you
23 presently have?

24 A. Yes, that makes sense. And I believe that Dr.
25 Peach has taken that into account.

1 MR. SIMMS: Your Honor, if I may have a moment?

2 JUDGE RAINEY: Yes, that's fine.

3 Ms. Coltro, when would the baby boomers come of age
4 with your chart in terms of between the years 2004 and 2020?

5 THE WITNESS: Between 2010 and 2015.

6 JUDGE RAINEY: And I'm sorry, what did you say
7 accounts for the decrease in the population that you show
8 between those years as opposed to an increase with an
9 increasing number of senior citizens?

10 THE WITNESS: In the grandfathered only or
11 grandfathered and means tested?

12 JUDGE RAINEY: Grandfathered and means tested.

13 THE WITNESS: Well, here we have a population of
14 customers that are already enrolled in our program. Those
15 are grandfathered. And as the death rate takes a toll, that
16 population of participants gets to, you know, go away, while
17 the means tested ones, the customers that are eligible for
18 the program and age eligible as well continue their
19 participation level.

20 JUDGE RAINEY: But you're stating there's going to be
21 an increase in the age population between the years 2010 and
22 2015, and yet there's going to be an increase -- a decrease
23 in the numbers of that population that will be served, that
24 would be served by a means tested senior citizen discount?

25 THE WITNESS: I'm sorry, Your Honor, can you restate

1 your --

2 JUDGE RAINEY: Yes. It has to do with the fact that
3 you stated that between the years 2010 and 2015, that the
4 baby boomers would be coming of age in terms of senior
5 citizen status, and yet your figures show a decrease in the
6 population of means tested senior citizen discount
7 eligibility, and so my question --

8 THE WITNESS: I didn't say just the means tested.
9 Over here on this column, we have a combination of both,
10 grandfathered customers who are decreasing as they pass
11 away, and then new customers coming in because they make the
12 eligibility level for the means tested program.

13 JUDGE RAINEY: And now it's your testimony that
14 you've taken into account an increase in the numbers of
15 senior citizens?

16 THE WITNESS: My testimony is based on Dr. Gil
17 Peach's estimations --

18 JUDGE RAINEY: I'm sorry?

19 THE WITNESS: My testimony says that I'm basing this
20 expertise on Dr. Gil Peach's report. He did that
21 calculation for us based on census data in terms of
22 participation levels from years actually 2002 through 2020.

23 He used census information and he did take into
24 account both baby boomers and death rates. So I basically
25 took his numbers to go on with my evaluation of the costs of

1 the means tested program. That's basically all I did.

2 JUDGE RAINEY: Okay. Let me ask you about page nine
3 of your testimony, at lines 11 and 12. And you refer to
4 37,398 new eligible participants, and this is in regard to
5 the means tested program --

6 THE WITNESS: Yes.

7 JUDGE RAINEY: -- from the years 2002 to 2020. And
8 then you state also there at line 12, it represents about
9 2,078 customers. My question is, how was that 37,398 new
10 eligible participants, how was that figure derived or
11 determined?

12 THE WITNESS: What I did here is I took Dr. Peach's
13 estimations of the population level if the program was only
14 offered to grandfathered customers, that is no new customers
15 coming to the program. Those figures are basically outlined
16 under his Option 3 and it is on my Table 1 of my Exhibit
17 CP/CC-2.

18 I then took his estimations of what the population
19 levels would be if we were to offer this program to
20 evidently the grandfathered customers plus means tested
21 customers if we were to have that program. I took that
22 difference between one and the other per year to calculate
23 what we would be at, how many customers would be in the
24 program, in the means tested program if we were to offer it.

25 So that difference is the 37,398 customers that in

1 year 2020, according to his estimations of the population
2 level, would be just those that are in the means tested
3 program, and evidently we would have 11,000 that are still
4 in the grandfathered program.

5 So I'm talking about the means tested -- that
6 difference is just the ones that are due to the means tested
7 program.

8 JUDGE RAINEY: Do you have Dr. Peach's detailed
9 derivation of that number, how he came up with that number?

10 THE WITNESS: The 37,000?

11 JUDGE RAINEY: The 37,000.

12 THE WITNESS: The 37,000 are my calculations. I took
13 his two calculations, Option 3 and Option 4d, and did the
14 differential to determine what the difference is.

15 MR. CLEARFIELD: Your Honor, the description of the
16 derivations of those two columns -- he didn't do the
17 mathematics -- are in the Exhibit CP/CC-2 and it's the
18 Exhibit SCD/CC-4, Gil Peach universal service evaluation,
19 the senior citizen discount program.

20 JUDGE RAINEY: And what page is that in terms of that
21 exhibit? What page in that exhibit does that appear?

22 MR. CLEARFIELD: We can get you specific references,
23 but while we're sitting here --

24 JUDGE RAINEY: I did look through that and I did not
25 see anything specifically --

1 THE WITNESS: On his report?

2 JUDGE RAINEY: Yes.

3 THE WITNESS: Okay. The --

4 MR. CLEARFIELD: Ms. Coltro can get you that at a
5 break, the specific references.

6 JUDGE RAINEY: Well, if she can refer to it now -- do
7 you have that?

8 THE WITNESS: I'm looking and I will provide it to
9 you.

10 MR. CLEARFIELD: We're looking at his description of
11 how he came up with those numbers.

12 THE WITNESS: Okay. Do you have a copy of his
13 report, Your Honor?

14 JUDGE RAINEY: Yes, I have the attachment, CC-4.

15 THE WITNESS: If you look on page 24 of his report,
16 there are three tables. One of them, the third one is
17 Option 4d, means tested at median.

18 MR. CLEARFIELD: Which is the same as what you have
19 on your Exhibit CP/CC-2?

20 THE WITNESS: Correct.

21 JUDGE RAINEY: Okay. It still doesn't say how he
22 came up with the figures.

23 THE WITNESS: Okay. I will get to that in a second.
24 Then I took another one of his exhibits, on page 25, Option
25 3. So I took those two participation levels and I put them

1 on a table and took the difference of one minus the other to
2 come up, to understand what the population increase would be
3 just with regards to the means tested customers.

4 MR. CLEARFIELD: Ms. Coltro, if I may, is there a
5 place in the report where he describes how he arrived at
6 these estimates, what procedure he used?

7 THE WITNESS: How he arrived at each, for each of the
8 options, how he arrived at that population level?

9 MR. CLEARFIELD: Yes.

10 THE WITNESS: I would have to actually --

11 JUDGE RAINEY: Okay, yes, that's what I did not --

12 THE WITNESS: -- read the document --

13 JUDGE RAINEY: find going through the document.
14 Okay. You'll be given some opportunity then to find that.
15 We can continue at this particular juncture.

16 THE WITNESS: I don't want to jump around the pages.
17 I haven't read this in the last couple days, but --

18 JUDGE RAINEY: Okay. I was looking specifically --

19 THE WITNESS: Page 11 of the report shows some
20 Philadelphia County Penn Data Center information on the
21 population levels for the various age groups, so --

22 JUDGE RAINEY: Yes. I was looking for directly how
23 he calculated it, what factors he used and how he added it
24 all up to come up with the numbers that you use. You'll
25 have some opportunity later to see if you can find that in

1 the document.

2 But Mr. Simms, are you ready to go forward?

3 MR. SIMMS: Yes, Your Honor.

4 JUDGE RAINEY: Go right ahead, Mr. Simms.

5 MR. SIMMS: Thank you.

6 BY MR. SIMMS:

7 Q. Ms. Coltro, I've presented to you a document
8 entitled, "Philadelphia city, Philadelphia County General
9 Demographic Characteristics." Do you have that before you?

10 A. Yes, I do.

11 Q. Now, let me just refer you to the total
12 population for the years 55 through 59 years. Do you see
13 that?

14 A. Yes.

15 Q. And that's about approximately 72,836, correct?

16 A. Yes.

17 Q. And if I go to the next category above that, 45
18 to 54 years, that is 186,167, a pretty significant
19 difference, is it not?

20 A. Yes.

21 Q. Now, it is the company's position that -- you
22 would agree, would you not, that the baby boom generation is
23 included in those two categories?

24 A. I believe so. I have to believe that that is
25 the case.

1 Q. And you would agree that there are a significant
2 difference in those numbers, correct, as you compare them to
3 the years 60 to 64 years?

4 A. Yes.

5 Q. Which presumably represent the World War II
6 years of 1941 and 45.

7 A. Okay.

8 Q. By the way, do you know generally speaking when
9 the baby boom generation became, the birth date in terms of
10 year, that the baby boom generation ends?

11 A. No, I don't.

12 MR. SIMMS: Your Honor, at this time, I'd like to
13 have that document marked as OTS Cross-Examination Exhibit
14 No. 1 and admitted into the record.

15 JUDGE RAINEY: So marked for identification purposes.

16 (Whereupon, the document was marked
17 as OTS Cross-Examination Exhibit
18 No. 1 for identification.)

19 JUDGE RAINEY: Any objections?

20 (No response.)

21 JUDGE RAINEY: Hearing none, so admitted.

22 (Whereupon, the document marked as
23 OTS Cross-Examination Exhibit No. 1
24 was received in evidence.)

25 BY MR. SIMMS:

1 Q. Now, at page four of your direct testimony, you
2 make a reference, do you not, at lines 20 and 21 as
3 comparing PGW to other utilities; is that not correct?

4 A. Yes.

5 Q. Now, PGW serves approximately how many
6 customers?

7 A. Residential customers?

8 Q. Yes.

9 A. About 480, give or take.

10 Q. And the population of the County of
11 Philadelphia, City of Philadelphia is approximately 1.4
12 million?

13 (No response.)

14 Q. Now --

15 JUDGE RAINEY: I'm sorry, I didn't hear your answer.

16 THE WITNESS: One point four million.

17 BY MR. SIMMS:

18 Q. Now, when you make a reference that utilities
19 are not facing a large low to middle income senior citizen
20 customer population, would I not be correct that the other
21 utility that's serving customers in the County of
22 Philadelphia is PECO?

23 A. Yes.

24 Q. Does PECO have a senior citizen discount
25 program?

1 A. Not to my knowledge.

2 Q. Now, when you make a reference to municipal
3 owned and governed, what do you mean by governed?

4 A. Managed.

5 Q. You do recognize, do you not, that the
6 Pennsylvania Public Utility Commission regulates the PGW?

7 A. Yes, I do recognize that.

8 Q. Now, you make a reference on page five of your
9 testimony to other assistance programs solely for senior
10 citizens. senior citizens. I'm speaking with respect to
11 the PACE and the PACENET program.

12 A. Yes.

13 Q. Do you see that?

14 A. You're on page --

15 Q. Page five of your --

16 A. Okay.

17 Q. Lines four through eight. You see that?

18 A. Yes, I see that.

19 Q. Is that available to all senior citizens in the
20 Commonwealth of Pennsylvania, those programs?

21 A. I am honestly not sure that it's offered to all
22 seniors in the State of Pennsylvania.

23 Q. Well, is it your testimony that it is only
24 offered to customers in PGW's service territory?

25 A. I just do know that the programs are available

1 to seniors.

2 Q. Now, in your rebuttal or rejoinder, you
3 criticize Mr. Weakley for his schedule of his calculation of
4 the \$365,000 that you used; did you not?

5 A. No. I criticized the meaningfulness of adding
6 up those costs over a period of 20 years and presenting the
7 cost of the program that way. I felt that his other exhibit
8 was a more meaningful one, a more telling one.

9 Q. Based upon the Mcfs?

10 A. Based on Mcfs.

11 Q. Well, let me ask you this question here so I can
12 get an understanding. When you use for example -- if this
13 program is approved and the cost for this year is \$365,000,
14 is that the company's position, correct?

15 A. That's what we estimated the program to cost
16 this first year, yes.

17 Q. Hypothetically, the following year, the cost is
18 \$365,000?

19 A. Yes.

20 Q. Will we not have to include the present year
21 costs with that?

22 A. Yes. I have done that in my Exhibit CP/CC-2,
23 page two. We calculated what those costs would be per year
24 based on the estimated Mcfs per year on the population
25 levels per year. So that is done on my exhibit. That's

1 precisely what was done. My two exhibits were taking -- but
2 the numbers were added up for the whole entire period. To
3 me, that was not a meaningful way of analyzing the
4 information.

5 Q. But what you're using is the, what you
6 considered to be the projected annual costs, the Mcfs and
7 the population for that particular year?

8 A. Yes.

9 Q. And if I'm correct, I believe you used on the
10 average of 1,300 new customers per year.

11 A. Yes, I did.

12 Q. Through 2020. On page ten of your testimony,
13 you use as "de minimis" the \$365,000. Is that just for this
14 year or that's what you're projecting out to 2020?

15 A. My projections throughout year 2020, I stated on
16 my exhibit CP/CC-2 on page two of that exhibit.

17 Q. I understand.

18 A. \$365,000 was what we estimated the cost to be
19 for the 1,300 new customers that would come in this year,
20 the first year.

21 Q. And my question is, when you use "de minimis" on
22 line 25, page ten of your testimony, is that referring to
23 this year or is that referring to the year 2020?

24 A. It is referring to this year. If you go through
25 my exhibit, it explains how that estimation has been

1 calculated. It uses estimated average bill for 2004, rates
2 related to 2004, therefore that number relates to the year
3 2004.

4 Q. I understand. Let me refer you to page 11 of
5 your testimony. You seem to suggest that there's no basis
6 for the Commission to assume that senior citizens as a
7 general rule have a better payment record than non-senior
8 citizen customers. Do you see that, lines three and four?

9 A. Lines three and four?

10 Q. Yes, page 11.

11 A. Okay, I see that.

12 Q. Have you conducted a study to make a
13 determination as to the bill paying habits of senior
14 citizens?

15 A. No, we have not.

16 Q. So you don't know whether or not the senior
17 citizens are in fact your better paying customers?

18 A. We have no evidence that that is the case.

19 Q. No evidence whether that is the case, you have
20 not done a study, I guess, to determine whether or not it's
21 true or not true?

22 A. We have not done a study, yes.

23 MR. SIMMS: May I have just a brief moment, Your
24 Honor?

25 JUDGE RAINEY: Sure.

1 (Pause.)

2 BY MR. SIMMS:

3 Q. Can I ask you just a follow-up question on your
4 Exhibit CP/CC-2, page two? Your Option 3a, slow phase-out,
5 do you see that?

6 A. Yes.

7 Q. For the year 2005, you have discount recovered
8 in universal service of approximately \$19 million; do you
9 see that?

10 A. Yes.

11 Q. And then when I look down at your Option 4d,
12 means test new at median, for the year 2005, you have
13 discount recovered in universal service of \$20.8 million; do
14 you see that?

15 A. Yes.

16 Q. That's a difference there of about \$1.5 million,
17 correct?

18 A. Yes.

19 Q. And that was based upon your calculation and
20 your review of the data that was presented to you?

21 A. What happened here is that in Dr. Gil Peach's
22 study, he estimates that increase to 37,000 starting from
23 year 2002. Three years have passed since that evaluation,
24 so I had to re-estimate the population level that we have
25 currently.

1 But I follow through his analysis. The participation
2 level of 1,300 per year considers the program as starting in
3 year 2002 because that's when Gil Peach's report was done.

4 Q. So just so I understand, you did do some
5 recalculation on your own in terms of the exhibits that you
6 have presented?

7 A. I just restated what the current population
8 level for 2004 is. We have reduced our population level.
9 When Dr. Peach did his study, the population level for the
10 senior discount program at the time was 82,000 customers.

11 Because of our audit and because of the program
12 closing, that population level has decreased. This -- yes.

13 Q. So I understand this, so in the year 2002, your
14 senior citizen discount program had 82,000 customers?

15 A. We had 82,000 customers.

16 JUDGE RAINEY: That's 82,000 customers that were
17 enrolled in the senior citizen --

18 THE WITNESS: At that time.

19 JUDGE RAINEY: -- program at that time, 2002?

20 THE WITNESS: Two thousand and two.

21 MR. SIMMS: That concludes my cross-examination, Your
22 Honor.

23 JUDGE RAINEY: Office of Consumer Advocate?

24 MR. KEENE: I have nothing for Ms. Coltro, Your
25 Honor.

1 JUDGE RAINEY: Okay. Mr. Gray?

2 MR. GRAY: Thank you, Your Honor.

3 CROSS-EXAMINATION

4 BY MR. GRAY:

5 Q. Good morning, Ms. Coltro. One question. Would
6 you please turn to your direct testimony, page 13? On that
7 page 13, you have two main questions. The first is, "Please
8 describe the customer responsibility program." And you
9 start discussing the original program design starting on
10 line seven.

11 Then you next have a question at line 14 which says,
12 "Does the program meet those goals?" And you conclude on
13 line 17 that the program evidently no longer meets those
14 goals.

15 Now, when my office read this, we thought we knew
16 what you meant by this, but I want to just be clear for the
17 record. What goals, given as you state on line 15 with the
18 dramatic increase in the price of natural gas, are no longer
19 being met by the CRP program?

20 A. The original goals of the CRP program was that
21 the program would at least pay, was sufficient, that the
22 payments that the customers were sufficient to cover the
23 variable cost of gas. That was the original goal of the
24 program, one of the goals of the program as is stated on
25 line nine of my testimony. So --

1 Q. So that particular goal is no longer being met?

2 A. Yes.

3 Q. What about the -- if this is a stated goal on
4 line ten, you say, "and make at least a minimum contribution
5 to the company's fixed costs."

6 A. Correct.

7 Q. Is that another goal that's no longer being met
8 by the program?

9 A. Yes.

10 MR. GRAY: Okay, thank you. That's all I have, Your
11 Honor.

12 JUDGE RAINEY: Mr. Bertocci?

13 MR. BERTOCCI: I have nothing, Your Honor, thank you.

14 JUDGE RAINEY: Mr. Hicks?

15 MR. HICKS: Yes, Your Honor, just very briefly.

16 CROSS-EXAMINATION

17 BY MR. HICKS:

18 Q. Ms. Coltro, my questions may very well be
19 clarifying or confusing of some of what you've just spoken
20 to the Judge and the Office of Trial Staff about.

21 Can I direct your attention to your Exhibit CC-4?
22 That's the report of Dr. Peach. Do you have that, ma'am?

23 A. Yes, I do.

24 Q. In fact, can I get you to turn to page ten in
25 that report?

1 (Pause.)

2 Q. His Honor asked about how Dr. Peach came up with
3 his numbers, and it references there the analysis that Dr.
4 Peach uses. Can you explain what that is?

5 A. If you give me a moment to --

6 Q. Sure, take your time.

7 A. -- recap this.

8 (Witness perusing document.)

9 MR. HICKS: I'll withdraw the last question and I'll
10 break it up in smaller questions.

11 THE WITNESS: Okay. I have it read, yes.

12 BY MR. HICKS:

13 Q. It refers there to the Pennsylvania Data Center
14 as the repository of data used in the official analysis
15 within the State of Pennsylvania.

16 A. Yes.

17 Q. And it also says that the center has prepared
18 detailed projections of age composition from 1990 through
19 2020.

20 A. Yes.

21 Q. And on page 11, the next page --

22 A. Right.

23 Q. -- there is a table of the Pennsylvania Data
24 Center, Philadelphia County statistics --

25 A. Okay.

1 Q. -- reflected there. So is that table on page 11
2 the table referred to on page ten?

3 A. I believe so. It says Figure 6, and that is
4 Figure 6 on page 11.

5 Q. Then he says, "Using this data, the proportion
6 of the Philadelphia population 65 plus could be calculated."

7 A. Yes.

8 Q. And he refers to a Figure 7.

9 A. Yes.

10 Q. And is that the table on page 11 at the bottom
11 of the page?

12 A. Yes, I believe so.

13 Q. And then he says, however, he used the 2000
14 census result to modify the result of Figure 7, and in
15 Figure 8, the 2000 census result replaces the estimate for
16 the year 2000. Now, is that the table referred to on page
17 12?

18 A. Yes, Figure 8.

19 Q. Then he says that each succeeding estimate is
20 developed using the year on year ratio established in Figure
21 7, but applied to each new estimate generated in succession.

22 A. Okay.

23 Q. Dr. Peach seems to conclude that the population
24 in Philadelphia of eligible participants --

25 MR. SIMMS: I'm going to object, Your Honor. Dr.

1 Peach is not here, so the witness cannot conclude as to what
2 Dr. Peach, who is not a witness --

3 MR. HICKS: Your Honor, I am merely referring to the
4 exhibit and the information contained in the exhibit
5 attached to this witness' testimony.

6 MR. SIMMS: Yes, but she can't testify for Dr. Peach.

7 MR. HICKS: I'm only referring to what this report
8 says, Your Honor.

9 MR. SIMMS: Well, then the document speaks for
10 itself.

11 JUDGE RAINEY: I'll overrule the objection and Ms.
12 Coltro can testify with regard to what she knows and her
13 independent expertise, if it exists in this particular area.

14 BY MR. HICKS:

15 Q. Am I correct that this report, attached to your
16 testimony, states that Figure 8 shows that the ability to
17 carry the senior citizen discount program as measured by the
18 proportion of the Philadelphia population 65 plus actually
19 eases slightly through 2015?

20 A. Yes.

21 Q. And returns to the level of 1990 in 2020?

22 JUDGE RAINEY: I'm sorry, where were you reading
23 from, Mr. Hicks?

24 THE WITNESS: Page ten.

25 MR. HICKS: Page ten, Your Honor, second paragraph in

1 the analysis.

2 JUDGE RAINEY: All right.

3 BY MR. HICKS:

4 Q. What do you conclude from that?

5 A. That the population levels for seniors will
6 decrease until year 2015 and then will slightly increase
7 again.

8 Q. That's it. Thank you. Just one other area that
9 I'd like to explore in this report. Can I direct your
10 attention to page six in the report?

11 A. Page six of --

12 Q. Yes, of the same exhibit.

13 A. -- this same report, okay.

14 Q. And there at the bottom under, the demographic
15 issue --

16 A. Yes.

17 Q. -- am I correct that in this analysis that is
18 attached to your testimony, it says in the second sentence,
19 last paragraph, there are four trends that influence the
20 proportion of persons 65 plus in the City of Philadelphia?

21 A. Yes.

22 Q. Two have to do with the increase in number and
23 percentage of senior citizens. These are the boomer bulge
24 and the long-term trend of gradual increase in life
25 expectancy. Is that what that says?

1 A. That's what it says.

2 Q. And it also says, the others are the trend for
3 movement of population out of the city, and the federal
4 policy that supports globalization.

5 A. Yes.

6 Q. And am I correct that on the next page, page
7 seven through eight, each of those issues are explained in
8 greater detail --

9 MR. SIMMS: Your Honor, I'm going to object. My
10 objection goes to the Commission regulation. The Commission
11 specifically prohibits friendly cross-examination. Now, I
12 can get the book out. It clearly prohibits it.

13 JUDGE RAINEY: All right.

14 MR. HICKS: That was my last question, Your Honor

15 JUDGE RAINEY: All right, and I'll sustain the
16 objection with regard to the last question.

17 MR. HICKS: I have no further questions, Your Honor.

18 JUDGE RAINEY: Mr. Smith?

19 MR. SMITH: None, Your Honor.

20 JUDGE RAINEY: Any redirect?

21 MR. CLEARFIELD: May we take a moment to confer?

22 JUDGE RAINEY: Sure.

23 (Pause.)

24 MR. CLEARFIELD: Your Honor, I don't have any
25 questions on redirect, but Your Honor had asked that we

1 specify the pages in the Peach report that had been
2 discussed that, from our review, supports and explains the
3 senior projections that were used by Dr. Peach and then by
4 Ms. Coltro, and I would ask Ms. Coltro to do that to the
5 extent that she's had an opportunity to do that. That's in
6 your Appendix A to this testimony.

7 THE WITNESS: Yes. Your Honor, you had asked me
8 where the explanation for Dr. Peach's analysis can be found
9 on his report. Evidently, the explanation of how he
10 conducted his analysis can be found on pages six and seven
11 of his evaluation.

12 Actually, all the trends that he used to determine
13 the population trend goes from, it falls on into the Section
14 No. 3 that starts on page six and goes through page eight,
15 nine, and then finally on page ten he outlines how he
16 adjusts for his numbers and how he conducts his analysis and
17 his data sources as well, pages 10, 11 and 12.

18 JUDGE RAINEY: This is the information that --

19 THE WITNESS: That you had asked me --

20 JUDGE RAINEY: -- Mr. Hicks went over with you?

21 THE WITNESS: That's correct.

22 JUDGE RAINEY: Okay. Was that it, Mr. Clearfield?

23 MR. CLEARFIELD: Yes, Your Honor.

24 JUDGE RAINEY: Any recross based on Mr. Clearfield's
25 question?

1 MR. SIMMS: No, Your Honor.

2 JUDGE RAINEY: Okay, Ms. Coltro, you may stand down.

3 (Witness excused.)

4 JUDGE RAINEY: I think it was agreed that we would
5 next move to the Office of Trial Staff's witnesses?

6 MR. SIMMS: Well, Your Honor, I thought we were going
7 to break for lunch and make a determination about Mr. Gyory.

8 JUDGE RAINEY: All right, that's fine. Why don't we
9 go off the record to discuss the length of the lunch break.

10 (Discussion off the record.)

11 JUDGE RAINEY: Back on the record.

12 There was discussion with regard to the length of the
13 lunch break that we will take. It was determined that we
14 will take a lunch break until 1:15, so we will recess until
15 that time. Thank you.

16 (Whereupon, at 12:15 p.m., the hearing was adjourned,
17 to be reconvened at 1:15 p.m., this same day.)

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AFTERNOON SESSION

(1:27 p.m.)

1
2
3 JUDGE RAINEY: We have returned from our lunch break
4 and we will resume with the taking of testimony here this
5 afternoon.

6 I believe it was agreed that Mr. Gyory will take the
7 witness stand at this time. Mr. Gyory, if you'll raise your
8 right hand, I'll swear you in.

9 Whereupon,

10 RANDALL GYORY

11 having been duly sworn, testified as follows:

12 JUDGE RAINEY: Please be seated, provide your full
13 name for the record and spell your name.

14 THE WITNESS: My full name is Randy Gyory. It's
15 R-A-N-D-Y, G-Y-O-R-Y. I'm vice president at the
16 Philadelphia Gas Works, customer affairs.

17 JUDGE RAINEY: Would you provide your business
18 address, please?

19 THE WITNESS: 800 West Montgomery, Philadelphia, PA,
20 19122.

21 JUDGE RAINEY: Thank you. Please proceed, Mr.
22 Clearfield.

23 MR. CLEARFIELD: Thank you, Your Honor.

DIRECT EXAMINATION

24
25 BY MR. CLEARFIELD:

1 Q. Mr. Gyory, have you prepared direct testimony
2 for the purposes of presentation in this proceeding?

3 A. Yes, I have.

4 MR. CLEARFIELD: Your Honor, we've previously marked
5 and had distributed to all the parties and Your Honor and
6 given copies to the court reporter, a multi-page document
7 with two exhibits which we've marked as PGW Statement CP-1,
8 and ask that it be so identified.

9 JUDGE RAINEY: So marked for identification purposes.

10 (Whereupon, the document was marked
11 as PGW Statement No. CP-1
12 for identification.)

13 BY MR. CLEARFIELD:

14 Q. Mr. Gyory, is that the prepared direct testimony
15 that you are submitting in this proceeding?

16 A. Yes.

17 Q. And was it prepared by you or under your
18 supervision and direction?

19 A. Yes, it was.

20 Q. Do you have any additions or corrections you'd
21 like to make to that first statement?

22 A. No, I don't.

23 Q. And is it true and correct to the best of your
24 information, knowledge and belief?

25 A. Yes, it is.

1 MR. CLEARFIELD: Your Honor, I'd ask for the
2 admission of PGW Statement CP-1 subject to any appropriate
3 motions.

4 JUDGE RAINEY: Any objections?

5 (No response.)

6 JUDGE RAINEY: Hearing none, so admitted.

7 (Whereupon, the document marked
8 as PGW Statement No. CP-1
9 was received in evidence.)

10 MR. CLEARFIELD: Your Honor, we have also, as I
11 indicated earlier, perhaps off the record, we have marked
12 for identification and provided to all the parties a copy of
13 PGW's petition for limited waiver of modification of PUC
14 Chapter 56 rules, administrative interpretations. Attached
15 to that is a multi-page verified statement that was prepared
16 by Mr. Gyory.

17 Mr. Gyory in the statement indicates that he is
18 supporting both the verified statement and the factual
19 statements in the petition.

20 We've proposed to mark that for identification as PGW
21 Exhibit CP-1.

22 JUDGE RAINEY: So marked for identification.

23 (Whereupon, the document was marked
24 as PGW Exhibit No. CP-1
25 for identification.)

1 MR. CLEARFIELD: And ask that it be moved into the
2 record on that basis.

3 JUDGE RAINEY: Any objection?

4 (No response.)

5 JUDGE RAINEY: Hearing none, so admitted.

6 (Whereupon, the document marked
7 as PGW Exhibit No. CP-1
8 was received in evidence.)

9 BY MR. CLEARFIELD:

10 Q. Now, Mr. Gyory, did you prepare rebuttal
11 testimony in response to the various witnesses who submitted
12 testimony, I guess it was on the 28th?

13 A. Yes, I did.

14 MR. CLEARFIELD: Your Honor, this morning we've
15 distributed to all the parties a multi-page document with a
16 couple of attachments. It was labeled rebuttal testimony of
17 Randall Gyory and we marked it as PGW Statement CP-1R, and
18 ask that it be identified in that way.

19 JUDGE RAINEY: So identified for the record.

20 (Whereupon, the document was marked
21 as PGW Statement No. CP-1R
22 for identification.)

23 MR. CLEARFIELD: And let's see how we should do this.
24 Let me authenticate it then.

25 BY MR. CLEARFIELD:

1 Q. Did you prepare that statement, CP-1R, or was it
2 prepared under your supervision and direction?

3 A. Prepared under my supervision and direction.

4 Q. And do you have any additions or corrections you
5 would like to make to this statement?

6 A. No, I do not.

7 Q. Okay. And as far as you know, is it true and
8 correct to the best of your information, knowledge and
9 belief?

10 A. Yes, it is.

11 MR. CLEARFIELD: Your Honor, we have consulted with
12 the parties and have arrived at a compromise with respect to
13 a statement of stipulation.

14 The statement contains references to a recent Senate
15 bill that was passed by the House and it's an attachment to
16 his testimony.

17 In agreement with the parties and solely on PGW's
18 part as a compromise and a way of reaching amicable
19 resolution of the matter, we would move the admission of PGW
20 Statement CP-1R but we have agreed to remove Exhibit
21 CP/RG-3, which is a copy of the Senate bill that I just
22 referenced.

23 We've also agreed to excise the references to that
24 Senate bill that were contained in Mr. Gyory's prepared
25 questions and answers. And I believe that on that basis,

1 the parties have indicated that they do not object to its
2 admission.

3 What we would propose to do is prepare a revised
4 version of the testimony with those materials excised but
5 leaving the pagination and the line numbers the same so the
6 record will not be compromised, and then submit them
7 tomorrow, either in writing or, if we're still here, in
8 person at the hearings.

9 JUDGE RAINEY: Very well. Any objection?

10 MR. KEENE: No, Your Honor. Just to clarify the
11 stipulation among the parties, in addition, the company has
12 agreed to withdraw its motion to strike portions of the OCA
13 testimony and appendices of Roger Colton, and the motion to
14 strike portions of Mr. Knecht's testimony.

15 JUDGE RAINEY: Very well.

16 MR. CLEARFIELD: Grudgingly, Your Honor.

17 JUDGE RAINEY: Okay. Hearing no objections, then Mr.
18 Gyory's testimony as will be redacted and with the
19 elimination of the exhibit that was referred to by Mr.
20 Clearfield is admitted.

21 (Whereupon, the document marked
22 as PGW Statement No. CP-1R
23 was received in evidence.)

24 MR. CLEARFIELD: I believe Mr. Gyory is available for
25 cross-examination.

1 JUDGE RAINEY: Very well. We'll start with Office of
2 Trial Staff. Mr. Simms, do you have any questions for Mr.
3 Gyory?

4 MR. SIMMS: Mr. Kanaskie will --

5 JUDGE RAINEY: Oh, I'm sorry, Mr. Kanaskie.

6 MR. KANASKIE: Thank you, Your Honor.

7 CROSS-EXAMINATION

8 BY MR. KANASKIE:

9 Q. Good afternoon. My name is Rick Kanaskie. I'm
10 with the Office of Trial Staff. Basically my questions are
11 for some clarification. One quick question on your
12 testimony regarding page ten. You said, PGW meets monthly
13 with BCS, OCA, etcetera at lines 19 to 22.

14 MR. CLEARFIELD: This is his Statement 1?

15 MR. KANASKIE: His testimony, yes.

16 JUDGE RAINEY: His direct testimony?

17 MR. KANASKIE: Direct.

18 BY MR. KANASKIE:

19 Q. Could you tell us, who instituted the meetings?

20 A. I'm trying to get my recollection correct, sir.
21 I actually can't remember. I want to say that PGW
22 instituted the meetings but I could be mistaken. They could
23 have been instituted by the Bureau.

24 Q. Okay. Now we'll go to your verified statement,
25 your Appendix A and we'll focus on that for a while. On

1 page two, number six in the verified -- do you have that?

2 MR. CLEARFIELD: May I approach, Your Honor?

3 JUDGE RAINEY: Yes, you may.

4 (Document handed to the witness.)

5 JUDGE RAINEY: Just so the record is clear, we're
6 referring to PGW Exhibit CP-1, is that correct, Mr.

7 Kanaskie, and the verified statement of Mr. Gyory that's
8 attached to that; is that correct?

9 MR. KANASKIE: Yes, Your Honor.

10 JUDGE RAINEY: All right. And you referenced page
11 two?

12 MR. KANASKIE: Correct, Your Honor.

13 BY MR. KANASKIE:

14 Q. On number six, you talk about creation of a
15 training program and conducting training for customer
16 service reps. I'm going to ask you a two part question.

17 In determining the benefit of this, has the company
18 done a cost analysis, what's going to cost to institute this
19 particular program?

20 A. Excuse me one moment, please. Are you referring
21 to line six on that?

22 Q. Number six.

23 A. Oh, number six.

24 Q. Yes.

25 A. On page two?

1 Q. Page two.

2 A. Of Exhibit CP-1?

3 Q. Well, the petition.

4 JUDGE RAINEY: The verified statement.

5 MR. KANASKIE: That's not CP-1, is -- what did we
6 identify the petition?

7 MR. CLEARFIELD: CP-1 is the petition and the
8 verified statement -- and then Appendix A to the petition is
9 the verified statement. I know it's confusing.

10 THE WITNESS: Okay, I've got it. Very good.

11 BY MR. KANASKIE:

12 Q. You talked about creating training programs and
13 conducting training.

14 A. Right.

15 Q. Has the company done an analysis of the cost to
16 institute the training programs and conduct the training?

17 A. No, we have not done an analysis of the cost.

18 Q. If we were to look at the whole proposal, the
19 whole petition, have there been cost studies done on any of
20 the programs you're planning on instituting?

21 A. No, there haven't been cost studies done.

22 Obviously we reviewed each one of the individual items and
23 determined if these were process changes as far as they will
24 require training by the individual customer service reps,
25 whether they require system and/or training by the reps. So

1 some of the items could involve one or the other or both.

2 So that obviously, if there are system costs, we have
3 looked at those particular costs.

4 Q. Okay. Still on page two, number seven -- I'm
5 trying to find the exact -- down toward the bottom, you say,
6 "PGW started to comply with some of the differences pursuant
7 to a voluntary agreement entered into between the company
8 and the PUC."

9 Can you tell me, in this voluntary compliance, if any
10 of these changes were related to collection procedures?

11 A. Well, I do kind of remember there was roughly
12 ten items, I can't remember any of which were collection
13 procedures.

14 I know during the course of time leading up to
15 September 1, 2003, that we gradually began to make
16 modifications to become compliant with 56.

17 Q. Okay. If we go to page four, the bottom of page
18 four, top of page five, still Appendix A, the new regulation
19 would not apply to customers at or below 150 percent of the
20 poverty standard, but only to Level 3 and 4 customers who,
21 by definition, should have the ability to pay. What I want
22 to focus in on is the "who, by definition, should have the
23 ability to pay." Are you referring to Commission regs,
24 Commission precedent? Where are we getting a definition of
25 ability to pay?

1 A. Well, I believe that our definition of ability
2 to pay comes to the point that ratepayers, customers who are
3 at 150 percent or less than the federal poverty limit have
4 the ability to enter into our customer responsibility
5 program which is PGW's CAP program.

6 Q. So conversely, would you agree with me then, if
7 you're over 150 percent, you have the ability to pay, by
8 definition?

9 A. That's correct.

10 Q. Also, page five, you talk about reconnects.
11 Experience shows that 90 percent of terminated customers
12 reconnect, so you make the comment about the anticipated
13 number of reconnects.

14 When you came up with this estimate, were you basing
15 it on past experience? I guess a simpler way to phrase the
16 question is, how did you derive the 90 percent reconnect?

17 A. It was based upon past experience, previous
18 fiscal year's experience.

19 Q. Okay. So you would agree that past experience
20 was prior to any Chapter 56 compliance requirements?

21 A. I'm trying to think to when the statistics were
22 valid from, if they were for -- in this case, I believe they
23 were from prior to September 1, '03.

24 Q. Okay.

25 MR. CLEARFIELD: Prior to September 1st of what year,

1 just for the record?

2 THE WITNESS: Of '03.

3 BY MR. KANASKIE:

4 Q. On page six in the second paragraph when you
5 talk about winter terminations, and you make a comment that
6 those rules are so cumbersome that the net practical effect,
7 etcetera, etcetera, do you see where I'm at?

8 A. Yes, sir.

9 Q. Can you tell me the last time PGW utilized the
10 procedures for winter termination?

11 A. We have never utilized the procedures for winter
12 termination. We've had conversations with the various
13 utilities in the State of Pennsylvania, and observing their
14 experience, I can't say that they never got a decision on a
15 waiver request for this provision, but I do know that it
16 took quite a long time to get any type of decision from the
17 Bureau.

18 Q. Okay. So I don't want to misunderstand you.
19 You talked to other utilities but you did not talk to the
20 Bureau of Consumer Services or the Commission?

21 A. We did not submit any request for a waiver of
22 this particular item. We know of other utilities who did.

23 Q. Okay. I'm going to take you to pages 11 and 12
24 of your appendix, same appendix, where you talk about change
25 in circumstance. I just want to make sure, again, and

1 clarify that I understand what your position is. Is it your
2 testimony that the only change in circumstance that affects
3 one's ability to pay is drop in income?

4 A. The definition that PGW is utilizing for change
5 in circumstances is a drop in income that changes you from
6 one level to another, for example you are a Level 3 customer
7 and the change in circumstances resulted in you being
8 reclassified as a Level 2 customer. They are income
9 related.

10 Q. Okay.

11 (Pause.)

12 MR. KANASKIE: I'm trying to find a reference point
13 for this next question. May I have a moment, Your Honor?

14 JUDGE RAINEY: Sure.

15 (Pause.)

16 MR. KANASKIE: Thank you, Your Honor. I have no
17 further questions.

18 JUDGE RAINEY: Mr. Keene?

19 MR. KEENE: Thank you, Your Honor.

20 CROSS-EXAMINATION

21 BY MR. KEENE:

22 Q. Good afternoon, Mr. Gyory. Did the company
23 provide any prior notice to customers of its intention to
24 seek waivers of Chapter 56?

25 A. I don't remember any notification going out

1 specifically to customers stating that we were going to seek
2 waivers of Chapter 56.

3 Q. And under the company's proposed waivers, if it
4 has an account that it wants to terminate during the winter
5 months, how is the company going to determine whether that's
6 a Level 3 or 4 customer when it has no income information
7 for such customer?

8 A. That's a good question, Mr. Keene. I would say
9 what we're going to do is we're going to take that person
10 through the credit and collection process which involves
11 sending the customer a ten day notice, two attempts to call
12 them if necessary, and the only way we will be able to
13 basically classify a customer would be if we contact the
14 customer and they would give us the information so we could
15 determine if they're a Level 3 or Level 4 customer.

16 Q. Is there any requirement now that Level 3 and 4
17 customers provide income information or verification to the
18 company?

19 A. At the point in time you are making a payment
20 arrangement, we would request that information and we would
21 need that information basically to enter a customer into a
22 payment arrangement, but there are no required times when
23 they are expected to provide that information to us.

24 Q. But if you go through the entire credit and
25 collection process and you get to the termination point,

1 exhausted all your notices and attempts to contact them, and
2 you're actually sending somebody out to terminate that
3 account, you really don't know whether that's a Level 3 or 4
4 customer or whether it might be a Level 2 customer, do you?

5 A. No. We wouldn't in the winter, if we had this
6 waiver provision passed, obviously we would not go out and
7 attempt to terminate someone if we did not previously
8 identify their level.

9 Q. Do you have the company's responses to OCA
10 Interrogatories, in particular Set II? I have a couple
11 questions about those.

12 A. I do not have it.

13 THE WITNESS: Dan, do you have that? I'm sorry.

14 (Document handed to the witness.)

15 BY MR. KEENE:

16 Q. I'm referring to your response to OCA Set II,
17 No. 3.

18 MR. CLEARFIELD: Your Honor, may I look over his
19 shoulder?

20 JUDGE RAINEY: Yes, you may.

21 BY MR. KEENE:

22 Q. In that response, you refer to a special study
23 that you did for the CRRC filing that indicated that of the
24 133,000 customers eligible for shutoff, approximately 97,000
25 were Level 3 and 4. How did PGW compile the data for that

1 study?

2 A. The information that we utilized to determine
3 how many customers existed by level of that particular group
4 was based upon census track data, income census track data
5 for those particular tracks.

6 MR. CLEARFIELD: It was 9,700, not 97,000.

7 MR. KEENE: I'm sorry, 97,000.

8 MR. CLEARFIELD: Just for the record.

9 MR. KEENE: Thank you.

10 JUDGE RAINEY: I'm sorry, was it 9,700?

11 MR. KEENE: Yes, Your Honor, 9,700 out of a potential
12 133,000.

13 BY MR. KEENE:

14 Q. Do you did not do a specific survey of those 133
15 customers?

16 A. No, we didn't. Currently we have a request in
17 to the DPW in order to classify all these customers through
18 doing a data match with their data base so we can determine
19 which customers would be Level 1 and Level 2, because
20 obviously if they did not have a customer in their data
21 base, it could be potentially be a Level 3 or a Level 4, but
22 we still would not be able to categorize it, Level 3 or 4.
23 We just would know which customers would be Level 1 or 2.

24 MR. BERTOCCI: Steve, you said 133. Didn't you
25 mean --

1 MR. KEENE: Ninety-seven thousand.

2 MR. BERTOCCI: Ninety-seven hundred.

3 MR. KEENE: Ninety-seven hundred.

4 MR. BERTOCCI: You said 133.

5 MR. KEENE: Thousand.

6 BY MR. KEENE:

7 Q. I asked whether you surveyed the 133,000, and
8 your answer was no, right?

9 A. The answer is the same.

10 Q. Okay, yes, thank you. Could you explain exactly
11 how you used the census track data to determine that 97,000
12 out of the 133,000 customers that were eligible for shut-off
13 were Level 3 and 4?

14 A. I didn't personally do the study myself, but I
15 believe the income or what particular people who live in
16 that particular ZIP Code, were of a census track that's
17 captured within that census track data, so we basically
18 segregate the data down by ZIP Code, what a particular
19 income level was in a ZIP Code and then went on to basically
20 take 133,000 customers which we had by ZIP Code and identify
21 them and then break them out by specific level categories.

22 Q. So was it done by census track or by ZIP Codes?

23 A. I'm going to say it was done by census track and
24 that was related to ZIP Codes, but since I did not
25 personally do the study, I can't tell you exactly how it was

1 done. I do know that the data was extracted from the census
2 data, I think it was the 2000 census data, the most recent
3 census data.

4 Q. And I want to get a clarification on one of your
5 requests, and that's the one pertaining to deposits. If a
6 customer is in good standing and asks to transfer service
7 from one residence to another, will PGW require a deposit in
8 that situation?

9 A. No. In that particular situation, we're not
10 talking about transference. We're talking about new
11 customers or customers who were shut off and then coming
12 back onto our system.

13 Q. Okay, thank you. You still have your answers to
14 OCA Set II in front of you. I'd like you to turn to page 17
15 or Interrogatory 17. Could you clarify that "yes" answer
16 there? The question was, "Does PGW agree that any extension
17 of the effective date on a termination notice as sought in
18 Waiver Proposal H would only be applicable to the amount
19 overdue identified in the original notice?" and your answer
20 was, "Yes."

21 A. Well, the answer is yes, but let me try to
22 assist you in what I believe you're asking, is that after
23 the initial notice period, okay, if an additional bill is
24 issued to a customer, PGW will not just go out on the last
25 notice, on the next notice that we're to follow in the

1 credit and collection path.

2 For example, a ten day notice is issued. We attempt
3 both an a.m. call and a p.m. call at the 72 time frame, 72
4 hours before we possibly can terminate.

5 Currently, there is the 48 hour notice which we would
6 have to attempt personal contact or leave a notice. The
7 process can stall out anywhere in that process. It could
8 basically stall out before we go out on the final notice
9 where we can terminate without making personal contact to a
10 customer.

11 So in the event that at any one of those points, if
12 it stalls out for any particular reason, resources or
13 whatever, and it goes beyond the 30 days, we will not just
14 keep acting on that notice without verifying that the
15 account is still overdue.

16 However, we still, since the customer was issued the
17 original ten day notice on a certain balance, that's the
18 balance that we're going to ask the customer to pay in order
19 to resolve the delinquency through a payment arrangement.

20 Q. Okay. I think I understood your answer then.
21 If you issue a ten day notice, it's got a specific amount
22 owed, and if it takes you longer than 30 days to actually
23 get out to terminate somebody, you will only require them to
24 pay that noticed amount in order to avoid termination at
25 that time?

1 A. That's correct, and the notice won't go out
2 without us re-verifying that the customer is still overdue,
3 okay? We still have to do that re-verification.

4 Q. I'd like to turn to your rebuttal testimony for
5 a moment, page two. At the very bottom there, line 23 on
6 page two, you state that the financing costs will increase
7 by \$40 million as a result of having to issue lower rated
8 bonds; isn't that correct?

9 A. That's correct.

10 Q. That's \$40 million over 20 years. Is that
11 stated on a net present value basis?

12 A. I can't say whether it's stated on a net present
13 value basis or not.

14 MR. KEENE: Your Honor, may I approach the witness?

15 JUDGE RAINEY: Yes, you may.

16 MR. CLEARFIELD: Off the record?

17 JUDGE RAINEY: Off the record.

18 (Discussion off the record.)

19 JUDGE RAINEY: Back on the record.

20 MR. KEENE: Your Honor, I've just circulated an
21 exhibit which consists of the company's responses to the OCA
22 Interrogatory Set I, Nos. 1 through 29, and I'd like to ask
23 that this exhibit be marked OCA Cross-Examination Exhibit
24 No. FCI-1.

25 JUDGE RAINEY: So marked for identification.

1 (Whereupon, the document was marked
2 as OCA Cross-Examination Exhibit
3 No. FCI-1 for identification.)

4 BY MR. KEENE:

5 Q. Mr. Gyory, do you have a copy of what's been
6 marked OCA Cross Exhibit No. FCI-1 in front of you?

7 A. Yes, I do.

8 Q. And this is a series of data requests that was
9 propounded to the company in OCA Set I interrogatories;
10 isn't that correct?

11 A. That's correct.

12 Q. And at this time, has the company been able to
13 provide any of the data that was requested in this set of
14 interrogatories?

15 A. My recollection from when I responded to these
16 particular data requests, as you can see from several of the
17 responses, that we put them into some time frame context to
18 whether we had that information; if so, we provided it;
19 whether the information would necessitate a query of the
20 system which could essentially take about I'll say on an
21 average about two weeks to provide; and then whether the
22 question required programming in order to extract the data.

23 From my last conversation, I understood that I was
24 going to get a prioritization of these particular data
25 requests so I knew which ones to act upon. To date, I still

1 have not received any request on a prioritization in order
2 to extract any of these responses.

3 Q. But the company has not provided any of this
4 data, have they?

5 MR. CLEARFIELD: I would object, Your Honor. There's
6 several of these questions that do have answers.

7 BY MR. KEENE:

8 Q. The ones that are specific data requests
9 seeking, for instance, OCA Set I, No. 1 asks for the number
10 of residential accounts written off as bad debt. That was
11 provided as a response to an OTS exhibit, but the ones --
12 most of these require several weeks, don't they, before you
13 can respond?

14 A. Yeah, some of them can take a couple weeks, some
15 may take three or four weeks, as question two points out,
16 the answer to question two points out, and some I believe
17 may take as long as six weeks depending upon the extent of
18 the programming needed to extract the data.

19 JUDGE RAINEY: Mr. Keene, when were these
20 interrogatories served?

21 MR. KEENE: I'll have to look for that, Your Honor.
22 Your Honor, these were served on June 15th.

23 MR. CLEARFIELD: And Your Honor, just for the record,
24 we had a discovery conference I believe on the Tuesday after
25 June 15th in which we went over these answers and then we

1 provided the same answers, that is with respect to the time
2 lines and the availability of the data in the answers that
3 have been introduced here a couple of days after that
4 Tuesday. I can find that date.

5 BY MR. KEENE:

6 Q. Could you please turn to your oral rebuttal,
7 your rebuttal testimony at page six, please? On line six,
8 you indicate that the collections rate for fiscal year 2004
9 is projected to be at 92 percent of billings; isn't that
10 correct?

11 A. That's correct.

12 Q. And this would be for the fiscal year running
13 from September 1, 2003 through August 31, 2004; isn't that
14 correct?

15 A. That's correct.

16 Q. Were you here during the CRRC hearings when Mr.
17 Knudsen testified?

18 A. I don't believe I was here when he testified.

19 Q. Would you accept subject to check that Mr.
20 Knudsen testified during the CRRC hearings that the
21 collections initiative did not come "full flower" until late
22 March or early April of 2004?

23 A. Subject to check, yes.

24 Q. And this would only include, then, about five
25 months of that fiscal year; isn't that correct?

1 A. That's correct.

2 Q. I'd like to ask you a question about Mr.
3 Colton's electronic funds transfer proposal. Isn't it
4 correct that you will have the software in place to take EFT
5 payments in September, 2004?

6 A. At some point in time after September, hopefully
7 in September we will have that in place, contingent upon
8 several other changes that we're making, but that's
9 currently the date we have on our project plan.

10 Q. How many people are currently on payment
11 arrangements?

12 A. Currently there are roughly somewhere between 53
13 and 54 thousand customers on payment arrangements and I
14 believe that is as of the end of June.

15 Q. Do you know or have any way of finding out, out
16 of that 53 or four thousand, how many of those are at or
17 above 250 percent of poverty?

18 A. Currently the way our billing system is set up
19 is that when a representative enters in the income
20 information and the number of people who live in that
21 household along with expenses, it basically behinds the
22 scenes calculates whether a customer is a Level 1, 2, 3 or
23 4. It doesn't specifically state the percent they are of
24 the federal poverty limit.

25 Q. Is there any way that your system could do that?

1 A. I believe with some changes it could potentially
2 do that.

3 Q. In your rebuttal testimony, the bottom of page
4 seven and the top of page eight, you testify that a
5 conversion to mandatory budget billing would take a year,
6 and that's a conservative estimate. What is the basis for
7 that estimate?

8 A. Placing customers on budget billing could not be
9 done, to the best of my knowledge, through just a batch job.
10 Again, I would have to go back and look at the programming
11 required to make that happen.

12 Besides system changes, there's also training
13 requirements with that, so it's not as simple as turning a
14 switch on or off and saying, tomorrow everybody's on budget
15 billing.

16 Q. Was mandatory budget billing discussed or
17 considered as part of the collections initiative?

18 A. What we have done as a result of the Frayne
19 order and prior discussions with the Bureau regarding
20 payment arrangements -- this came out even prior to the Mary
21 Frayne order versus PECO -- is that we have, since coming
22 under the Bureau of Consumer Services, the PUC in September,
23 2003, have changed our training documents for a rep to place
24 customers on budget billing payment arrangements.

25 Currently, right now, I would say almost 80 percent

1 of our payment arrangements are budget billing payment
2 arrangements.

3 Q. But I'm talking about mandatory budget billing
4 for non-payment arrangement customers.

5 A. There's been discussion about it. Currently PGW
6 has approximately somewhere between 45 to 50 thousand people
7 on budget billing. Historically, I heard that the number
8 was much higher, but I do not know that number.

9 There's been discussions out there, but again, it's
10 the choice of the customer whether they want to be on budget
11 billing. Everybody handles their finances differently.

12 We have a very diverse population here in
13 Philadelphia, and based on the demographics, some people may
14 not choose to go on budget billing.

15 Q. Did Accenture, as part of its work on your
16 collections initiative, do any analysis or study of
17 mandatory budget billing?

18 A. To date, we haven't done any study or analysis
19 of mandatory budget billing for all our residential
20 customers.

21 Q. Also on page nine of your rebuttal testimony,
22 lines three through eight, there you express some concern
23 about reduced revenues in the winter that may jeopardize the
24 ability of the company to pay its gas bills. Do you see
25 that?

1 A. Yes, I do.

2 Q. Doesn't this really depend upon what time of the
3 year mandatory budget billing is implemented? For instance,
4 if it is done in the spring, your customers would actually
5 be pre-paying their gas bills for next winter; isn't that
6 correct?

7 A. That's correct. But in relationship to -- our
8 waiver request here is that we're looking for modifications
9 to Chapter 56 that will allow us to address our financial
10 position, and we're in a very precarious position.

11 I would agree with you that if you started budget
12 billing, I agree to that assumption that you have made.
13 However, we're looking for relief right now, and that would
14 not provide us relief going forward if we started budget
15 billing in the fall when people may be pre-paying a little
16 but going into the winter they would actually be paying less
17 than their actual gas consumption.

18 Q. You also testify here that mandatory budget
19 billing would expose the company to increased risk due to
20 increased gas costs. Isn't it correct, though, that you can
21 adjust your budget bills three times a year under your
22 current tariff?

23 A. That's correct, you can adjust the budget bills
24 currently under the tariff if they exceed certain
25 parameters.

1 One of the things that we have seen with our customer
2 base is that because we can adjust our budget bills three
3 times a month and our budget bill doesn't have a true-up
4 factor like other utilities -- currently we're studying that
5 -- however, when budgets change every four months,
6 especially when gas rates were on the rise a couple years
7 ago, customers' budgets were changing every four months.
8 That led to a lot of calls to the call center, people
9 questioning their budgets, and led to several customer I'll
10 say satisfaction issues.

11 So yes, the short answer is yes, we can modify it
12 every three months -- excuse me, every four months.

13 Q. While you may not have control over where
14 wholesale gas costs go, mandatory budget billing would
15 remove the risk associated with fluctuations in usage due to
16 weather, wouldn't it?

17 A. That's correct.

18 Q. And I have a few questions about your petition,
19 the Appendix A to your petition for waiver, if you could
20 turn to that for a moment. At page eight of Appendix A,
21 this is your calculation of the estimated value for the
22 waiver requiring flat turn-on deposit for new and restored
23 customers. In the last full paragraph there, you calculate
24 the savings realized from the deposit required for new and
25 restored services during May 1st to September 30th. You

1 calculate that the savings would be approximately \$5.9
2 million. That uses a 50 percent factor; isn't that correct?

3 A. That's correct.

4 Q. And that's based upon the historic average
5 number of customers who do not pay late?

6 A. That's correct.

7 Q. Doesn't this assume that the security deposit
8 will not affect that historic average number of customers
9 that don't pay late?

10 A. It does assume that, that's correct.

11 MR. KEENE: Your Honor, if I could just have a
12 moment, please?

13 JUDGE RAINEY: Yes, you may.

14 While he's doing that, Mr. Gyory, why don't you
15 explain for the record how PGW calculates the budget bill.

16 THE WITNESS: Basically when a customer calls up to
17 be placed on budget billing or if a new customer comes on
18 the system and they request budget billing, currently we
19 need nine months of billing history to place a customer on
20 budget billing. Without that history, we're unable to place
21 them on a budget bill.

22 But if we have the history, either the premise
23 history -- someone else could have lived there at that
24 property before that customer -- but we have sufficient
25 history, we will place them on budget based upon their

1 actual usage for the previous 12 months and then going
2 forward at the current gas rates.

3 Then every four months, according to tariff, the
4 budget bill is reviewed and if there is a deviation either
5 by usage or by rates that will cause the budget to I think
6 increase or decrease by plus or minus ten percent, we will
7 adjust the budget bill, okay.

8 So your budget could actually increase or decrease,
9 depending on your usage or the rates at that particular
10 point in time. It does that every four months.

11 JUDGE RAINEY: So that if you have nine months worth
12 of usage history, you take the average of that nine months
13 to determine --

14 THE WITNESS: Yeah, we can actually, I guess we'll
15 extrapolate out to the 12 months, basically, figure out what
16 the budget bill is, but we like to have that history because
17 nine months gives us that seasonal count that we need to
18 establish them on a budget.

19 JUDGE RAINEY: And then you can update that every
20 four months, looking to the past 12 months?

21 THE WITNESS: Yeah, it looks, that's correct, and
22 that happens automatically on the four month anniversary of
23 that start date of that budget bill.

24 JUDGE RAINEY: Okay, thank you.

25 MR. KEENE: Thank you, Your Honor.

1 BY MR. KEENE:

2 Q. Could you turn to page five of Appendix A? And
3 in the first full paragraph on page five, you provide the
4 derivation for the estimated value of the waiver request
5 that would require a full payment for Level 3 and 4
6 customers that have been shut off for non-payment. And you
7 calculate that that savings will be approximately \$4.2
8 million, and that's based upon an assumption that 90 percent
9 of terminated customers reconnect service; isn't that
10 correct?

11 A. That's correct.

12 Q. Currently, can customers get reconnected by
13 entering into a payment arrangement if you're Level 3 and 4?

14 A. I'm assuming, by saying "get reconnected,"
15 they've been shut off for non-payment; is that what you're
16 suggesting?

17 Q. A Level 3 or 4 customer that's been shut off for
18 non-payment, can they get service restored by entering into
19 a payment arrangement?

20 A. If a customer -- I'm thinking about our training
21 for our representatives -- if a customer has had two payment
22 arrangements, okay, or an informal BCS decision or a formal
23 complaint decision, they could be required to pay full
24 restoration charges to get their service restored, their
25 full account balance.

1 Q. What if a customer was terminated and they have
2 never been in a payment arrangement before?

3 A. They can be given a payment arrangement.

4 MR. KEENE: Your Honor, at this time I'd like to have
5 marked for identification OCA Cross-Examination Exhibit No.
6 FCI-2.

7 JUDGE RAINEY: So marked for identification.

8 (Whereupon, the document was marked
9 as OCA Cross-Examination Exhibit
10 No. FCI-2 for identification.)

11 MR. KEENE: Your Honor, OCA Cross-Examination Exhibit
12 No. FCI-2 is a copy of the Commission's 2003 Cold Weather
13 Survey results for natural gas.

14 BY MR. KEENE:

15 Q. And Mr. Gyory, have you seen this exhibit
16 before?

17 A. I have not seen the exhibit. I have seen the
18 numbers in a similarly placed table by the Bureau of
19 Consumer Services.

20 Q. And this indicates that the number of households
21 in PGW service territory using potentially unsafe heating
22 sources is 918; isn't that correct?

23 A. That's correct.

24 Q. And the number of households without service
25 after completion of the survey is 4,567?

1 A. That's correct.

2 Q. Mr. Gyory, you testified that there were
3 approximately 53 to 54 thousand customers on payment
4 arrangements; is that correct?

5 A. At the present time, that's correct.

6 Q. And 80 percent of those are on budget billing
7 bills?

8 A. Eighty percent of our payment arrangement
9 customers are on budget billing arrangements.

10 Q. So that would indicate somewhere -- and
11 currently you have 40 to 50 thousand budget billing
12 customers today; isn't that correct?

13 A. Budget billing customers, somewhere between 45
14 and 50 thousand, that's correct.

15 Q. So then, that indicates that a vast majority of
16 your budget billing customers are already on payment
17 arrangements; isn't that correct?

18 A. Let me explain this for you. Currently, people
19 sign up on what we term our budget billing plan, it's called
20 our Easy Way plan. It's strictly for customers who are not
21 in arrearages.

22 That is, you today, Mr. Keene, call me up and say,
23 "I'd like to be placed on a budget bill," and we see that
24 your money's current or you have money that's less than 60
25 days old, and you've requested to be placed on a budget

1 billing arrangement. We will place you on a budget billing
2 arrangement.

3 But in six months, Mr. Keene, you call us, or Mr.
4 Keene two, and you say, "I'd like to be on a budget bill,"
5 and as a rep, I say, "Oh, Mr. Keene, you have arrearages
6 over 60 days old. I can't place you on our budget billing
7 plan. I will have to enter you on a payment arrangement."

8 And then what I will do is I will establish an
9 arrangement with you, depending upon your level, and what
10 I'll do is, I'll say, "You'll pay this much on your
11 arrangement and then we'll take your bill, instead of
12 billing you at the current rate over the next 12 months,
13 we'll actually establish you on a budget billing payment
14 arrangement, so you'll pay a budget bill amount for your
15 current consumption and then you will pay a payment
16 arrangement amount based upon the amount of your arrearages
17 that was overdue."

18 So we have 45, 50 thousand customers on our Easy Way
19 plan. They don't have any arrearages. They're just paying
20 on our budget billing plan. They're good paying customers
21 who opted to basically levelize their payments throughout
22 the year, as opposed to these other 50,000 people who are in
23 arrearages. Eighty percent of those are currently signing
24 up for budget billing payment arrangements.

25 MR. KEENE: That's all that I have, Your Honor.

1 Thank you.

2 JUDGE RAINEY: Thank you. Mr. Gray?

3 MR. GRAY: No questions, Your Honor, thank you.

4 JUDGE RAINEY: Mr. Bertocci?

5 MR. BERTOCCI: Yes, Your Honor.

6 MR. KEENE: Your Honor, I'd also like to move for
7 admission OCA Cross-Examination Exhibit No. FCI-1 and OCA
8 Cross-Examination Exhibit No. FCI-2.

9 JUDGE RAINEY: Any objections?

10 (No response.)

11 JUDGE RAINEY: Hearing none, so admitted.

12 (Whereupon, the documents marked
13 as OCA Cross-Examination Exhibits
14 Nos FCI-1 and FCI-2 were received
15 in evidence.)

16 JUDGE RAINEY: Go ahead, Mr. Bertocci.

17 CROSS-EXAMINATION

18 BY MR. BERTOCCI:

19 Q. Good afternoon, Mr. Gyory.

20 A. Good afternoon.

21 Q. My name is Philip Bertocci. I represent Action
22 Alliance of Senior Citizens, et al. I have one question for
23 you having to do with -- I have a number of questions, but
24 one having to do with your rebuttal testimony, page two.
25 That's PGW Statement CP-1R. You make some statements from

1 the middle of the page down on page two about the present
2 financial condition of PGW and you say, "Just last week" --
3 this is line 16 -- "we were informed that only 33 percent of
4 the bond issuance that PGW is planning for the fall, that's
5 \$50 million of \$150 million planned, would receive bond
6 insurance." You're the vice president of customer affairs;
7 are you not?

8 A. That's correct.

9 Q. You're not the chief financial officer or the
10 highest financial officer for PGW?

11 A. No, I'm not.

12 Q. And were you informed by the bond issuance
13 agencies of this condition?

14 A. No. I attend several senior management
15 committee meetings and at one of those senior team meetings
16 was basically informed of this condition by our most senior
17 financial officer at PGW.

18 Q. Are you in the position to evaluate all the
19 possibilities that PGW might have, having encountered a bond
20 insurance agency that is declining to provide bond insurance
21 for the full proposed amount?

22 A. I'm not in that position.

23 Q. Now I'd like to turn to an issue which we
24 haven't dealt with at all in this proceeding, having to do
25 with the remand. And one of the issues that was brought

1 back into this financial and collections investigation was
2 the issue concerning PGW's liens and judgments and whether
3 or not what was proposed in PGW's tariff, Section 2.4.C of
4 the proposed tariff which was to go into effect September 1,
5 2003, there was an issue there because the Commission ended
6 up finding fault with the proposed provision.

7 And I was going to read the provision just to get
8 everybody on the same page. Section 2.4.C of the proposed
9 tariff provided that PGW could refuse service to an
10 applicant for service if, "the applicant fails to enter into
11 a payment agreement for an outstanding lien or judgment of
12 record in favor of PGW and against the applicant." Is that
13 language familiar to you?

14 A. It is.

15 Q. Those are pretty much the exact words?

16 A. If you're reading from it, they're probably the
17 exact words.

18 Q. Now, about these liens and judgments. The liens
19 are statutory liens; are they not?

20 A. They're municipal liens. They're statutory.

21 Q. That's liens that PGW can file pursuant to the
22 municipal claim and tax lien law?

23 A. That's correct.

24 Q. Now, these liens attach to the property to which
25 service is being provided; is that right?

1 A. That's correct, to the owner of that property
2 who would be the customer of record.

3 Q. And they can't be removed unless PGW authorizes
4 a release or a satisfaction of those liens; is that right?

5 A. That's correct.

6 Q. They just don't expire after a period of time?

7 A. No.

8 Q. Now, I want to direct your attention to your
9 direct testimony, PGW Statement CP-1, page 14, line 19. Now
10 -- have you found that?

11 A. Are you referring to Exhibit CP-1, or are you
12 are referring --

13 Q. It was the one, it's your June 17, 2004
14 testimony.

15 A. I have it, yes.

16 Q. Page 14. You have about three pieces of
17 testimony. And there at page 14, line 19, you're discussing
18 how PGW would treat an applicant for service that has an
19 outstanding lien or judgment against him or her. So it
20 would be a situation where a customer had had service at a
21 property at which they -- or a person had had service at a
22 property which they have an ownership interest, service had
23 been terminated at some time and now they are coming and
24 applying for service at that address. And you were saying
25 that you would make a payment agreement with that customer,

1 notwithstanding the fact that they had a lien.

2 A. That's correct.

3 Q. Is that right? And then the question is, well,
4 on what basis would you make a payment agreement for that
5 customer? On what basis would you determine the outstanding
6 amount?

7 A. Well, it would be based on the amount of the
8 lien, and as long as that amount wasn't older than four
9 years, we could actually establish a payment arrangement on
10 that amount.

11 Q. Okay. So you're saying, to the extent that the
12 lien was for service that was not incurred more than four
13 years prior to the date of application, you could ask for a
14 payment agreement on that amount?

15 A. That's correct.

16 Q. But if the lien was based on service that was
17 provided let's say between six years and two years prior to
18 the date of application, then there would be part of the
19 lien for which you could not ask for a payment agreement; is
20 that right?

21 A. I would say that's correct.

22 Q. Now, if we go back to the provision in your
23 tariff, the provision at 2.4.C, and I think it's 2.4.C.6 is
24 the exact provision, it just says there, applicant fails to
25 enter into a payment agreement for an outstanding lien or

1 judgment in favor of PGW against the applicant. You've
2 agreed that's what the language says.

3 Isn't what you've just told me, isn't that kind of an
4 exception, that you have to enter into a payment agreement
5 but you only have to enter into it for the amount that was
6 incurred within the four years prior to the date of
7 application?

8 A. That's correct.

9 Q. But and for a customer, you agree that'd be a
10 pretty material exception, something you'd want to know as a
11 customer?

12 A. You would want to know the amount your property
13 is liened for, or --

14 Q. If you went to PGW, you'd want to know that it
15 wasn't the whole lien that you would have to agree to pay as
16 a condition of getting service, you'd want to know that it
17 was only the lien to the extent that the lien stood for
18 charges that were incurred within the last four years,
19 right?

20 A. Yeah, I think if I was a customer, I'd want to
21 know that.

22 Q. Now, there's also another way in which PGW is
23 able to obtain something like a lien or some kind of a
24 judicial like judgment having to do with liability and
25 that's through filing in Common Pleas Court or Municipal

1 Court; isn't that right?

2 A. That's correct. We can file for a judgment,
3 also.

4 Q. And you file for judgment, you can file for
5 judgments of people that are currently receiving service,
6 right?

7 A. That's correct.

8 Q. And you choose to file for judgments or you have
9 chosen in the past, one of the criteria has been that there
10 has to be a \$300 arrearage; is that right?

11 A. That's correct.

12 Q. And again, once a judgment is entered against a
13 customer, that judgment lasts for a certain period of time;
14 does it not?

15 A. You know, I am not quite sure how long the
16 judgments last. I can't answer that in definite.

17 Q. Well, would you say, generally speaking, that it
18 can't be removed unless PGW agrees to it?

19 A. That's correct.

20 Q. And would you accept subject to check that if
21 PGW doesn't renew it, it would expire after five years?

22 A. Subject to check.

23 Q. And subject to check, even after five years, PGW
24 could renew it once more?

25 A. That's correct.

1 Q. So again, there is the possibility of having a
2 customer apply for service with an outstanding judgment
3 against them which involves gas that was consumed more than
4 four years prior to the date of application, right?

5 A. That's correct. That's a possibility.

6 Q. And so in that situation also, then PGW's
7 position would be that there's an exception, that even
8 though the judgment contains language that is -- even though
9 the judgment is for a greater amount than what was consumed
10 in the last four years, that the customer would only have to
11 pay the payment agreement, the customer would only have to
12 include within the payment agreement the amount that was
13 due, that was incurred within the past four years prior to
14 the time of application?

15 A. That's correct.

16 MR. BERTOCCI: That's all I have. Thank you.

17 JUDGE RAINEY: Just for clarification, Mr. Gyory, so
18 you're saying that if a customer came to PGW with a lien or
19 a judgment that was incurred five years prior and had not
20 incurred or been a customer during the preceding four years
21 prior to application, then your proposed tariff then would
22 not apply?

23 THE WITNESS: We would not be attempting to enter
24 into a payment arrangement for those dollars, that's
25 correct.

1 JUDGE RAINEY: So then that customer would then go
2 through the regular process?

3 THE WITNESS: They would be an applicant and they
4 would go through the process.

5 JUDGE RAINEY: Mr. Hicks?

6 MR. HICKS: Thank you, Your Honor.

7 CROSS-EXAMINATION

8 BY MR. HICKS:

9 Q. Good afternoon, Mr. Gyory.

10 A. Good afternoon.

11 Q. I'd like to ask a few questions about PGW
12 Exhibit CP-1 and your Appendix A in particular. Do you have
13 that?

14 A. Yes, I do.

15 Q. And Appendix A is your verified statement; is
16 that right?

17 A. That's correct.

18 Q. I draw your attention to page two, paragraph
19 number five, and in the last part of that, you say that the
20 changes you propose could be made -- in fact, let me read it
21 specifically. The last sentence or half-sentence in that
22 paragraph includes the statement, "changes could be made
23 that would allow us to improve collections without
24 substantial erosion of customer protections." Is that
25 correct?

1 A. That's correct.

2 Q. Is that your view today?

3 A. That's my view today.

4 Q. And is it your view that the changes proposed
5 would not cause substantial erosion of customer protections?

6 A. That's correct.

7 Q. Turning to the next page of your statement, at
8 paragraph eight, you say that, "The requests for waivers are
9 driven by the dire financial need of PGW to improve
10 collections;"; is that right?

11 A. That's correct.

12 Q. And that, "Were it not for PGW's unique position
13 with regard to cash collections, demographics and municipal
14 ownership, it is not likely that I" -- meaning you -- "as
15 the person most directly responsible for cash collections
16 would be pressing for additional collection tools." Is that
17 an accurate reading?

18 A. That's an accurate statement. That's correct.
19 That's what it states.

20 Q. And you would characterize your requests for
21 waivers of Chapter 56 provisions as additional collection
22 tools?

23 A. As additional collection tools, not as a panacea
24 to all, not as a silver bullet, as additional collection
25 tools.

1 Q. And would it be true that if PGW's cash
2 collection improved substantially without these tools, you
3 would not be pressing for these things today?

4 A. That's correct. We took other measures through
5 our collections renewal initiative and through other
6 measures that we've taken. If they were getting the job
7 done, we wouldn't probably be sitting here having this
8 conversation.

9 Q. Okay. And am I correct that all of the things
10 that you asked for are not necessary in order to
11 substantially improve collections for PGW?

12 A. Are you referring to all of the waiver
13 requirements?

14 Q. All of the waiver requests that you've made are
15 not necessary in order to substantially improve collections
16 for PGW?

17 MR. CLEARFIELD: I object. I don't understand. The
18 question is not clear.

19 MR. HICKS: If the witness understands the question,
20 he should be able to respond.

21 JUDGE RAINEY: What don't you understand, Mr.
22 Clearfield?

23 MR. CLEARFIELD: I'm not sure if you're talking about
24 the entire package, in other words, do we need to have every
25 single one, or does he mean that each of them is not

1 directed at collections as opposed to something else.

2 MR. HICKS: Does the witness understand the question?

3 JUDGE RAINEY: Let me make sure the record
4 understands --

5 MR. CLEARFIELD: Well, Your Honor, I object.

6 JUDGE RAINEY: -- what's going on.

7 MR. CLEARFIELD: And he can ask the witness a hundred
8 times, and I would object.

9 JUDGE RAINEY: Why don't you, if you would, Mr.
10 Hicks, just clarify whether --

11 MR. HICKS: I will rephrase the question --

12 JUDGE RAINEY: -- or not you're referring to the
13 entire collective of Chapter 56 waivers or are you referring
14 singularly to any.

15 BY MR. HICKS:

16 Q. With regard to proposals A through I guess it's
17 J -- is that right?

18 A. Well, I don't know them all by letter or number,
19 but --

20 Q. I believe that there are eight that have amounts
21 attached to them and one that does not have an amount
22 attached to it.

23 JUDGE RAINEY: You're referring to all of the Chapter
24 56 --

25 MR. HICKS: Waiver requests.

1 JUDGE RAINEY: -- waiver requests that have been
2 made?

3 MR. HICKS: Yes, Your Honor.

4 BY MR. HICKS:

5 Q. The question is, all of those waiver requests
6 are not necessary in order for PGW to substantially improve
7 collection activity, are they?

8 A. There is one waiver request that I can think of
9 offhand without looking through all eight or nine of them
10 which basically does not have dollars attached to it, and
11 that is the restoration time frame.

12 Q. I understand that, but my question was whether
13 they were all necessary in order for PGW to substantially
14 improve its collection activity.

15 A. I'm going to answer the question this way. I've
16 been dealing with this issue for quite a long time now with
17 credit and collections. When PGW's billing system was
18 non-operative to the point of where we brought it up to
19 speed and now have made enhancements within the system, I've
20 been asked by many people, from the Gas Commission here in
21 Philadelphia to senior management, you know, what is it
22 going to take to get the job done.

23 And again, I'm not going to sit here as the foremost
24 expert in collections. We've hired Accenture to do that,
25 and if they would have had a single, solitary answer or a

1 group of changes that we could have made in order to not
2 have had this conversation today, we would have made them.

3 Everything that we're asking for is a piece of the
4 puzzle, and maybe we don't put that whole picture together
5 in that puzzle at the end of the day, but maybe we'll have a
6 better understanding as we put these pieces together what is
7 absolutely needed for PGW to increase its cash collections,
8 to keep it out of proceedings such as the CRRC and other
9 mechanisms that we need in order to bring our position to
10 bear fruit here.

11 It gets to the point where there's no easy answer.
12 So we need them all.

13 Q. I completely understand your response.

14 MR. HICKS: Your Honor, would you direct the witness
15 to directly respond to the question?

16 BY MR. HICKS:

17 Q. If the answer is you don't know, I'd be glad to
18 hear you say that, but I am interested in learning, in your
19 opinion, since you have identified yourself as the person
20 here making these requests for the reason you're making
21 them, whether all of them are necessary in order to
22 substantially improve PGW's collection.

23 MR. CLEARFIELD: And I object, Your Honor. First, I
24 object to the argument in the question. Second of all, Mr.
25 Gyory answered the question. The last five words were, or

1 four words, "we need them all." He answered the question.

2 MR. HICKS: I didn't ask whether he needed them.

3 JUDGE RAINEY: Why don't we do this, because he did
4 give an explanation or attempt to, as I think he
5 characterized it, "Let me answer it this way."

6 If you can answer it in a way where you first give a
7 yes or no answer and then if you need any further
8 clarification of that, then you may proceed.

9 BY MR. HICKS:

10 Q. The question is whether they are all necessary
11 for PGW to substantially improve its collection activity.

12 A. Yes, they're all necessary.

13 Q. Thank you. Am I correct that in items A through
14 H that you have identified here, PGW has estimated that they
15 could generate approximately 26 plus million dollars in
16 savings?

17 A. I believe it's somewhere close to 30 but you may
18 have added them up and 26 could be the exact number.

19 Q. No, if you have an accurate number, I would be
20 grateful for that.

21 A. I don't have them all added up here. Dan, I
22 don't know if there's a document where we have them added
23 up.

24 MR. CLEARFIELD: Your Honor, I believe there's a
25 reference in the petition to the total amount.

1 JUDGE RAINEY: Is that on page four of the petition?

2 MR. CLEARFIELD: Here you go, approximately \$30
3 million, yes.

4 MR. HICKS: My count didn't come to that number, so I
5 was -- my count may have been wrong, but I was interested in
6 what the accurate number was. If you would at some point
7 for the record identify what the accurate count is, that
8 would be good enough.

9 MR. CLEARFIELD: We can do that on redirect.

10 BY MR. HICKS:

11 Q. I would like to talk about a couple of your
12 proposals, Mr. Gyory. I direct your attention to page nine.

13 A. Are you still on the CP-1?

14 Q. Yes.

15 MR. CLEARFIELD: Page nine of the affidavit.

16 MR. HICKS: Of the affidavit, and Proposal D, which
17 requires new applicants to establish positive identification
18 and require applicants who are identified as previously
19 residing at that location to be held responsible for any
20 previous arrearage while the applicant resided there.

21 BY MR. HICKS:

22 Q. Are you familiar with boarding home arrangements
23 in Philadelphia?

24 A. I can't say I'm personally familiar with
25 boarding home arrangements in Philadelphia, no.

1 Q. Do you know what a boarding home is?

2 A. Yes.

3 Q. Are you aware that people who reside at a
4 boarding home pay rent like tenants, but don't pay separate
5 utilities?

6 A. I do.

7 Q. I'm interested in exploring what PGW means about
8 a household in this proposal. Would a boarding home be a
9 household covered under this proposal?

10 A. I think you've singled out an anomaly, okay,
11 whereas opposed to, this is not a commercial property.
12 You're making the assumption that this property is a
13 residential property, okay, with many people living in it
14 and they're paying some portion of the rent, and there's one
15 utility service into this property.

16 It sounds like that potentially could come under a
17 commercial service or a commercial rate, but in fact if it
18 does not, there could be a potential issue in how we -- if
19 another person would place the gas in their name who lived
20 at that potential boarding home -- or lived at that boarding
21 home, I'm sorry.

22 Q. Would a boarding home come under this current
23 proposal?

24 A. I would say, if it's listed as a residential
25 property, yes.

1 Q. And is it your expectation that a person who
2 lived in a boarding home, who paid rent that included
3 utilities, would have to have themselves identified for the
4 owner of the boarding home to get utility service?

5 A. Would they have to have themselves identified?
6 No, they would not have to have themselves. If the owner
7 came forward and placed the gas service in his name, he
8 would not have to identify everybody.

9 Q. And if that owner had service terminated for
10 non-payment, any of the other tenants -- do you understand
11 my point?

12 A. Yeah, I do, and you're actually mixing a couple
13 worlds up here. You referred to them as borders. Now
14 you're referring to them as tenants.

15 Q. Boarders are tenants.

16 A. And I'm thinking, well, this really comes under
17 the Utility Service Tenant Rights Act, as opposed to maybe
18 under this particular policy, where they would have
19 additional protections afforded by that particular act.

20 Q. That's right. Let's stretch it out a bit, take
21 it out of a boarding home circumstance and let's talk about
22 a person who lives in a home who rents a room to someone
23 else, and that person who rents the room pays for full
24 service including utilities.

25 Are you saying someone renting a room in someone's

1 home would have to be so identified under this proposal?

2 A. It sounds like what you described to me, trying
3 to understand the situation, is that in this particular
4 case, this person who is renting this room, renting this
5 home, has their utilities, are paying their utilities in
6 their rent, okay, to the owner. Okay, I'm sorry, I lost the
7 point of the question, but if you want to take it from
8 there.

9 Q. And if the tenant has paid the landlord for
10 utility as well as physical presence and the landlord fails
11 to pay, would tenant be able to get service in their name
12 without having to pay the landlord's bill a second time?

13 A. Again, I would tell you, it comes under the
14 Utility Service Tenant Rights Act, which affords that tenant
15 additional protection.

16 However, if it was a situation with just one person
17 renting from that person and they were paying the whole --
18 what they were paying in rent for the utility covered the
19 whole property, I would advocate that the service should be
20 placed into the name of the renter.

21 Q. Without having to pay the landlord's previous
22 delinquent bill; is that right?

23 A. I would then refer it back to Utility Service
24 Tenant Rights Act. I would say that would have to move
25 through what we call is the USTRA process, and that person

1 would be given opportunities to keep the gas service on by
2 paying the bill.

3 Q. Would you agree that this is an area that is
4 unclear in the current proposal?

5 A. You've got some gray area here.

6 MR. HICKS: A moment, Your Honor?

7 JUDGE RAINEY: Yes.

8 (Pause.)

9 BY MR. HICKS:

10 Q. Let me direct your attention to page six of the
11 appendix again, and the proposal described on page six
12 begins on page five and it refers to the waiver of a winter
13 moratorium procedure for Level 3 and 4 customers.

14 And at the top of page six, it begins to -- you say
15 that PGW's experience demonstrates that even when customers
16 enter into a payment arrangement after the winter period,
17 the delay in payment for winter usage has a serious negative
18 consequence on PGW's cash flow. Do you see that?

19 A. Yes, I do.

20 Q. Is it PGW's proposal that this waiver of winter
21 moratorium termination procedure would not be one that could
22 be satisfied by the entering of a payment arrangement? Is
23 that PGW's position, that a person couldn't enter a payment
24 arrangement and avoid the shutoff?

25 A. Yes, a person could enter into a payment

1 arrangement to avoid the shutoff. If they were a Level 4
2 customer, if they have a payment arrangement, they fall into
3 a little bit different position, but yeah, they could enter
4 into a payment arrangement.

5 Q. Forgive me, I'm --

6 A. Well, we have several requirements on the table
7 here. If a Level 4 customer currently has an arrangement,
8 they in effect, if they've defaulted on the arrangement,
9 they need to pay their full balance, as opposed to a Level 3
10 customer. If they have not cured their agreement once, they
11 could cure it.

12 Q. I want to be crystal clear on that. You're
13 saying, if they're a Level 4 customer, no payment
14 arrangements, you have to pay the full balance?

15 A. If they haven't had a payment arrangement?
16 Okay, if they have not had one, let's get them into a
17 payment arrangement.

18 Q. Is that what this proposal says?

19 A. This is basically -- you're specifically
20 speaking in this case about the waiver of the winter
21 moratorium termination period, all right, so if a customer
22 is moving through the path and we identify him then in the
23 path as a Level 4 customer and they don't have a previous
24 payment arrangement, we will in effect get them on a payment
25 arrangement, a Level 4 payment arrangement.

1 Q. And forgive me if I missed it, but is that what
2 this proposal says, what you just said?

3 MR. CLEARFIELD: Your Honor, he's answered the
4 question three times. This proposal says that they can be
5 terminated in the winter. The other proposals indicate when
6 a payment arrangement can, would or would not be requested
7 from the customer. Maybe he answered it twice.

8 JUDGE RAINEY: Well, it's not clear when he's talking
9 about, if a customer does not have a prior payment
10 arrangement, and maybe, Mr. Gyory, you can just clarify on
11 the record, when you're talking about Level 3 and 4
12 customers, exactly what PGW is proposing here in terms of
13 what would be required of a Level 3 or 4 customer with
14 regard to this specific proposal by PGW that appears at the
15 bottom of page five under the title, "waive winter
16 moratorium termination procedure for Level 3 and 4
17 customers." What exactly is PGW proposing here?

18 THE WITNESS: What we're proposing is, any customer
19 identified as a Level 3 or Level 4 customer or we identify
20 as a Level 3 or Level 4 customer in the credit and
21 collection process, someone who has received a notice and is
22 going through the noticing process, ten day notice, the
23 attempted phone calls, is that if that customer is a Level 4
24 customer and they have not had a prior arrangement, what we
25 will attempt to do prior to shutoff, if the customer chooses

1 not to enter into an arrangement, if we will attempt to
2 enter them into an arrangement.

3 However, in the case where I have a Level 4 customer
4 who's had a previous arrangement and they have not heeded
5 our notices, okay, at that point in time, even prior to
6 termination, if they choose to remain on the system, they're
7 going to have to pay their full balance.

8 BY MR. HICKS:

9 Q. That's helpful, Mr. Gyory, and I'm not trying to
10 hide the ball. I'm trying to understand how these things
11 fit together. And that is helpful, because that is not in
12 this proposal, what you just described. Put that aside.
13 I'm trying to read these things together as well.

14 And if that is true, that a Level 3 or Level 4
15 customer can enter a payment arrangement, if you get the
16 Commission to approve your Proposal E, which is one payment
17 arrangement for those Level 3 and 4 customers in particular,
18 one payment arrangement unless one can show a changed
19 circumstance, that would mean that there would be one
20 payment arrangement and if someone fails to follow that
21 payment arrangement, then they could be terminated; is that
22 correct?

23 A. In the case of a Level 4 customer, yes. If they
24 have a payment arrangement and they fail to follow it,
25 they -- any customer could literally be terminated if they

1 choose not to do a specific action.

2 Q. That's what I wanted to understand. Would that
3 apply to Level 1, 2, 3 and 4? If you get the one payment
4 arrangement, unless a changed circumstance, would that mean
5 1, 2, 3 and 4 level customers could be terminated if they
6 fail to follow that payment arrangement, in the winter?

7 A. In the winter, no, only --

8 Q. Just three and four?

9 A. Only three and four.

10 Q. All right. And in other parts of the year?

11 A. In the other parts of the year, in the non-cold
12 weather interim period as it is referred to, any customer in
13 any level on any type of agreement could be terminated if
14 they fail to follow it and they become delinquent in their
15 payments.

16 MR. HICKS: That's what I was trying to understand.
17 I have no further questions.

18 JUDGE RAINEY: Some of the confusion I think that's
19 coming from the questions that are being asked by the
20 parties is the result of I guess what's being shown now to
21 be only partial concepts that you're not fleshing out in
22 terms of exactly what it is that would be done if these
23 particular waivers were granted.

24 And for example, I'm looking at page B-7, which is at
25 Appendix B to the PGW Exhibit CP-1, and there you propose

1 certain revision to Section 56.100, winter termination
2 procedures.

3 And there you're referring to the ability of PGW
4 during the winter months, between December 1 and March 31,
5 to be able to terminate Level 3 or Level 4 customers, and
6 the only exceptions that you have there, it says, "Does not
7 include customers who are 60 years of age or older or
8 customers who have satisfied the requirements of 52 Pa. Code
9 Section 56.113 having to do with medical certifications."

10 But it doesn't refer there to opportunity of those
11 customers to enter into payment agreements if those
12 customers do not have one or -- I'm not sure if you're using
13 one or two prior payment arrangements.

14 And I think that that's maybe part of what's causing
15 certain consternation. But that having been said, Mr.
16 Smith, do you have any questions?

17 MR. SMITH: I was going to claim an hour's worth, but
18 no.

19 JUDGE RAINEY: Any redirect?

20 MR. CLEARFIELD: Your Honor, could we take a few
21 minutes? I don't know if you want to take the -- it's not
22 going to take that long, but --

23 JUDGE RAINEY: Okay. Why don't we take about a five
24 minute break.

25 (Recess.)

1 JUDGE RAINEY: Back on the record. Mr. Clearfield?

2 MR. CLEARFIELD: Thank you, Your Honor. We have a
3 few questions on redirect.

4 REDIRECT EXAMINATION

5 BY MR. CLEARFIELD:

6 Q. Let's take one of the last items first. Mr.
7 Gyory, you were given some questions regarding the way in
8 which PGW would apply its proposal to assign any past
9 arrearage for individuals who actually are shown to live at
10 an address and then applied for service at that same address
11 in the context of an individual who was a tenant or was
12 assumed to be a tenant at that address. Do you remember
13 those questions?

14 A. Yes, I do.

15 Q. Would you please describe how PGW would propose
16 to deal with that kind of situation if their proposal is
17 adopted?

18 A. Yes. Basically, let me just state that most of
19 our tenant/landlord or just about all of our tenant/landlord
20 accounts are commercial rate accounts. They're not
21 residential rate accounts.

22 Therefore, if we had a condition where the owner, a
23 landlord stopped paying the bill, those tenants would have
24 the rights under the Utility Service Tenant Rights Act,
25 where they have those additional protections that are

1 afforded to them by that particular Act to protect them in
2 those circumstances where a landlord does not pay the bill,
3 as opposed to the situation where you could have a contract
4 between a landlord, a homeowner and a particular tenant for
5 that person, within the rental agreement, or informally, to
6 pay the utility charges.

7 In that particular case, if the landlord, the
8 homeowner decided not to pay those bills and became
9 delinquent and the, we'll call it the tenant, the boarder
10 decided to apply for service and then basically stated to
11 PGW, you know, that they were stating that they should not
12 be responsible for the bill because they have these
13 particular circumstances, if that person could prove to us
14 -- there is a procedure that is in place when a customer has
15 a dispute. We have to provide them a utility report as
16 provided under the regulations.

17 So under those conditions, if that particular person
18 could prove that they had this contractual agreement where
19 they were actually paying the gas as part of their agreement
20 with the landlord, in those particular cases I believe we
21 would have to make the decision based upon that information
22 and allow that customer to come on without having to be
23 responsible for those past due arrearages. And then we
24 still, as PGW, could file a lien against that particular
25 landlord or homeowner.

1 But in the case where there wasn't any proof, they
2 couldn't provide any proof that there was such an agreement,
3 then their recourse would basically be to the Bureau of
4 Consumer Services and to file a complaint in that matter.

5 Q. You also were asked some questions with respect
6 to liens and judgments and whether the section that PGW is
7 proposing with respect to boarding liens and judgments had
8 any indication that the amount that would be subject to
9 being paid or paid in a payment arrangement for a new
10 customer would only be for a four year period. Do you
11 remember those questions?

12 A. Yes, I do.

13 Q. Is there anything in the tariff that would
14 indicate to a customer or would indicate that the limitation
15 is four years?

16 A. I believe there is a limitation contained within
17 the tariff that it is only four years.

18 Q. Is that a general limitation or specifically
19 with liens and judgments?

20 A. I'm not sure, Dan. I believe that is a general
21 limitation.

22 Q. With respect to budget billing, you had some
23 questions with respect to that. Let's compare the existing
24 situation with a mandatory budget billing for residential
25 customers. You discussed the fact that under your current

1 rules, you're allowed to change -- you do change the budget
2 bill amount every four months?

3 A. We review and adjust every four months if it
4 exceeds the parameters set in the system.

5 Q. And is that based on both the projection of
6 actual usage -- what's that based on?

7 A. It's based upon the usage for the previous 12
8 months and then on the GCR going forward.

9 Q. Can you compare that to the existing
10 opportunities for PGW to revise its rates to account for
11 changes in natural gas costs?

12 A. Yes. PGW currently revises its rates quarterly.
13 I believe there is three adjustments, then there's an annual
14 period I think that occurs on September 1st. Again, that is
15 a quarterly basis.

16 Our budget bills are reviewed and adjusted on every
17 four months, and those actually occur on the anniversary of
18 the budget billing arrangement, on the date the budget
19 billing arrangement was set up with the particular customer.

20 So there can be times when customers are set up on
21 budget billing arrangements that they will be reviewed just
22 prior to -- or they'll miss a GCR adjustment, where the
23 budget billing rate may be set too low at a particular point
24 in time and we're not asking the customer to pay us and
25 recovering our costs on a timely basis.

1 Q. Just to be clear, would there be negative
2 repercussions to PGW from a cash flow standpoint if it was
3 required to institute budget billing for all its residential
4 customers and the budget billing was not allowed to change
5 frequently enough to take account of gas costs?

6 A. Well, obviously there are ramifications. Any
7 time there's a difference, when there's an actual versus
8 asked-to-pay, if that is at a critical point in the year
9 when we have to pay our gas bills, yeah, it's going to cause
10 us problems. We're very concerned on a daily basis, we look
11 at our actual versus asked-to-pay on an everyday basis.

12 MR. CLEARFIELD: That's all I have, Your Honor.

13 JUDGE RAINEY: Any recross based on the redirect?

14 MR. HICKS: Two questions, Your Honor?

15 JUDGE RAINEY: Yes, Mr. Hicks.

16 RECCROSS-EXAMINATION

17 BY MR. HICKS:

18 Q. Mr. Gyory, do you know what a presumption is?

19 A. Yes.

20 Q. And the Proposal D, do you have that?

21 A. I'm looking for it.

22 Q. Page nine.

23 A. I've got it.

24 Q. Doesn't this proposal create a presumption that
25 if an adult person resides in a household at the time that

1 an accumulated balance goes unpaid, they're required to pay?

2 A. It creates -- there's that presumption there,
3 that's correct.

4 MR. HICKS: Thank you.

5 JUDGE RAINEY: Mr. Bertocci?

6 MR. BERTOCCI: Yes, I just have one question.

7 RE-CROSS-EXAMINATION

8 BY MR. BERTOCCI:

9 Q. Is it your position that Section 2.4.C.4 of the
10 tariff that was to be effective September 1, 2003, that that
11 is a general, that contains a general rule against requiring
12 applicants for service to pay for gas that was consumed more
13 than four years prior to the date of application as a
14 condition of getting service?

15 A. I believe it is a general rule, Mr. Bertocci,
16 but again, I do know that there's some provision contained
17 in Chapter 56 to that four year limitation.

18 MR. BERTOCCI: Thank you.

19 JUDGE RAINEY: Just for clarification and also I
20 think for fullness of the record, Mr. Gyory, how does PGW
21 presently go about executing upon judgments and liens?

22 THE WITNESS: Currently, we're not executing on
23 judgments and liens. Currently, where we get an opportunity
24 to collect those dollars associated with those liens and
25 judgments is at the settlement table when there's a transfer

1 in property rights in the case of liens, but we have not
2 executed on neither liens nor judgments to date.

3 JUDGE RAINEY: If there's nothing further, you may
4 stand down.

5 (Witness excused.)

6 JUDGE RAINEY: I believe that then completes PGW's
7 witnesses; is that correct, Mr. Clearfield?

8 MR. CLEARFIELD: Yes, Your Honor.

9 JUDGE RAINEY: Then we will move on now to the Office
10 of Trial Staff's witnesses.

11 MR. KANASKIE: Thank you, Your Honor. The Office of
12 Trial Staff calls David Mick.

13 JUDGE RAINEY: Mr. Mick, if you'll raise your right
14 hand, I'll swear you in.

15 Whereupon,

16 DAVID G. MICK

17 having been duly sworn, testified as follows:

18 JUDGE RAINEY: Please be seated, provide your full
19 name and spell your name.

20 THE WITNESS: My name is David, middle initial G,
21 last name Mick. That's D-A-V-I-D, middle initial G, last
22 name Mick, M-I-C-K.

23 JUDGE RAINEY: And Mr. Mick, by whom are you
24 employed?

25 THE WITNESS: I'm employed by the Pennsylvania Public

1 Utility Commission, Bureau of Consumer Services.

2 JUDGE RAINEY: And your business title?

3 THE WITNESS: I'm a program analyst three.

4 JUDGE RAINEY: And please provide your business
5 address.

6 THE WITNESS: Pennsylvania Public Utility Commission,
7 Post Office Box 3265, Harrisburg, Pennsylvania, 17105, mail
8 drop 3265.

9 JUDGE RAINEY: Please proceed, Mr. Kanaskie.

10 MR. KANASKIE: Thank you, Your Honor.

11 DIRECT EXAMINATION

12 BY MR. KANASKIE:

13 Q. Mr. Mick, have you prepared written testimony
14 for the purposes of this proceeding?

15 A. I have.

16 MR. KANASKIE: Your Honor, I have previously
17 distributed to the parties, the court reporter and to you a
18 document that has been preliminarily identified as OTS
19 Statement No. 2, the direct testimony of David G. Mick. I
20 ask at this time that it be marked for identification.

21 JUDGE RAINEY: So marked.

22 (Whereupon, the document was marked
23 as OTS Statement No. 2
24 for identification.)

25 MR. KANASKIE: Thank you, Your Honor.

1 BY MR. KANASKIE:

2 Q. Mr. Mick, do you have the document that I
3 requested by marked for identification in front of you?

4 A. I do.

5 Q. Does this document contain your direct testimony
6 in this proceeding?

7 A. It does.

8 Q. Were these documents prepared by you or under
9 your supervision?

10 A. Yes.

11 Q. Do you have any changes or corrections to these
12 documents?

13 A. I do. I have one change on line one, page
14 seven. There's a typographical error that is actually
15 significant. On line one, 50 percent should be 5.0 percent.

16 Q. Thank you, Mr. Mick. With this change, if I
17 were to ask you the questions contained in your direct
18 testimony again today, would your answers be the same?

19 A. Yes, sir.

20 Q. And would these answers be true and correct to
21 the best of your knowledge?

22 A. That is correct.

23 MR. KANASKIE: Your Honor, at this time, the Office
24 of Trial Staff requests that the document marked for
25 identification be admitted into the record subject to timely

1 motions to strike and cross-examination by the parties.

2 JUDGE RAINEY: Any objections?

3 (No response.)

4 JUDGE RAINEY: Hearing none, so admitted.

5 (Whereupon, the document marked

6 as OTS Statement No. 2

7 was received in evidence.)

8 MR. KANASKIE: Your Honor, Mr. Mick is available for
9 cross-examination.

10 JUDGE RAINEY: Thank you. Mr. Clearfield?

11 MR. CLEARFIELD: Thank you, Your Honor.

12 CROSS-EXAMINATION

13 BY MR. CLEARFIELD:

14 Q. Good afternoon, Mr. Mick.

15 A. Good afternoon.

16 Q. I guess we expected to meet again in different
17 circumstances, but maybe that will happen some other time.
18 I just have a couple questions with respect to your
19 testimony. First, with respect to your analysis of the
20 differences in various customer debt and payment arrangement
21 statistics that you show on page six, between 2003 and 2004
22 for PGW, do you have that?

23 A. Yes.

24 Q. Now, did you examine any other years before you
25 made this analysis?

1 A. No, I have not.

2 Q. Did you examine any of the data that's been
3 presented in the record in the CRRC proceeding regarding the
4 level of collections or uncollectibles that PGW has
5 experienced in other years?

6 A. I have not.

7 Q. I can show you this, but with respect to 2002,
8 that was a period prior to the time that PGW was formally
9 subject to Chapter 56; would you agree?

10 A. Yes.

11 Q. Would you accept subject to check that in that
12 year, PGW showed that its collection level was 97.6 percent?

13 A. I --

14 Q. I can show you the exhibit.

15 MR. CLEARFIELD: May I approach the witness?

16 JUDGE RAINEY: Yes, you may.

17 BY MR. CLEARFIELD:

18 Q. This is from JRB-4, the CRRC proceeding. And
19 you'll see that it shows the cash receipts for each year,
20 and it shows the 2003 level that you show at the 86.6
21 percent; do you see that?

22 (Witness nodding.)

23 Q. And that would be -- you nodded, you said yes,
24 right?

25 A. I said yes.

1 JUDGE RAINEY: Yes, you have to answer.

2 MR. CLEARFIELD: Orally.

3 BY MR. CLEARFIELD:

4 Q. And that would be consistent with the 2003
5 statistics that you show there. That would be the period
6 that would be captured by those statistics; would that be
7 right?

8 A. The month of May is somewhere in 2003, right.

9 Q. In 2002, the collection levels were much, much
10 higher than that, 97.6 percent; do you see that?

11 A. I see it.

12 Q. And you would expect, then, if you made the same
13 comparison for 2002, that these statistics would be, for
14 2002, would be much better as well; would you not?

15 A. If these percentages are correct, that would be
16 true.

17 Q. It wouldn't be fair to conclude, though, that --
18 oh, I'm sorry. Did you hear the testimony of Mr. Gyory that
19 indicated that PGW is expecting, for this fiscal year, to
20 achieve a collections rate of around 92 percent?

21 A. Yes.

22 Q. So that's less than the 97.6 percent it achieved
23 in 2002, isn't it?

24 A. Yes.

25 Q. Would it be fair to conclude that by comparing

1 2002 and 2004, that PGW's adherence to Chapter 56 had
2 actually hurt its collections levels and cash receipts
3 levels?

4 A. I can't honestly say that because I haven't had
5 the information from prior periods of time to look at.

6 Q. Well, do you think there are other factors that
7 might affect those collection levels other than just what
8 the precise set of rules might be?

9 A. Sure. I mean, there are other factors.

10 Q. Is weather, is the level of the customer's bill
11 a factor?

12 A. Sure. A customer's bill is affected by weather
13 and by rates.

14 Q. Let me ask you some questions about the comments
15 you made about the CRP, just for a minute. You say that
16 you're not testifying about the level of the program's
17 budget, but you employed that the company is not spending
18 enough per customer; is that fair?

19 A. That is correct. Yes, that's a fair assessment.

20 Q. Are you proposing that we spend more overall or
21 just more per customer at the same budget level?

22 A. I'm certainly not contesting the budget level,
23 but I would like to explore the opportunity to spend more
24 per home so the average cost would obviously change.

25 Q. And as Ms. Coltro indicated, she would very much

1 like that opportunity earlier today.

2 A. Yes.

3 MR. CLEARFIELD: That's all the questions I have.

4 Thank you.

5 JUDGE RAINEY: Mr. Keene?

6 MR. KEENE: Nothing, Your Honor.

7 JUDGE RAINEY: Mr. Gray?

8 MR. GRAY: No questions, Your Honor.

9 JUDGE RAINEY: Mr. Bertocci?

10 MR. BERTOCCHI: No questions, Your Honor.

11 JUDGE RAINEY: Mr. Hicks?

12 MR. HICKS: None, Your Honor.

13 JUDGE RAINEY: Mr. Smith?

14 MR. SMITH: Nothing, Your Honor.

15 JUDGE RAINEY: You may stand down, Mr. Mick.

16 (Witness excused.)

17 JUDGE RAINEY: Mr. Kanaskie, you may call your next
18 witness.

19 MR. KANASKIE: Thank you, Your Honor. The Office of
20 Trial Staff calls Daniel J. Mumford to the stand, please.

21 JUDGE RAINEY: If you will raise your right hand,
22 I'll swear you in.

23 Whereupon,

24 DANIEL J. MUMFORD

25 having been duly sworn, testified as follows:

1 JUDGE RAINEY: Please be seated, provide your full
2 name and spell your name for the record.

3 THE WITNESS: Daniel J. Mumford, D-A-N-I-E-L,
4 M-U-M-F-O-R-D.

5 JUDGE RAINEY: And Mr. Mumford, by whom are you
6 employed?

7 THE WITNESS: I'm employed by the Pennsylvania Public
8 Utility Commission, Bureau of Consumer Services.

9 JUDGE RAINEY: And what is your business title?

10 THE WITNESS: I am a utility program specialist.

11 JUDGE RAINEY: And your business address?

12 THE WITNESS: P.O. Box 3265, Harrisburg, PA, 17105.

13 JUDGE RAINEY: Thank you. Please proceed, Mr.
14 Kanaskie.

15 MR. KANASKIE: Thank you, Your Honor.

16 DIRECT EXAMINATION

17 BY MR. KANASKIE:

18 Q. Mr. Mumford, have you prepared written testimony
19 and exhibits for the purpose of this proceeding?

20 A. Yes.

21 MR. KANASKIE: Your Honor, I have previously
22 distributed to the parties, the court reporter and to
23 yourself documents that have been preliminarily identified
24 as OTS Statement No. 4 and OTS Exhibit No. 4. I would point
25 out that OTS Exhibit No. 4 is contained on the back of

1 Statement No. 4.

2 JUDGE RAINEY: Yes, so marked for identification.

3 (Whereupon, the documents were
4 marked as OTS Statement No. 4 and
5 OTS Exhibit No. 4 for
6 identification.)

7 BY MR. KANASKIE:

8 Q. Mr. Mumford, do you have these documents that I
9 requested be marked for identification in front of you?

10 A. Yes, I do.

11 Q. Do these documents contain your direct testimony
12 and the accompanying exhibit?

13 A. Yes.

14 Q. Were these documents prepared by you or under
15 your supervision?

16 A. Yes.

17 Q. Do you have any changes or corrections to any of
18 these documents?

19 A. No, I do not.

20 Q. If I were to ask you the questions contained in
21 your direct testimony again today, would your answers be the
22 same?

23 A. Yes.

24 Q. Would these answers be true and correct to the
25 best of your knowledge?

1 A. Yes, they would.

2 MR. KANASKIE: Your Honor, at this time, the Office
3 of Trial Staff requests the documents marked for
4 identification be admitted into the record subject to timely
5 motions to strike and cross-examination by the other
6 parties.

7 JUDGE RAINEY: Any objections?

8 (No response.)

9 JUDGE RAINEY: Hearing none, so admitted.

10 (Whereupon, the documents marked as
11 OTS Statement No. 4 and OTS Exhibit
12 No. 4 were received in evidence.)

13 MR. KANASKIE: Thank you, Your Honor. Mr. Mumford is
14 available for cross-examination.

15 JUDGE RAINEY: Mr. Clearfield?

16 MR. CLEARFIELD: Thank you, Your Honor.

17 CROSS-EXAMINATION

18 BY MR. CLEARFIELD:

19 Q. Good afternoon, Mr. Mumford.

20 A. Good afternoon.

21 Q. Now, you're an employee of the Bureau of
22 Consumer Services; is that correct?

23 A. Correct.

24 Q. Are you testifying on behalf of the Bureau of
25 Consumer Services today?

1 A. For the purposes of this proceeding, I am
2 testifying for the Office of Trial Staff.

3 Q. Do these opinions reflect your personal opinions
4 or those of the Bureau?

5 A. They reflect my opinion.

6 Q. And not the Bureau?

7 A. No.

8 Q. I notice that you worked for BCS since
9 graduation, is that correct, from college?

10 A. No, not since graduation. Since 1990.

11 Q. Did you ever work for a utility in the credit
12 and collection department?

13 A. No, I have not.

14 Q. Have you ever worked for a public utility?

15 A. No.

16 Q. Generally, Mr. Mumford, do you agree that
17 utilities such as PGW have a right to expect customers to
18 pay the PUC approved rate for the service that they are
19 provided?

20 A. Yes.

21 Q. And that customer who can pay must pay or they
22 shouldn't continue to receive the utility service?

23 A. If they can pay, yes.

24 Q. If they can pay. Well, what if they can't pay?

25 A. If they cannot pay, then they should be able to

1 utilize the rights they have under regulation to still
2 maintain service while meeting their obligation to the
3 utility.

4 Q. Well, if they simply cannot pay their utility
5 service and they're not in a protected class, they're not a
6 low income customer as the PUC's CAP regulations define it,
7 is it your testimony that they have a right to continue to
8 receive service and pay whatever amount they have the
9 ability to pay?

10 A. If they have the ability to pay, they should be
11 paying the bill and they should be meeting their obligations
12 under the regulations. If they fail to meet those
13 obligations, the company is under no obligation to provide
14 them indefinite service.

15 Q. But I'm just trying to understand, in your
16 opinion, if that customer's ability to pay is less than the
17 tariff rate, the amount that the customer, any other
18 customer would be obligated to pay, do the Chapter 56
19 regulations in your view establish a right or a goal of
20 allowing that customer to continue to receive service at
21 that lower ability to pay rate?

22 A. No.

23 Q. Turn to your testimony on page three, lines -- I
24 guess it's line 20 here. You cite the Commission's June 2nd
25 order there and you say that the Commission's order set the

1 standard by which PGW's waiver requests should be
2 considered. Do you see that?

3 A. Correct.

4 Q. Then on the next page, you have a block quote
5 where you show two different references to I guess two
6 different standards. Do you see that?

7 A. Right.

8 Q. Now, the first standard is a provision that says
9 that the PGW's alternative standards or procedures have to,
10 and I'm paraphrasing now, obviously, adequately balance the
11 consumer protection rights with PGW's financial integrity.
12 Do you see that?

13 A. Correct.

14 Q. And that appears at page five, footnote two of
15 the order?

16 A. Right.

17 Q. Now, then you cite to, you have a discussion of
18 Section 66.222 which, as is indicated, requires a utility to
19 show that there is an unreasonable or undue hardship
20 existing before a waiver can be granted. Do you see that?

21 A. Correct.

22 Q. Now, later down the page, you say that PGW in
23 your view hasn't shown this undue hardship. Do you see
24 that?

25 A. Correct.

1 Q. Now, is that the standard that you applied in
2 considering PGW's waiver and modification request, this
3 undue hardship standard?

4 A. Yeah, that is one of the standards that was
5 applied.

6 Q. Well, did you apply the "adequately balance the
7 consumer protection rights with the PGW's financial
8 integrity" standard?

9 A. Right. Those were the other standards that were
10 applied as well.

11 Q. Well, let's go to the block quote for a second.
12 Do you have a copy of the PUC's order?

13 A. Not with me, no.

14 Q. I'll give you my copy, if that's okay.

15 MR. CLEARFIELD: Do you have a copy for him? Yes,
16 why don't you give him yours.

17 BY MR. CLEARFIELD:

18 Q. Could you do me a favor and find the quote that
19 starts, "Moreover, any requests by PGW for waiver"?

20 A. I don't think that's from the order itself.

21 Q. It's not? Oh, I'm sorry. See, it says, "The
22 pertinent part of the order reads as follows," and then
23 there's a block in your testimony.

24 A. Right, and I think that ends at the page five,
25 footnote two.

1 Q. So this portion that starts, "Moreover," that
2 doesn't actually appear in the order, does it?

3 A. Right. That's correct.

4 Q. And so the Commission never actually quoted the
5 undue hardship standard in their order, did they?

6 A. Not that I'm aware of, no.

7 Q. So when you used the undue hardship standard,
8 you were actually using a standard to judge PGW's request
9 that the PUC never said should be used, did they?

10 A. I was using a standard that is in Chapter 56.

11 Q. Okay. Let's get back to this balancing test.
12 You said that you used that test. Is there anyplace where
13 you considered PGW's claims of financial hardship, financial
14 crisis, and balanced them against the customer standards or
15 the changes in Chapter 56 that they're proposing?

16 A. I looked at what the company proposed and I
17 looked to see if they had an argument or any kind of
18 indication as to how that would improve their financial
19 integrity, and I found such evidence lacking.

20 Q. Well, in each case, PGW did, except for one, did
21 show an analysis of additional cash working capital or
22 collections that it believed it could collect; did it not?

23 A. It presented information on such, but I did not
24 always find some information convincing.

25 Q. But in each, did you specifically refute each of

1 those analyses in your testimony, and if so, could you show
2 me where?

3 A. I don't think I specifically refuted each and
4 every financial analysis the company did. I did in some
5 cases point out problems that I saw with the analysis.

6 Q. But also on an overall basis, did you consider
7 whether, on an overall basis, PGW's crisis, financial crisis
8 justified these special changes in Chapter 56?

9 A. Overall, yes, I overall looked at the proposal
10 and tried to arrive at a judgment as to whether this was a
11 solution that would indeed produce the desired result.

12 Q. And your judgment is, we don't need these
13 changes?

14 A. I did not see convincing evidence of that.

15 Q. Well, if PGW is not permitted to modify its
16 collections practices, do you have a recommendation as to
17 where it's going to obtain the needed cash improvements that
18 it needs in the next several months?

19 A. Well, if time had been -- again, this was a very
20 abbreviated procedure, so I'm afraid it did not really, I
21 did not have the time to consider and offer such alternative
22 proposals. Otherwise, I would have been glad to.

23 Q. Well, you know that Mr. Weakley, for example, in
24 his testimony for the OTS states, and I'm quoting, and this
25 is from page 25 of his testimony, "PGW must improve its cash

1 flow and protect its bond rating in order to issue
2 additional bonds this fall at the lowest possible cost."

3 A. Right.

4 Q. Do you recall that testimony from Mr. Weakley?

5 A. Yes.

6 Q. Well, do you have any recommendations as to what
7 PGW can do to improve its cash flow?

8 MR. KANASKIE: Objection, Your Honor. It's been
9 asked and answered. He does not have recommendations.
10 We're reminded that the burden of proof is on the company to
11 carry forward their case.

12 MR. CLEARFIELD: I'll accept counsel's
13 representation.

14 BY MR. CLEARFIELD:

15 Q. Let's turn to page five. You state that it
16 appears that PGW's goal is to terminate service at such a
17 pace that they need extraordinary reductions in Chapter 56
18 rates. Do you see that?

19 A. Correct, yes.

20 Q. How many more terminations is PGW projecting if
21 these waivers are granted?

22 A. I don't have that off the top of my head.

23 Q. Were you aware that PGW in fact isn't projecting
24 any additional terminations necessarily, but that in fact it
25 believed that customers would be subject to the same

1 processes under Chapter 56 today so that they could avail
2 themselves of payment agreements or pay the bill and avoid
3 termination?

4 A. I'm not aware of that argument.

5 Q. Well, is PGW proposing to eliminate any
6 functional equivalents to termination that you can think of?

7 A. It appears that you could construe some of what
8 they're proposing as to eliminating those alternatives, yes.

9 Q. Well, first of all, the primary functional
10 equivalent to termination is the entering into a payment
11 agreement; is that right?

12 A. That's one of the primary ones. There are
13 others.

14 Q. All right. Well, let's just focus on that. Is
15 there any proposal that we've made where PGW is proposing to
16 take away the right of a customer to at least enter into one
17 payment agreement before they're terminated?

18 A. Limiting just to one, it appears that everyone
19 would have at least one, but the right to other
20 arrangements, it appears to be abrogated.

21 Q. But didn't the Commission just issue an order in
22 the Mary Frayne case that indicated that in fact companies
23 are not obligated to enter into any more than one payment
24 arrangement?

25 A. Unless there's a change in circumstances, and

1 the Commission specifically in the Mary Frayne order
2 specified that there were changes of circumstances beyond
3 just a drop in income. PGW's proposal would limit change in
4 circumstances to a drop of income to a lower income level.

5 Q. So we're not eliminating the ability to enter
6 into a PAR. We're going to offer one PAR, just as Mary
7 Frayne indicated.

8 JUDGE RAINEY: PAR, you're talking about payment
9 arrangement?

10 MR. CLEARFIELD: Payment arrangement, yes. Sorry.

11 BY MR. CLEARFIELD:

12 Q. And did I understand you to agree that PGW is
13 also agreeing that a customer could obtain an additional
14 payment arrangement if they had a change in circumstances in
15 that their income changed to put them into a different
16 income category?

17 A. It appears that PGW is only going to consider a
18 change of circumstance if it is a drop in income to a lower
19 income level. Yes, that's the only change in circumstance
20 I'm aware of that PGW is willing to consider in this
21 proposal.

22 Q. So in this one respect, that's the only
23 difference between the existing law as the PUC has
24 established it and what PGW is requiring, isn't it, just the
25 limitation of the instances in which this change in

1 circumstance would be considered?

2 A. I wouldn't use the word "only." That tends to
3 minimize that.

4 Q. Okay. What else?

5 A. I think that's a rather serious, limiting --

6 Q. Oh, I see.

7 A. -- people to that extent is a rather serious
8 matter and I wouldn't use the term "only" to characterize
9 it.

10 Q. But you don't think that's justified in light of
11 the fact that the company potentially could not be able to
12 provide gas service in the next six months if it doesn't
13 increase its cash flow?

14 A. Again, I would have to weigh that with the
15 impact on an individual customer, also.

16 Q. And the impact on the individual customer of
17 getting more than one payment arrangement is more important
18 in your mind than saving the company and allowing the
19 company to continue to provide gas service?

20 A. Again, it depends upon the circumstances of that
21 individual. The consequences of losing gas service can be
22 quite serious for an individual.

23 Q. Do you think the consequences of the entire city
24 losing gas service could be quite serious?

25 A. Of course. Again, it's a balancing between the

1 needs of the company and the individual.

2 Q. And ultimately, it's the Commission that's going
3 to make that balancing, isn't it?

4 A. Correct.

5 Q. And that's a policy judgment for them to make as
6 to where that line gets drawn?

7 A. Correct.

8 Q. Page six, you indicate that in your mind -- and
9 I'm assume you're testifying not as a lawyer but as an
10 analyst.

11 A. Correct.

12 Q. That Section 2206(a) of the Natural Gas Choice
13 Act prevents PGW from obtaining a waiver of Chapter 56
14 provisions if any of the waiver provisions would reduce a
15 consumer right that existed essentially prior to
16 restructuring; is that right?

17 A. Essentially, that the protection standard should
18 be maintained. Any change should result in roughly
19 equivalent level of protections.

20 Q. Does that provision apply to all gas utilities
21 in the Commonwealth?

22 A. To my understanding, ones that are covered under
23 the Natural Gas Choice and Competition Act. I don't know,
24 there might be some small miscellaneous gas companies, very
25 small, that are not technically covered under that Act. I

1 believe there was certain thresholds built into that Act.

2 Q. Fair point. Any natural gas distribution
3 company that has been subject to restructuring under this
4 provision?

5 A. My understanding is, if it's been subject to
6 restructuring under these provisions, yes, that applies.

7 Q. And would that mean that in your interpretation,
8 no natural gas company in Pennsylvania can get a waiver of a
9 Chapter 56 provision if it would reduce a right extended to
10 a customer that existed prior to restructuring?

11 A. On balance, the level of protection would have
12 to remain roughly equivalent afterwards.

13 Q. I'm sorry, I don't understand what that means.
14 Let's assume that another company proposed to, let's take
15 the elimination of the winter termination for Levels 3 and 4
16 customers. How could another gas company achieve that
17 waiver and still be consistent with Section 2206 in your
18 mind?

19 A. In my opinion, removing protection from
20 termination in winter would not be in compliance with that
21 section.

22 Q. So they couldn't get a change in Chapter 56
23 under that interpretation?

24 A. Not on the winter termination. I would consider
25 that a major degradation of consumer protection.

1 Q. Well, are there any of the changes here that are
2 so minor that it would allow you to agree that they would
3 survive under your interpretation of this section?

4 A. I had concerns with almost all of them except, I
5 did note there were a few that I don't think technically
6 even require a waiver, so you could possibly make an
7 argument that those provisions would not come into play.

8 Q. Does that mean that the PUC could not issue an
9 order rescinding Chapter 56 for natural gas companies
10 tomorrow?

11 A. Again, my understanding would be, whatever
12 replaced Chapter 56 would have to provide some degree of
13 equivalent protections.

14 Q. Well, let's say they just got rid of the entire
15 chapter or a particular section, they decided that for all
16 companies, including natural gas companies, it wasn't just
17 saying one. Does the PUC have that authority today?

18 A. I would say under my understanding of Section
19 2206, that would be very questionable and probably, my
20 understanding, contrary to that section.

21 Q. Has the Commission ever made that pronouncement,
22 that it was bound to maintain Chapter 56 because of the
23 passage of the Natural Gas Choice Act?

24 A. I'm not aware of any specific Commission action
25 as of this date to that regard.

1 Q. Let's turn to deposit requirements. Now, in
2 this section, this is the first time you raise the issue --
3 I'm sorry, I'll have to find you a page here.

4 (Pause.)

5 Q. This is the first point at which you raise the
6 issue that there's a section of Chapter 56, in this case
7 56.31, that PGW didn't specify in its Appendix B. I think
8 it's on page seven that you discuss this.

9 A. Correct.

10 Q. In your mind, the fact that PGW didn't indicate
11 a change in Section 56.31 in its Appendix B, does that
12 require PGW's request to be rejected?

13 A. Not necessarily, but I thought it was important
14 to include that in the record, that what PGW is asking for
15 goes beyond the specific sections they discuss in their
16 Appendix B.

17 Q. All right. I was just trying to understand your
18 point there. So if PGW amended its petition to conform with
19 the evidence or if the PUC deemed that PGW's request amended
20 or modified any of the provisions that were affected by its
21 requests, that would take care of your concern there; would
22 that be right?

23 A. If the Commission did so, yes.

24 Q. Now, you also say that granting our request --
25 the request here is that we would require a uniform deposit

1 from all residential customers and it would be different for
2 heating and non-heating; is that a fair characterization?

3 A. Correct.

4 Q. And you say on page seven that that proposal
5 could -- let's get it right here -- could result in de facto
6 redlining or at least the appearance of such. Do you see
7 that?

8 A. Correct.

9 Q. I'm a little confused. Are you saying that
10 because there would be a specific deposit provision that
11 would only apply to PGW, that that would be redlining?

12 A. Again, you have to read what precedes that.
13 That statement is made in the context of the entire state.
14 And as you pointed out a few minutes ago, the PUC regulates
15 things across the state.

16 Q. Right.

17 A. It is in that context where the Commission could
18 be setting up special credit procedures for one county out
19 of 67 counties. Someone could look at that and question
20 that, whether that was a form of redlining, or at least have
21 the appearance of such.

22 Q. Now, PGW's service territory only consists of
23 one county; isn't that right?

24 A. Correct, yes.

25 Q. So any time there would be rules just for PGW,

1 it would obviously only apply to Philadelphia; isn't that
2 right?

3 A. Correct.

4 Q. And wouldn't the same comment apply if any other
5 utility in the Commonwealth asked for a rule that was unique
6 to them? In other words, couldn't you say that they were
7 redlining their service territory because no other customer
8 in any other service territory was subject to the same
9 provision?

10 A. Well, that's always a concern that you would
11 have to look at. Again, for redlining, what you're looking
12 at is, are decisions such as credit determinations and
13 interest rates, etcetera, being based on an individual's
14 credit record and individual merit or is it instead being
15 based on the individual's demographic group, gender, rate,
16 etcetera. That's what you have to look at when you're
17 concerned about redlining.

18 Q. But PGW isn't proposing to look at gender or
19 race. It is going to apply the deposit to every customer,
20 isn't that right, regardless of any of those conditions?
21 It's the opposite of redlining, isn't it?

22 A. Again, you have to take into context the rest of
23 the Commonwealth. Someone could look at someone in Bryn
24 Mawr who is going to have the right to have their gas
25 application viewed as an individual based on their

1 individual credit record, but you cross over into the city
2 line here and you're automatically paying a deposit. You do
3 not have the right to have your credit based on your
4 individual record.

5 Again, I point out, given that context, you know,
6 going beyond just Philadelphia, someone could look at that
7 questionably.

8 Q. Okay. Well, someone could make the same
9 characterization any time a utility sought and obtained a
10 special rule that only applied to its service territory,
11 couldn't it? Isn't that fair?

12 A. Someone could, yes, and the Commission has to be
13 sensitive to those concerns when it looks at waiver
14 requests.

15 Q. You also are concerned about the fact that PGW's
16 deposit requirement proposal is a one size fits all, it's
17 based on system average gas usage, gas --

18 A. Correct.

19 Q. -- rates. And you say that that's a concern
20 because some customers may use more, some customers may use
21 less. Is that fair?

22 A. Correct.

23 Q. Today, the company has a right to ask for a
24 deposit in certain circumstances; isn't that right?

25 A. Correct.

1 Q. And are you familiar with how they calculate the
2 deposit?

3 A. It generally, according to regulation, should be
4 based on two months of bills.

5 Q. Okay. And if you have a customer that just
6 moved into the service territory, what bills do they use?

7 A. It can depend on -- must utilities that I've
8 seen try to base it on the historical usage of the
9 residence.

10 Q. At the location, right.

11 A. Right.

12 Q. So a customer comes into PGW, a deposit is
13 justified, and PGW takes the historical usage from the prior
14 tenant or owner of the house and says, "We're going to base
15 your deposit on that historical usage." Is that generally
16 how it's done?

17 A. That's often how it's done, is my understanding,
18 yes.

19 Q. Isn't it true that that new customer could use
20 more or less than the prior resident of the house?

21 A. Oh, correct, yes.

22 Q. And in that case, if the customer uses less
23 natural gas, the deposit would be higher than their
24 individual circumstances would justify; isn't that right?

25 A. Correct.

1 Q. That's exactly what we're trying to do, only on
2 a system basis; isn't that right?

3 A. Well, again, with that word "system basis,"
4 you're taking your entire system and trying to work out an
5 average and apply it to everyone. That's different than at
6 least using the individual's location. I would still think
7 at least using the individual's location would result in a
8 deposit that was more accurate and just than taking a
9 systemwide average from across an entire city.

10 Q. On pages nine and ten, you indicate that PGW's
11 deposit proposal could result in low income customers not
12 eligible for CRP or CAP being asked to pay a deposit that
13 would be difficult for them to afford.

14 A. Correct.

15 Q. But didn't you also indicate I guess a page
16 before that the existing regulations permit PGW to ask for a
17 deposit from a new customer in certain circumstances?

18 A. Correct.

19 Q. Now, wouldn't that same customer, if a deposit
20 was requested, be in the same exact position as under PGW's
21 proposal, that is, if that customer was a lower income
22 customer, not in CRP, a deposit was requested, that customer
23 would be potentially not able to start service, either,
24 would they?

25 A. Correct, under current --

1 Q. So under the current rules, the same thing could
2 happen?

3 A. Under the current rules, yes, you can still ask
4 for a deposit under the current rules.

5 Q. Now, I don't know if you had a chance to look at
6 Mr. Gyory's rebuttal testimony. Did you?

7 A. Not in detail, no.

8 Q. There was an indicate there that somewhere
9 between 23 and 27 percent of new accounts set up in FY 2004
10 are already delinquent. Did you see that?

11 A. I don't think I saw that particular part.

12 Q. Would you accept that subject to check?

13 A. I'll check that.

14 Q. It's in the exhibit. You can check it. And
15 over one-half of the accounts receivable from those
16 customers are over 90 days overdue. Would you accept that
17 his exhibit shows that as well?

18 A. I'll accept that.

19 Q. Now, does that change your thinking at all about
20 the necessity of asking for a uniform deposit requirement,
21 those statistics?

22 A. Well, the Commission historically has cautioned
23 companies and has questioned the validity of deposits for
24 low income customers as a tool for securing accounts.

25 You ask a low income individual for a \$500 deposit up

1 front just to get gas service, it may not be a mystery as to
2 why they can't pay the next month's gas bill.

3 I don't know how many low income people have \$500 set
4 aside that they can just give to a utility company for a
5 deposit.

6 Q. So our alternative is to give them service
7 without the deposit, allow them to go into arrears, and then
8 realize the loss in collections. Isn't that the
9 alternative?

10 A. Well, again, you're assuming that just asking
11 for that deposit is somehow going to make them able to pay
12 their bill.

13 Q. No, I'm assuming that asking them to pay the
14 deposit and getting it is going to mitigate our loss if
15 those customers go into arrears. You would agree with that?

16 A. And I would also point out, for a customer like
17 that, is this customer in the CRP program?

18 Q. If look at the schedule, we've already had
19 customers go -- all the customers who are applicable for the
20 CRP program were placed in the CRP program, and these
21 customers, 25 percent of the customers that started service
22 just this year are already in arrears, and that's customers
23 that have already gone to CRP. You would agree that if PGW
24 had been able to ask for a deposit from each of those
25 customers, the loss it's going to suffer if those customers

1 end up not paying their bill or the loss just because they
2 haven't paid on time would have been mitigated; wouldn't you
3 have to agree to that?

4 Q. But again, I would have to ask, how many
5 customers were not able to pay their bill because they had
6 to pay a \$500 deposit up front. You have to weigh that also
7 in making any such calculation.

8 Q. Well, let's just take a fast calculation. If we
9 asked for -- 25 percent of those customers, just use that
10 roughly, of 68,000, that's 18,466 accounts. Just say
11 18,000. If we had gotten a \$250 deposit from each one of
12 those customers, that's something like \$4 million. Would you
13 accept that subject to check?

14 A. Okay, yes.

15 Q. Now, if we had been able to implement our
16 proposal, the uniform deposit requirement, you would agree
17 that these customers, if we would be able to secure these
18 non-payments by the sum of \$4 million, that's \$4 million
19 we're not going to be able to collect without that deposit
20 proposal; isn't that true?

21 A. First, I have to question the assumption that
22 you're going to get those deposits to begin with.

23 Q. Okay.

24 A. You can ask a poor person for a \$250 or \$500
25 deposit. Are you going to get it? Your scenario seems to

1 be assuming that yes, you're going to be getting it, and I
2 have to question that assumption right from the start.

3 Q. Would it be fair to say that if a customer can't
4 come up with the \$250 deposit, it's a pretty good likelihood
5 that they're not going to be able to pay their gas bill
6 after that?

7 A. There's also a possibility that if they're
8 forced to pay a \$250 deposit, they're not going to be able
9 to pay their gas bill for that first month.

10 Q. Either way, PGW gives out service and doesn't
11 get paid; would you agree?

12 A. Again, I wouldn't necessarily agree with that
13 assumption, no.

14 Q. You wouldn't? Well, if the customer, if we
15 allow a customer on the system who then stops paying, we
16 don't get the revenues from the gas service; you agree with
17 that, right?

18 A. Correct.

19 Q. And if we had a deposit, we would be able to
20 mitigate that loss at least to some extent; wouldn't you
21 agree to that?

22 A. Correct.

23 Q. Okay. Now, you understand that when we provide
24 gas service today, it's not just dollars that we forego,
25 lost profits. We're also buying gas for that customer and

1 having to pay for it; you understand that?

2 A. Correct.

3 Q. So we're not only losing the margin from those
4 sales customers, we're also having to pay for gas and having
5 other customers pay for it; wouldn't you agree to that?

6 A. Correct. But this is all hypothetical. You're
7 laying out a hypothetical here which is ignoring individual
8 circumstances. You look at a specific customer, you don't
9 know what their payment history is. This may be in the
10 wintertime when they fall behind, as many gas customers do
11 in the wintertime. They may make up that billing then in
12 the warmer weather. Again, you're asking hypothetical
13 questions.

14 Q. Well, if we make up the billing, though, and
15 they haven't paid on time, that's a loss to the company,
16 isn't it?

17 A. Correct.

18 Q. And that loss has to be made up by other
19 customers; is that what you're proposing? Do you think
20 that's reasonable, for other customers to have to make up
21 that loss for customers who can't pay or won't pay?

22 A. My understanding -- again, I'm not a rates
23 expert, but my understanding is that utility rates have
24 always included certain monies for uncollectible accounts.
25 Now, again, it's a balance. How many of those accounts, how

1 do you try to limit those accounts as opposed to individual
2 protections. Again, it's a balance.

3 Q. Well, uncollectible accounts is paid by all
4 customers, correct?

5 A. That's my -- again, I'm not a rates expert, but
6 that's my understanding, yes.

7 Q. So in essence, it's customers who don't pay
8 their bills transferring that obligation to customers who do
9 pay their bills; is that right?

10 A. Again, to a certain extent. Again, it's a
11 balance. It's one of the things the Commission decides when
12 setting a company's rates. Again, I'm not a rates expert.

13 Q. Did you have occasion to review the transcripts
14 of the public input proceedings in the CRRC investigation?

15 A. No, I did not.

16 Q. Okay. Let's turn to the proposal that would
17 require an applicant to be responsible for arrearages at a
18 residence at which the evidence indicates that that
19 applicant had previously resided.

20 MR. KANASKIE: Excuse me, counsel. Can I have a page
21 reference?

22 MR. CLEARFIELD: Page 11, I'm sorry.

23 BY MR. CLEARFIELD:

24 Q. Do you have that in front of you?

25 A. Yes.

1 Q. Now, I just want to make sure I understand your
2 concerns about this. If we have a customer, again, Customer
3 A who lives at a residence for several years with a
4 relative, a mother, a sister, and both are enjoying natural
5 gas service -- you follow me so far?

6 A. Correct.

7 Q. Now, they build up a huge arrearage, several
8 thousand dollars. That customer in whose name the bill is
9 in is terminated or just before the termination, the
10 customer is about to be terminated and the relative, the
11 person who has been living with that customer who's on the
12 bill, comes to PGW and applies for service at the exact same
13 location. You follow me there?

14 A. Correct.

15 Q. Now, there's no dispute that the relative
16 enjoyed the service and got a benefit from the service that
17 PGW provided over those years, is there?

18 A. Correct.

19 Q. And is there any reason, is it unfair to require
20 that relative to be responsible for those past due
21 arrearages that accumulated while that relative resided at
22 that same location?

23 A. Again, this is another hypothetical question,
24 and I would have to again wonder about the circumstances.
25 First of all, I would ask, how does PGW know who was living

1 there for how long?

2 Q. Well, let's say they told us. In that
3 situation, they said, "We've been living at that location,
4 both of us have been living at that location, we've enjoyed
5 the service." Is it unfair for us to require that new
6 applicant to be responsible for that previous arrearage?

7 A. I would be more comfortable if you got such a
8 determination from a third party.

9 Q. Like?

10 A. Such as a magistrate, the PUC.

11 Q. But putting aside the more comfortable, is there
12 any reason, is it fundamentally unfair to ask an applicant
13 who's been living at a location and enjoyed the service and
14 has received a benefit to pay a past due arrearage for the
15 time that that applicant lived at that location?

16 A. Oh, I don't have a problem with you asking.

17 Q. Do you have a problem with us requiring that
18 that payment be made before they received service?

19 A. If you're making that determination by yourself,
20 yes, I have a problem with that.

21 Q. And what if the customer had the right to
22 complain or file a complaint with the PUC to seek an appeal
23 of that determination, would that eliminate your concern?

24 A. If we were sought out to give that third party
25 determination, that would be less of a concern, yes.

1 Q. Now, in fact, doesn't Chapter 56 now permit a
2 utility to assign or ask that charges be assigned to the
3 applicant if a determination is made that the applicant is
4 legally responsible for the past due charges?

5 A. If a third party makes such a determination,
6 yes.

7 Q. The PUC makes the determination, doesn't it?

8 A. Right.

9 Q. And it has in fact made those determinations?

10 A. Right, correct.

11 Q. And is there any special legal requirement
12 that's necessary? Do they have to show fraud or do they
13 have to show that there was a contract?

14 MR. HICKS: Objection, Your Honor. Although this is
15 not my witness, this is clearly not a legal witness. Mr.
16 Clearfield is in a zone that I think is beyond the scope of
17 this witness' testimony.

18 BY MR. CLEARFIELD:

19 Q. Do you know what they have to show in order to
20 have the past due arrearage assigned to the new applicant?

21 A. Are you talking at the formal or informal level?

22 Q. Start with the informal level.

23 A. At the informal level, we'd be looking for, was
24 the party involved there, you know, were they benefiting
25 from the service, things like that.

1 Q. Okay.

2 A. There's no specific checklist that I'm aware of
3 for such a determination.

4 Q. And is the determination different at the formal
5 level?

6 A. Again, I can't answer that. I'm not involved
7 with that.

8 Q. Well, the informal level is, BCS make that
9 determination?

10 A. Right.

11 Q. So wouldn't it be fair to say, PGW's request
12 isn't any different than the current rules that are applied
13 by BCS except that the company is going to make a
14 presumption that if evidence shows the applicant has resided
15 at that location for a period of time and enjoyed the
16 service, that the presumption is that they should pay for
17 the service?

18 A. Well, again, the crucial difference is that in
19 that case, you're the one making the determination, not a
20 third party.

21 Q. If that determination is subject to PUC review
22 upon application of the customer, does that eliminate that
23 problem?

24 A. If we're involved.

25 Q. Okay. So we're in agreement. Now, you seem to

1 indicate that it should be PGW that goes forward with these
2 applications under Chapter 56. Are you aware that PGW
3 identified almost 5,000 different accounts last year that
4 were reinstated in a different name?

5 A. I'm not aware of that.

6 Q. Would that trouble you, the fact that there were
7 that many customers coming to PGW and asking for service to
8 be reinstated and just changing the name to get the service?

9 A. Again, I would --

10 MR. BERTOCCI: I'm going to object to that.

11 THE WITNESS: Yeah, I would question how --

12 JUDGE RAINEY: Hold on, hold on, there's an
13 objection. Mr. Bertocci?

14 MR. BERTOCCI: The assumption that -- there's no
15 basis in the record anywhere for the assumption that people
16 are just changing the name in order to get the service.

17 MR. CLEARFIELD: I didn't say that.

18 MR. BERTOCCI: If we read back the record, I think
19 you'll hear, "and just changing the name to get the service,
20 5,000."

21 JUDGE RAINEY: There hasn't been any real support for
22 that 5,000, whether you're talking about 5,000 people who
23 are reapplying or applying for service from the residence
24 where they resided, or if you also included people who live
25 at a residence where there was an account balance that

1 accrued and then they moved somewhere else and applied for
2 service. There are just some questions with regard to that,
3 without any further support for exactly what that number
4 represents. I'll sustain the objection.

5 MR. CLEARFIELD: Your Honor, that's fine. I think I
6 may have misspoke. What I indicated was, in Mr. Gyory's
7 petition, he does indicate that there was approximately
8 5,000 accounts that were reinstated under a different name
9 in FY 2003. We don't have the information to indicate
10 whether that different name in fact could be identified with
11 having lived at that location. That's something that's
12 beyond our current data base, so I agree.

13 JUDGE RAINEY: Okay.

14 BY MR. CLEARFIELD:

15 Q. Let's turn to your concerns about Friday
16 shutoffs. You oppose --

17 A. Is it page 14?

18 Q. Page 14, I apologize. It says it right there on
19 my notes. You state that Friday shutoffs are problematic
20 because such responses to a shutoff as the PUC, community
21 based organizations may not be open on Saturday; is that a
22 fair --

23 A. Correct.

24 Q. But you would agree with me, wouldn't you, Mr.
25 Mumford, that a customer who is subject to shutoff has a

1 number of days prior to that shutoff to respond to the
2 potential termination?

3 A. Assuming they got notices, yes.

4 Q. Well, the actual number of notices, and you set
5 it out well in your testimony, but there may actually be
6 more, is, the first time they get a notice that they are
7 potentially subject to a termination is when they receive
8 their first overdue bill indicating that their bill has not
9 been paid on time; would you agree with that?

10 A. It's a notice that their account is overdue.
11 It's not a notice that termination is pending.

12 Q. Are you saying that customers don't know that if
13 they don't pay their natural gas bill, they're potentially
14 subject to termination?

15 A. There's a difference between having an overdue
16 account and having your service scheduled for termination.

17 Q. Well, what I asked you was, wouldn't you say
18 that it's generally well known in the community that if you
19 don't pay your gas bill, that you're potentially subject to
20 termination of your gas service?

21 A. Potentially, yes, that is one of the grounds for
22 termination.

23 Q. So when you get that overdue notice, you should
24 be alerted to the fact that you're going to have to pay your
25 gas bill or you're potentially going to have your gas

1 service shut off.

2 A. You know that you have an overdue account. You
3 don't necessarily know that a termination is pending.

4 Q. But that's a potential possibility?

5 A. Yes, that is a potential consequence, yes.

6 Q. And then if you still don't pay, you get a ten
7 day notice of termination?

8 A. Right.

9 Q. And then 72 hours later, there's a potential
10 call?

11 A. Correct.

12 Q. Seventy-two hours before the date of the
13 termination?

14 A. Correct.

15 Q. And then under present rules, the utility is
16 required to visit the location and to either make a personal
17 contact or to leave a notice that termination will occur 48
18 hours later?

19 A. Correct.

20 Q. So we've got the overdue bill, the ten day
21 notice, the three day call, potential call -- it doesn't
22 have to actually occur --

23 A. Right.

24 Q. -- and then a 48 hour notice, right?

25 A. Correct.

1 Q. Now, doesn't the customer have all those
2 potential opportunities to call the PUC and complain prior
3 to the time the termination actually occurred?

4 A. Well, again, though, my concern is not based on
5 the current rules. It's based on the rules that PGW is
6 proposing, and under those rules, as I understand it, it's
7 possible someone could get a ten day termination notice and
8 then as late as 60 days after that have service shut off
9 with no further notice.

10 Q. And my point is that the customer --

11 A. So someone could come home on a Friday after
12 work 60 days after they got a termination notice and find
13 their gas service shut off.

14 Q. And what about the notice that said that they
15 were going to be shut off would have led them to believe
16 that they didn't have to do anything to respond to that
17 notice to avoid having their gas service shut off?

18 A. Probably because so much time passed since they
19 got the notice, they didn't take it seriously.

20 Q. Well, Mr. Mumford, are you in the habit of
21 ignoring notices from public utilities that say that your
22 service is going to be shut off within ten days if you don't
23 do something?

24 A. Oh, not me, never, but --

25 Q. Well, then, why would other customers, why are

1 you assuming that other customers might ignore that notice
2 and that they should be protected if they do?

3 A. Perhaps the customer's thinking that the grounds
4 for that termination were eliminated.

5 Q. And how would they think that?

6 A. Well, perhaps they made a payment that the
7 company did not credit. Perhaps there's been a mistake made
8 somewhere along the way.

9 Q. And what did PGW or the utility say when the
10 customer called the company and made the payment, said this
11 ten day notice is in error? What would they have said at
12 that time?

13 A. A ten day notice could have been issued, the
14 customer may have then paid the bill, thinking that the
15 grounds would be eliminated, that they sent the payment in,
16 and then they could still end up shut off, possibly in
17 error.

18 Q. So, because of the possibility that a customer
19 may not actually get any of those notices all the way
20 through the process, and the possibility they'd be shut off
21 on Friday, and the possibility that they would then decide
22 to call the PUC on Saturday, PGW should not be permitted to
23 terminate any customer on Friday in any circumstances; is
24 that your testimony?

25 A. Correct.

1 Q. Did you, when you reviewed PGW's petition and
2 application, did you notice that PGW calculated that the
3 ability to undertake the terminations on Friday would
4 actually in our calculations produce a significant amount of
5 additional collections and cash working capital? Do you
6 recall that? I can show you --

7 A. Yes, I do.

8 Q. And it's nonetheless your testimony that that
9 additional cash working capital and collection opportunity
10 doesn't outweigh the risk that some customer might not have
11 the opportunity to call the PUC the day after a termination
12 notice after receiving many days of notice that they were
13 overdue?

14 A. Well, again, this is one of the areas where I
15 didn't quite understand the company's cost calculation. The
16 company presented a figure savings that this would produce,
17 however I don't see where they included in that calculation
18 the cost of the Saturday office hours that they said that
19 they will start having in order to implement this change.

20 Q. Do you think the cost of the Saturday office
21 hours will offset the --

22 A. I have no idea. The company presented no
23 information on that, so I can't make that determination.

24 Q. If it's -- let me just find that so I can find
25 the calculation.

1 (Pause.)

2 Q. Well, our calculation is on page 12 of the
3 document, that allowing Friday shutoffs would allow them to
4 increase collections by \$2.5 million. Do you see that?

5 JUDGE RAINEY: Mr. Clearfield, page 12 of what
6 document?

7 MR. CLEARFIELD: Page 12 of the verified statement
8 which is Appendix A to PGW Exhibit CP-1.

9 THE WITNESS: Yes, I see that, but again, I don't
10 know if that included the cost of those additional office
11 hours on Saturday or not.

12 BY MR. CLEARFIELD:

13 Q. And you don't know whether those would offset --

14 A. I have no idea.

15 Q. Are you aware of whether PGW has to pay overtime
16 on Saturday to its employees?

17 A. Right, that's -- I don't know that. I don't
18 know any of those things. That's why I mentioned it in my
19 testimony.

20 Q. If you were convinced that in fact there would
21 be a positive cash flow savings for this item, would you
22 change your position and recommend that Friday shutoffs be
23 permitted?

24 A. No. I still have concerns.

25 Q. So it doesn't matter how much money PGW is able

1 to garner from this item, you still would oppose it?

2 A. Unless the concerns I have were addressed.

3 MR. CLEARFIELD: Excuse me just a moment.

4 (Pause.)

5 BY MR. CLEARFIELD:

6 Q. Page 22, you indicate that the payment
7 arrangement guidelines that PGW references in its proposal
8 are actually not part of the regulations and I guess aren't
9 binding on the utility; is that fair?

10 A. Correct.

11 Q. If a utility imposes a payment arrangement on a
12 customer and the customer files a complaint, isn't it true
13 that BCS will use the guidelines to resolve the complaint?

14 A. Correct.

15 Q. So the guidelines are not binding, but any time
16 a customer complains to the PUC, the PUC will make the
17 guidelines mandatory; isn't that right?

18 A. Well, the PUC uses them when it negotiates
19 payment arrangements.

20 Q. With respect -- just one last question to follow
21 up on the discussion about the Section 2206. Are you aware
22 that there's a provision in the Public Utility Code that
23 permits the Commission to waive any provision of the Public
24 Utility Code at the request of PGW?

25 A. I'm aware PGW is making that argument, yes.

1 Q. I know we're making the argument. Are you aware
2 that that provision exists in the Code?

3 A. Yes.

4 Q. And wouldn't that allow the PUC to modify or
5 waive the Section 2206 concerns that you've raised?

6 A. Not being an attorney, my understanding is, yes.

7 MR. CLEARFIELD: That's all I have. Thank you very
8 much.

9 JUDGE RAINEY: Mr. Keene?

10 MR. KEENE: I have nothing, Your Honor.

11 JUDGE RAINEY: Mr. Gray?

12 MR. GRAY: Nothing, Your Honor.

13 JUDGE RAINEY: Mr. Bertocci?

14 MR. BERTOCCI: No, Your Honor, thank you.

15 JUDGE RAINEY: Mr. Hicks?

16 MR. HICKS: No questions, Your Honor.

17 JUDGE RAINEY: Mr. Smith?

18 MR. SMITH: No, Your Honor.

19 JUDGE RAINEY: Thank you. You may stand down --

20 MR. KANASKIE: Your Honor?

21 JUDGE RAINEY: Yes, I'm sorry, redirect?

22 MR. KANASKIE: May I have an opportunity to consult
23 concerning redirect?

24 JUDGE RAINEY: Sure, yes. We'll take a couple of
25 minutes.

1 (Recess.)

2 JUDGE RAINEY: Why don't we go back on the record.

3 Redirect, Mr. Kanaskie.

4 MR. KANASKIE: Thank you, Your Honor.

5 REDIRECT EXAMINATION

6 BY MR. KANASKIE:

7 Q. Mr. Mumford, you were just recently asked some
8 questions regarding Friday shutoff. Do you recall that
9 series of questions by counsel?

10 A. Yes, I do.

11 Q. In your experience, are you aware of any
12 situations or occurrences where a shutoff has been
13 unjustified?

14 A. Yes, that can happen.

15 Q. And how would you become aware of a shutoff that
16 we would call unjustified?

17 A. Through the informal complaint process, the
18 customer calls us with the complaint.

19 Q. When they call with a complaint in the informal
20 complaint process, what happens next? What does that
21 complaint generate?

22 A. Once we're done talking to the consumer, taking
23 in the complaint, that complaint is submitted to the company
24 electronically. At that point, a hold should be placed on
25 the account, preventing termination or collection activity

1 on disputed bills, and then the company, generally within a
2 30 day time frame, will provide BCS with a report on the
3 customer's account and then the BCS investigator will handle
4 the complaint as appropriate.

5 Q. So in other words, and not to put words in your
6 mouth, which I'm about to do, the informal complaint
7 generates a series of events and procedures that the company
8 must follow?

9 A. Correct.

10 Q. Including stopping collection efforts, stopping
11 termination proceedings?

12 A. Correct.

13 Q. Again in your experience, are you aware of
14 circumstances or situations where the informal complaint
15 process has been initiated and a shutoff has indeed
16 occurred?

17 A. Yes, that has occurred.

18 MR. KANASKIE: I have no further questions, Your
19 Honor.

20 JUDGE RAINEY: Thank you. Any recross based on his
21 redirect?

22 MR. CLEARFIELD: Just a couple, Your Honor.

23 RECROSS-EXAMINATION

24 BY MR. CLEARFIELD:

25 Q. Mr. Mumford, am I right that ordinarily

1 customers are required or instructed to contact the company
2 first before they contact or file an informal complaint --

3 A. Yes.

4 Q. -- to try to determine whether that's --

5 A. Yes, that is generally the procedure.

6 Q. You said that there are times when shutoffs are
7 unjustified.

8 A. Correct.

9 Q. Is the primary reason a dispute about whether
10 the amount claimed to be owing or in arrears is in fact
11 owing in whole or in part?

12 A. It can be from a variety of things such as what
13 you just mentioned. It can also simply be an error on the
14 part of the utility or a clerk at the utility improperly
15 coding the account.

16 Q. In terms of the bill amount?

17 A. No. Generally my understanding in discussing
18 with utilities is that when they get a BCS complaint,
19 someone has to go into the account and do various things
20 such as put a hold on the account to prevent collection
21 activity on the disputed bills. Sometimes through human
22 error, system error, computer error, whatever, that does not
23 get done.

24 MR. CLEARFIELD: That's all I have. Thank you.

25 JUDGE RAINEY: Thank you, Mr. Mumford.

1 (Witness excused.)

2 MR. SIMMS: Your Honor, at this time, the Office of
3 Trial Staff calls to the witness stand Janice K. Hummel.
4 She has not been previously sworn.

5 JUDGE RAINEY: If you will raise your right hand,
6 I'll swear you in.

7 Whereupon,

8 JANICE K. HUMMEL

9 having been duly sworn, testified as follows:

10 JUDGE RAINEY: Please be seated, provide your full
11 name and please spell your name.

12 THE WITNESS: My name is Janice K. Hummel,
13 J-A-N-I-C-E, H-U-M-M-E-L.

14 JUDGE RAINEY: And would you tell us by whom you're
15 employed?

16 THE WITNESS: I'm employed by the Public Utility
17 Commission, Bureau of Consumer Services.

18 JUDGE RAINEY: And what is your business title?

19 THE WITNESS: I'm a program analyst.

20 JUDGE RAINEY: And your business address?

21 THE WITNESS: P.O. Box 3265, Harrisburg,
22 Pennsylvania, and the ZIP is 17105.

23 JUDGE RAINEY: Thank you. Please proceed, Mr. Simms.

24 MR. SIMMS: Thank you, Your Honor.

25 DIRECT EXAMINATION

1 BY MR. SIMMS:

2 Q. Ms. Hummel, have you prepared direct testimony
3 and an exhibit for the purpose of being submitted in this
4 proceeding?

5 A. I have.

6 MR. SIMMS: Your Honor, at this time, I would ask
7 that the direct testimony of Janice K. Hummel be marked for
8 identification as OTS Statement No. 3, and that an
9 accompanying exhibit be marked for identification as OTS
10 Exhibit No. 3.

11 JUDGE RAINEY: So marked for identification.

12 (Whereupon, the documents were
13 marked as OTS Statement No. 3 and
14 OTS Exhibit No. 3 for
15 identification.)

16 BY MR. SIMMS:

17 Q. Ms. Hummel, do you have before you what has been
18 marked for identification as OTS Statement No. 3 and OTS
19 Exhibit No. 3?

20 A. I do.

21 Q. Do you have any corrections or changes to make
22 either to OTS Statement No. 3 or to OTS Exhibit No. 3?

23 A. I have three changes to the statement.

24 Q. Please proceed.

25 A. Page one, line 18, "research" should be

1 "program." Page three, line five, the cite should be --

2 JUDGE RAINEY: I'm sorry, slow down just a moment,
3 Ms. Hummel. All right, the first one was on page one, line
4 19, "research" should be "program"?

5 THE WITNESS: Yes.

6 JUDGE RAINEY: Okay. The next one?

7 THE WITNESS: Page three, line five, the cite should
8 be 69.262.

9 JUDGE RAINEY: And the next one?

10 THE WITNESS: Page four, line 12, the cite should be
11 69.262.

12 BY MR. SIMMS:

13 Q. Thank you, Ms. Hummel. With those corrections,
14 if I were to ask you the questions contained in OTS
15 Statement No. 3, would your answers be true and correct to
16 the best of your knowledge, information and belief?

17 A. Yes.

18 MR. SIMMS: Your Honor, at this time, I would ask
19 that OTS Statement No. 3 and OTS Exhibit No. 3 be admitted
20 into the record subject to timely motions and cross-
21 examination by the parties.

22 JUDGE RAINEY: Any objections?

23 (No response.)

24 JUDGE RAINEY: Hearing none, so admitted.

25 (Whereupon, the documents marked as

1 OTS Statement No. 3 and OTS Exhibit
2 No. 3 were received in evidence.)

3 JUDGE RAINEY: Is she available for cross-
4 examination?

5 MR. SIMMS: She is available for cross-examination.

6 JUDGE RAINEY: Mr. Clearfield?

7 MR. CLEARFIELD: PGW has no cross-examination, Your
8 Honor.

9 JUDGE RAINEY: Any other parties have any questions
10 for Ms. Hummel?

11 MR. KEENE: No, Your Honor.

12 MR. GRAY: No, Your Honor.

13 JUDGE RAINEY: Easy day for you, Ms. Hummel.

14 (Laughter.)

15 MR. SIMMS: Thank you, Ms. Hummel.

16 (Witness excused.)

17 MR. SIMMS: Your Honor, at this time, the Office of
18 Trial Staff calls to the witness stand Charles T. Weakley,
19 III. He has not previously been sworn.

20 JUDGE RAINEY: Mr. Weakley, raise your right hand.

21 Whereupon,

22 CHARLES T. WEAKLEY, III

23 having been duly sworn, testified as follows:

24 JUDGE RAINEY: Please be seated, provide your full
25 name for the record and spell your name.

1 THE WITNESS: My name is Charles T. Weakley,
2 W-E-A-K-L-E-Y.

3 JUDGE RAINEY: And Mr. Weakley, by whom are you
4 employed?

5 THE WITNESS: I'm employed by the Pennsylvania Public
6 Utility Commission.

7 JUDGE RAINEY: And your business title is?

8 THE WITNESS: Fixed utility financial analyst.

9 JUDGE RAINEY: And your business address?

10 THE WITNESS: P.O. Box 3265, Harrisburg,
11 Pennsylvania, 17105.

12 JUDGE RAINEY: Please proceed, Mr. Simms.

13 MR. SIMMS: Thank you, Your Honor.

14 DIRECT EXAMINATION

15 BY MR. SIMMS:

16 Q. Mr. Weakley, have you prepared direct testimony
17 and an exhibit for the purpose of being submitted in this
18 proceeding?

19 A. Yes, I have.

20 MR. SIMMS: Your Honor, at this time, I would ask
21 that the direct testimony of Charles T. Weakley, III be
22 marked for identification as OTS Statement No. 1, and that
23 the accompanying exhibit be marked for identification as OTS
24 Exhibit No. 1.

25 JUDGE RAINEY: So marked for identification.

1 (Whereupon, the documents were
2 marked as OTS Statement No. 1 and
3 OTS Exhibit No. 1 for
4 identification.)

5 BY MR. SIMMS:

6 Q. Mr. Weakley, do you have any corrections or
7 additions to make either to OTS Statement No. 1 or to OTS
8 Exhibit No. 1?

9 A. Yes, I have one change.

10 Q. Please proceed.

11 A. On page 23, line six, the question should read,
12 "Please restate the Commission's Question 8," not "5."

13 Q. Does that conclude your corrections?

14 A. Yes.

15 Q. Mr. Weakley, with your noted correction, if I
16 were to ask you the questions contained in OTS Statement No.
17 1, would your answers be true and correct to the best of
18 your knowledge, information and belief?

19 A. Yes, they would.

20 MR. SIMMS: Your Honor, at this time, I would ask
21 that OTS Statement No. 1 and OTS Exhibit No. 1 be admitted
22 into the record subject to timely motions and cross-
23 examination by the parties.

24 JUDGE RAINEY: Any objections?

25 (No response.)

1 JUDGE RAINEY: Hearing none, so admitted.

2 (Whereupon, the documents marked as
3 OTS Statement No. 1 and OTS Exhibit
4 No. 1 were received in evidence.)

5 MR. SIMMS: Mr. Weakley is available for cross-
6 examination.

7 JUDGE RAINEY: Mr. Clearfield?

8 MR. CLEARFIELD: Mr. Stewart, with your permission.

9 JUDGE RAINEY: Mr. Stewart?

10 MR. STEWART: Thank you, Your Honor.

11 CROSS-EXAMINATION

12 BY MR. STEWART:

13 Q. Good afternoon, Mr. Weakley.

14 A. Good afternoon.

15 Q. In your testimony, you've provided us with some
16 of the procedural background for the senior citizen discount
17 proposal extending back even to the restructuring
18 proceeding. And in summarizing the OTS position in that
19 proceeding, you noted that you had proposed a five year
20 phaseout -- I believe I am at page four of your testimony --
21 a five year phaseout of the program then existing prior to
22 restructuring by reducing the discount by a rate annually of
23 four percent.

24 Do you believe that that proposal was consistent with
25 the Choice Act's requirements that seniors in the program

1 prior to September 1st would be allowed to continue to
2 receive that discount at the level set by City Council
3 ordinance?

4 MR. SIMMS: Your Honor, I'm going to object on two
5 grounds. One is that, as Mr. Stewart indicated in his
6 question, we were simply presenting the procedural history
7 of what had occurred with the senior citizen discount
8 program, and the Commission has already ruled and made a
9 determination as to how that provision should be applied
10 when they issued the restructuring order in the PGW case.

11 MR. STEWART: I'll rephrase the question.

12 JUDGE RAINEY: Go ahead, Mr. Stewart.

13 BY MR. STEWART:

14 Q. Your initial position concerning, OTS's initial
15 position concerning this issue of the senior citizen
16 discount was to not even present the discount in effect
17 prior to PUC jurisdiction in the Choice Act. That's just an
18 accurate factual statement of your position?

19 A. Yes.

20 Q. Thank you. And you cited from the recommended
21 decision in the restructuring proceeding ALJ Turner's
22 rationale that PGW's management should receive discretion on
23 this issue because of its municipal status and its
24 relationship to City Council. I take it you don't agree
25 with that position as to this means tested senior citizen

1 discount?

2 A. I'm sorry, I don't --

3 Q. You don't agree with ALJ Turner's recommended
4 decision where she says that PGW's management should be
5 given discretion as to the senior citizen discount, whether
6 there should be one, whether there should be a means tested
7 one, for instance, now?

8 A. That's correct.

9 Q. Okay. You do agree, though, that -- well,
10 actually, let me step back a moment. You also state that
11 City Council's statements or ordinances in this matter
12 should have no impact on the regulation of PGW.

13 A. That's correct.

14 Q. But you would agree that City Council's
15 ordinances and statements are something that the Commission
16 can consider in exercising its discretion under Section
17 2212(r)(1) to --

18 A. Considering as with any other party in the
19 proceeding.

20 Q. It's just a question of weight?

21 A. Yes.

22 Q. Okay. Thank you. And in opining on page nine
23 that there's no reason for the Commission to approve the
24 proposed means tested SCD, senior citizen discount, you
25 state that there's no Commission precedent to support this

1 type of proposal. Do you see that part of your testimony?

2 A. Yes.

3 Q. Is it a requirement that there be Commission
4 precedent for it to approve such a program?

5 A. No. I was just pointing out that there hasn't
6 been one in the past.

7 Q. And you note that there is statutory authority
8 to approve such a program provided that the terms are just
9 and reasonable?

10 A. Yes.

11 Q. Now, I believe then you continue to say that in
12 your opinion, PGW's proposed senior citizen discount could
13 not be just and reasonable because it does not satisfy
14 Section 1304.

15 A. That's correct.

16 Q. And am I correct that your position there is
17 that a means tested senior citizen discount would
18 unreasonably discriminate between classes of customers?

19 A. Yes, it would.

20 Q. Okay. But you would agree that rates and
21 services between and among classes can differ if those
22 differences are reasonable, or not unreasonable?

23 A. Rates between classes differ.

24 Q. Okay. And that's permissible where those
25 differences are reasonable?

1 A. Yes.

2 Q. Okay. And just so I'm clear on your testimony
3 and the scope of your view of Section 1304, on page 11 of
4 your testimony starting at line seven, when you're asked
5 about whether the means tested proposal satisfies Section
6 1304, you highlight the fact that it separates seniors
7 making \$30,300 or less from other seniors as well as from
8 the residential class as a whole, correct?

9 A. That's correct.

10 Q. So if I'm correct, your position then is to
11 every senior citizen discount?

12 A. I think all customers should be treated the
13 same.

14 Q. If any senior citizen discount would separate
15 seniors from the rest of the residential market, no senior
16 citizen discount could satisfy Section 1304 under your
17 analysis; is that right?

18 A. Well, no --

19 MR. SIMMS: I'm going to object because, one,
20 obviously the Commission already made a determination
21 regarding the grandfathering of senior citizens, so the only
22 matter now is the one that we have before us and this
23 question seems to be all encompassing.

24 MR. STEWART: Well, fine. His testimony says --

25 JUDGE RAINEY: Are you modifying your question in

1 terms of going forward from here?

2 MR. STEWART: Going forward, excluding
3 grandfathering, any type of senior citizen discount program
4 that would be prospective and authorized under 2212(r)(1).

5 (Pause.)

6 BY MR. STEWART:

7 Q. I'm sorry, that's the question. If every senior
8 citizen discount would separate seniors from the rest of the
9 residential class, it's your view that every senior citizen
10 discount would fail the 1304 test?

11 MR. SIMMS: Going forward.

12 BY MR. STEWART:

13 Q. Going forward.

14 A. Going forward.

15 Q. Yes.

16 MR. CLEARFIELD: Is that a yes?

17 MR. STEWART: I'm sorry.

18 THE WITNESS: Any senior citizen as proposed by the
19 company?

20 BY MR. STEWART:

21 Q. Any discount that separates and applies to
22 seniors going forward as opposed to the rest of the
23 residential market, that seems to be what you -- or
24 residential class, is what you say at page 11, line 12,
25 would fail Section 1304, in your view?

1 A. Yes.

2 Q. So despite the fact that Section 2212(r), and I
3 believe you acknowledge it here on page 10 at line six,
4 authorizes the Commission to approve a program that would
5 allow a discount to seniors, the Commission could never do
6 it because such a program would never satisfy -- would never
7 be just and reasonable? That's your testimony here today?

8 (Pause.)

9 JUDGE RAINEY: Do you want to have the question
10 repeated, Mr. Weakley?

11 THE WITNESS: Yes, please.

12 BY MR. STEWART:

13 Q. Let me see if I can rephrase it. Can you
14 describe for me the type of senior citizen discount program
15 that the Commission could approve under 2212, Section (r)(1)
16 -- excuse me, Subsection (r)(1), under your analysis?

17 A. Well, they could treat the seniors as they do
18 the rest of the residential class and enroll them into the
19 CRP.

20 Q. But that's not what we're talking about here in
21 2212(r)(1); you would agree with that?

22 (No response.)

23 JUDGE RAINEY: Maybe we're belaboring this. I
24 thought he previous stated or indicated that going forward,
25 there wasn't a senior citizen program that he could fine

1 reasonably discriminatory.

2 MR. STEWART: Okay. Well, let me ask one more
3 question on it, then. I'm not a fan of horses, so we beat
4 them to death all the time.

5 BY MR. STEWART:

6 Q. 2212(c), you are familiar with that provision of
7 the Code and its statement that the Commission can waive any
8 provision of this title upon the request of PGW, other than
9 Section --

10 A. Vaguely. I haven't looked at it lately.

11 Q. All right. That's fine. A different subject.
12 You were here when Cris Coltro testified earlier today?

13 A. Yes.

14 Q. And did you hear her testify that from looking
15 at your Exhibit 1, Schedule 2, she was able to deduce or
16 calculate the annual cost that would be paid by non-heating
17 and heating customers as a result of the means tested senior
18 citizen discount?

19 A. Yes.

20 Q. You were here for that?

21 A. Yes, I was here.

22 Q. Subject to check, she stated it would be \$5.81
23 annually for heating customers and \$1.88 annually for non-
24 heating customers.

25 A. Yeah, I recall that.

1 Q. Okay. Thank you. Now, certainly, PGW is
2 extremely grateful for your testimony in this case and in
3 the CRRC proceeding that recognized our severe cash flow
4 needs, but is it your testimony that paying those amounts of
5 money each year is so onerous that it outweighs affording
6 needy seniors a discount?

7 MR. SIMMS: I think I'm going to object to the word
8 "needy." You're talking about the senior citizens that you
9 propose --

10 MR. STEWART: That would be covered up to 250 percent
11 of the federal poverty level.

12 MR. SIMMS: Thank you.

13 JUDGE RAINEY: Do you --

14 MR. SIMMS: I remove my objection with that
15 clarification.

16 JUDGE RAINEY: Okay. Go right ahead, Mr. Stewart.

17 BY MR. STEWART:

18 Q. It's your testimony that paying those amounts
19 annually would be too onerous, given the company's financial
20 condition?

21 A. No. It's my testimony that senior citizens
22 shouldn't be subsidized by all the other firm ratepayers.

23 MR. STEWART: Okay. Thank you. Nothing further.

24 JUDGE RAINEY: Any other party have cross-examination
25 for Mr. Weakley?

1 MR. KEENE: No, Your Honor.

2 MR. GRAY: No, Your Honor.

3 MR. HICKS: No, Your Honor.

4 MR. BERTOCCI: No, Your Honor.

5 JUDGE RAINEY: Do you have any redirect, Mr. Simms?

6 MR. SIMMS: No, Your Honor.

7 JUDGE RAINEY: Thank you, Mr. Weakley. You may stand
8 down.

9 (Witness excused.)

10 JUDGE RAINEY: I think that then concludes the Office
11 of Trial Staff witnesses?

12 MR. SIMMS: That's correct, Your Honor.

13 JUDGE RAINEY: Why don't we go off the record just to
14 discuss how we want to proceed from here.

15 (Discussion off the record.)

16 JUDGE RAINEY: Back on the record now.

17 We're back on the record. Mr. Colton, let me swear
18 you in.

19 Whereupon,

20 ROGER D. COLTON

21 having been duly sworn, testified as follows:

22 JUDGE RAINEY: Please be seated and provide your full
23 name and spell your name for the record.

24 THE WITNESS: My name is Roger D. Colton, R-O-G-E-R,
25 D., C-O-L-T-O-N.

1 JUDGE RAINEY: And Mr. Colton, would you state your
2 company and also your title?

3 THE WITNESS: I am a principal in the firm of Fisher,
4 Sheehan & Colton, Public Finance and General Economics, out
5 of Belmont, Massachusetts.

6 JUDGE RAINEY: Thank you. Please proceed, Mr. Keene.

7 MR. KEENE: Thank you, Your Honor.

8 Your Honor, we have previously distributed to the
9 parties and to Your Honor documents that were pre-marked as
10 OCA Statement No. FCI-1, with accompanying Appendices A
11 through K, and today we distributed to the parties and Your
12 Honor what has been pre-marked as OCA Statement FCI-1R.

13 JUDGE RAINEY: Yes.

14 MR. KEENE: And we've provided two copies of these
15 documents to the court reporter.

16 (Whereupon, the documents were
17 marked as OCA Statement No. FCI-1
18 with Appendices A through K and
19 OCA Statement No. FCI-1R for
20 identification.)

21 DIRECT EXAMINATION

22 BY MR. KEENE:

23 Q. Mr. Colton, good afternoon.

24 A. Good afternoon.

25 Q. Do you have before you what has been pre-marked

1 as OCA Statement FCI-1, accompanying Appendices A through K
2 and OCA Statement FCI-1R?

3 A. I do.

4 Q. And do these statements contain your direct and
5 rebuttal testimony in question and answer format in this
6 proceeding?

7 A. They do.

8 Q. Do you have any changes to these statements?

9 A. I do not.

10 Q. And if I were to ask you the questions contained
11 in these statements this afternoon, your answers would be
12 the same?

13 A. They would.

14 Q. And are the answers to those questions in OCA
15 Statement FCI-1 and FCI-1R true and correct to the best of
16 your knowledge, information and belief?

17 A. They are.

18 MR. KEENE: Your Honor, at this time I would move
19 into the record OCA Statement FCI-1 with accompanying
20 Appendices A through K and FCI-1R subject to timely motions
21 and cross-examination, and Mr. Colton is available for
22 cross.

23 MR. GRAY: Your Honor?

24 JUDGE RAINEY: Yes.

25 MR. GRAY: Steve Gray from the OSBA. I am going to

1 move at this point to strike OCA Statement No. FCI-1R.

2 JUDGE RAINEY: This wasn't the subject of an
3 agreement that was reached during the lunch break?

4 MR. CLEARFIELD: Apparently they got me to agree,
5 Your Honor, but they forgot --

6 MR. GRAY: We actually didn't talk about this.

7 MR. KEENE: What is the basis for --

8 MR. GRAY: Well, the argument goes like this. PUC
9 regs, 5.242(a) of course put the last -- the party with the
10 burden of proof, which of course is PGW, they get the last
11 chance to close.

12 And in your prehearing order, Your Honor, on page
13 seven, you set up a hearing and briefing schedule which did
14 not contemplate rebuttal testimony.

15 Now, while I sympathize with the OCA desire to put
16 rebuttal in this accelerated schedule, the problem is all of
17 us could have filed rebuttal on a variety of issues and you
18 would have a swamped proceeding at this point.

19 So it was not contemplated, and that's the essence of
20 my objection.

21 JUDGE RAINEY: Why don't we go off the record for a
22 moment.

23 (Discussion off the record.)

24 JUDGE RAINEY: Why don't we go back on the record.

25 There's an outstanding objection to the admission

1 into evidence of the oral rebuttal testimony and exhibits of
2 Roger D. Colton, and I am going to deny that objection. I
3 think Mr. Keene, then you were -- I don't know if I admitted
4 into evidence the OCA subject to timely objection made at
5 the cross-examination. Are there any objections, further
6 objection to OCA Statement No. FCI-1 and the Appendices, OCA
7 Exhibit FCI-1, and OCA Statement No. FCI-1R?

8 (No response.)

9 JUDGE RAINEY: Hearing none, so admitted into
10 evidence.

11 (Whereupon, the documents marked as
12 OCA Statement No. FCI-1
13 with Appendices A through K and
14 OCA Statement No. FCI-1R were
15 received in evidence.)

16 JUDGE RAINEY: We have sworn in Mr. Colton, and so go
17 right ahead, Mr. Keene, with regard to your examination.

18 MR. KEENE: Mr. Colton is available for cross, Your
19 Honor.

20 JUDGE RAINEY: He's available now? Okay. Mr.
21 Clearfield?

22 MR. CLEARFIELD: Thank you, Your Honor.

23 CROSS-EXAMINATION

24 BY MR. CLEARFIELD:

25 Q. Good evening, Mr. Colton. Thank you for hanging

1 in with us. First, I wanted to ask you questions about the
2 suggested, what did you call it, innovations in collections
3 procedures, was that the term you used, further innovations
4 in collections that you proposed in your testimony. And PGW
5 appreciates your efforts in trying to identify other ways
6 that we can improve our collection, by the way.

7 With respect to the EFT proposal, as I understand
8 your proposal, you're advocating that PGW initiate an EFT
9 payment channel for customers that are subject to or being
10 offered payment arrangements, is that right, all customers?

11 A. That's correct.

12 Q. Now, just so I'm clear, would a customer have a
13 right to refuse to enter into the payment arrangement with
14 an EFT transaction, or -- would they have the right to
15 refuse?

16 A. Customers above 250 percent of poverty would not
17 have the right to refuse. Customers above 250 percent of
18 poverty would have the right to ask for an exception based
19 upon either the fact that they don't have a bank account or
20 that entering into an EFT arrangement would constitute a
21 hardship.

22 Q. What kind of hardships are you thinking about?

23 A. I think the primary hardship would be that they
24 would have to demonstrate that the average balance in a
25 depository institution would be insufficient to support an

1 EFT arrangement.

2 Q. I'm sorry, maybe it's the time of the day. The
3 balance would be too small --

4 A. That's correct.

5 Q. -- to keep in the depository, to keep in the
6 bank?

7 A. That their average balance would be too small to
8 support a payment plan between the customer and the company.

9 Q. Am I right that you've actually made this
10 proposal for EFT either with respect to payment arrangements
11 or generally in other contexts for other utilities?

12 A. I have made this proposal to the Philadelphia
13 Water Department, and --

14 Q. Did they accept it?

15 A. They accepted it in principle. Whether they did
16 anything with it after the close of the last water
17 proceeding, I'm not sure.

18 Q. Are you aware of any public utility regulated by
19 the PUC that's adopted this proposal?

20 A. No.

21 Q. That we could study, or a utility in another
22 state?

23 A. No. I'm aware of no other utility that has a
24 mandatory EFT for payment arrangements.

25 Q. And do you have any estimate of how many

1 customers might be exempted from this or be opted out, opt
2 out of the total, either because they don't have a checking
3 account or because they raise this extenuating circumstance
4 that you mentioned?

5 A. I think when you look at it as being limited to
6 customers at or above 250 percent of poverty, then you would
7 have very, very few customers who would opt out because they
8 lack a checking account, checking or banking accounts. And
9 if I can, if I ever say checking account, I mean
10 checking/savings account.

11 I think that the experience with states who use
12 mandatory EFTs for tax purposes have found that 90 percent
13 plus of their payment arrangements on delinquent taxes --
14 and contrary to the rebuttal testimony of the company, it's
15 not simply property taxes, it is a tax delinquency to a
16 state, income tax or otherwise -- but 90 percent plus of
17 those payment arrangements are subject to EFTs.

18 One of the -- if I may, to back up for a minute, too,
19 one of the hardships is that those states have also found
20 that there are some delinquencies which simply aren't big
21 enough to merit an EFT, so that 90 percent -- or the 10
22 percent that's excluded also includes the delinquencies that
23 simply aren't big enough to make subject to an EFT.

24 Q. And we asked you some discovery in the short
25 time we had and one of the questions we asked you was

1 whether you had a projection or an estimate of the amount of
2 additional collections that we would be able to realize from
3 this proposal, and is it fair to say that you haven't had
4 time to make that estimate, you don't have an estimate at
5 all?

6 A. That's correct. Given the discovery that OCA
7 propounded to the company and didn't get responses to -- and
8 I don't say that pejoratively, it's simply a fact of the
9 timing of this proceeding -- it wasn't possible to determine
10 the number of payment agreements by BCS income level, the
11 number of payment agreements that had been broken, the
12 dollars that were subject to any of those payment
13 agreements.

14 We asked for all of that information and it simply,
15 the expediency or the expedited nature of this proceeding
16 didn't allow you to answer and therefore for us to evaluate
17 that.

18 Q. Based on the one study that PGW has conducted
19 that tried to differentiate customers who were in arrears,
20 the number of customers that would be in this 250 percent of
21 poverty or above would be a relatively small number; would
22 that be correct?

23 A. Accepting the legitimacy of that study, which I
24 do not, based upon the testimony that was provided from the
25 stand today, the study which indicated that there were 97 or

1 99, 97 hundred out of 133 thousand --

2 Q. Yes, I think that was the number.

3 A. -- which were Level 3 and Level 4 customers, the
4 methodology that was outlined on the stand today was
5 severely flawed, in my opinion.

6 Q. Do you have any other information to determine
7 how many customers would be subject to your proposal, that
8 is that they would be subject to a payment arrangement and
9 would fall into that category of customer?

10 A. No. Again, we -- we being the OCA -- asked for
11 that information and given the expedited nature of the
12 proceeding, you weren't able, the company wasn't able to
13 provide that information and therefore we didn't have the
14 information, I didn't have the information to make a data
15 based analysis.

16 Q. So we really don't have any way of judging the
17 order of magnitude of the potential benefit of this
18 proposal, even if we all agree it's a reasonable one and
19 should be investigated; would that be fair?

20 A. I agree that I don't have the data to make a
21 data based analysis of the impacts of this proposal, that's
22 correct.

23 Q. Let's turn to budget billing for a second. Now,
24 that one, I think you've agreed in your testimony that would
25 be a longer term solution, I think that's the term you use;

1 is that correct?

2 A. A longer term solution is a term I may have
3 used. To put some, just to put some balance on that longer
4 term solution, I don't mean longer term meaning two years or
5 five years, I mean that it's longer term in that it makes no
6 sense for the company to seek to increase its cash flow
7 through a budget billing program by starting a budget
8 billing program in November.

9 It would make sense for the company to start a
10 mandatory budget billing program in the spring, so longer
11 term meaning that it might be spring.

12 Q. So if the Commission was looking for something
13 that would provide immediate benefit in the next four to
14 five months, this would not be one of the solutions they
15 could look to; is that correct?

16 A. I think that if a mandatory budget billing
17 program could be implemented by September, that it could
18 provide real benefits. But if you start moving into the
19 shoulder months, October and November, then in order for the
20 company to get both the affordability impacts and the
21 pre-payment impacts that I talk about, you would need to
22 start it in the springtime.

23 Q. There's a number of things that would have to
24 occur, both systems changes and also notice to customers,
25 education, training, all those things would have to occur

1 and would take realistically longer than two to three months
2 to enable the program to be implemented starting in
3 September; isn't that fair?

4 A. There certainly is a need for staff training.
5 There certainly is a need for consumer education. I know
6 that the company's witness asserted that there was a need
7 for system changes. I am not aware of and it's not
8 intuitively evident what system changes would need to be
9 required, but accepting that for purposes of discussion,
10 there are things that have to happen before a mandatory
11 budget billing program could be implemented, yes.

12 Q. So it couldn't happen by September, could it?

13 A. I wouldn't look for it to happen in September,
14 no. Yes, it cannot happen.

15 Q. Yes, we have no bananas. Let's look quickly to
16 pages 26 and 27 of your testimony. I'm going to explore
17 this. I don't think we've actually talked about this today,
18 but this is the provision where you suggest that the
19 assumption that you claim PGW was making when it suggested
20 that Level 3 and 4 customers be exempt from the winter
21 moratorium was invalid because of a study which indicated
22 that customers, based on the study, don't actually stop
23 paying their bill in the winter; is that correct?

24 A. That's correct. A study that I did in Iowa
25 indicated, using a variety of metrics, that contrary to the

1 assertions which had been made by PGW, customers do not stop
2 making payments in response to a winter moratorium.

3 Q. Well, the study that you first referred to is
4 the BCS study which compared the payment patterns of heating
5 customers with non-heating customers; isn't that right?

6 A. That's correct.

7 Q. Just on a -- well, we actually have the study
8 here. At the risk of the hour, Your Honor, I'd ask that we
9 mark as PGW Cross-Examination CP-1 some excerpts from the
10 study.

11 JUDGE RAINEY: You have a PGW Exhibit CP-1.

12 MR. CLEARFIELD: As I said, two.

13 MR. STEWART: This is cross.

14 MR. CLEARFIELD: This is a cross-exhibit.

15 JUDGE RAINEY: Oh, I see, Cross Exhibit No. 1, sorry.

16 (Whereupon, the document was marked
17 as PGW Cross-Examination Exhibit
18 No. CP-1 for identification.)

19 BY MR. CLEARFIELD:

20 Q. You were kind enough to provide us with a copy
21 of the study at our request. Is this the study you're
22 referring to on pages 26 and 27?

23 A. It is indeed. It is an excerpt from the study.

24 Q. I apologize, yes, of course. It's an excerpt.
25 If you look at the Figure 4, the average customer bills on

1 page 17, if I'm correct, the lower line there is the non-
2 heating customer bills and the period that's bracketed by
3 the two lines is the winter period, I believe -- oh, I'm
4 sorry, it starts in September and goes through the winter;
5 is that correct?

6 A. Yes.

7 Q. And you see very little variation in the non-
8 heating customers' bills; is that right? It's about five to
9 ten dollars at most over the winter?

10 A. I agree with that.

11 Q. But the heating customers' bills obviously show
12 dramatic variation; isn't that right?

13 A. That's correct.

14 Q. Wouldn't you expect that the fact that
15 customers' payment patterns for non-heating customers don't
16 change as much is really associated with the fact that their
17 bill doesn't change very much during the winter?

18 A. Absolutely.

19 Q. Right, so --

20 A. That the payment patterns stay the same.

21 Q. But it's not the existence or non-existence of a
22 winter moratorium that has the impact, it's the change in --
23 the fact that the non-heating customers have very little
24 change in the bill?

25 A. No, no, that's not the point.

1 Q. No?

2 A. The point is that if customers, if non-heating
3 customers reacted to a winter moratorium by making fewer
4 payments or by making lower payments or by making no
5 payments during the wintertime because they couldn't be shut
6 off, then their bills would be constant. Their average
7 arrears would be constant during the non-moratorium period,
8 but if they stopped making payments during the wintertime,
9 they would fall more bills behind and you would be able to
10 see that increase in arrears during the moratorium period
11 and then you would be able to see the arrears come back down
12 to the levelized basis during the non-moratorium period.

13 And since you don't see that, you can conclude that
14 the winter moratorium does not have the impact which was
15 confirmed 20 years later by my Iowa study, that a winter
16 moratorium does not have the impact of having people stop
17 making bill payments during the moratorium period.

18 Q. The thing that troubles me is that, at least in
19 Pennsylvania, non-heating customers aren't subject to the
20 winter moratorium; isn't that true?

21 A. Well, I think the way the moratorium works --

22 Q. Non-heating gas customers aren't subject to the
23 winter moratorium; isn't that true?

24 A. Yes, I would agree. If a --

25 Q. So a non-heating gas customer you wouldn't

1 expect to stop paying the bill in the winter because of the
2 fact that customer is subject to being terminated in the
3 winter, isn't he or she?

4 A. But a non-heating customer where the non-heating
5 service has an effect on the heating system is subject to
6 the winter moratorium, and I think if you were look at non-
7 heating electric customers compared to non-heating gas
8 customers, the contribution which the non-heating gas
9 customers make to the total would get so far washed out by
10 the sheer magnitude of the accounts and the dollars involved
11 that they wouldn't have an impact on the numbers.

12 Q. Did your study in Iowa look at electric
13 customers or gas customers or both?

14 A. Both.

15 Q. And in Iowa, are the non-heating gas customers
16 subject to a winter moratorium?

17 A. Yes.

18 Q. And therefore, to the extent that those data are
19 in there, that's going to skew the result, would it not? Or
20 was your testimony that that is too insignificant to have an
21 effect?

22 A. No. My testimony was that in Iowa, all of the
23 metrics that I looked at -- and of course with this you're
24 simply looking at the dollars of arrears, which I think is
25 too limited in the number of metrics anyway -- but all of

1 the metrics that I looked at including the number of
2 payments per bill issued, the number of payments that
3 reduced account balances to zero, the weighted bills behind,
4 all of those metrics indicated that the winter moratorium
5 did not have the effect of having customers stopping making
6 their payments during the moratorium period.

7 Q. Let's turn to your concern about the deposit
8 requirements. I just want to just establish, to the extent
9 that PGW takes on a customer -- let's assume the customer is
10 a lower income, a working poor customer and doesn't receive
11 a deposit.

12 You'd agree that PGW will be required to provide
13 service to that customer for many days before it first would
14 be able to terminate the customer, even if the customer
15 never made a payment; isn't that right?

16 A. That if PGW takes on a customer of any income
17 range --

18 Q. That's true.

19 A. -- and that customer makes zero dollars of
20 payments, the company would be required to provide service
21 for which it will not receive payment. I agree with that.

22 MR. CLEARFIELD: And Your Honor, just quickly, I'd
23 like to mark as PGW Cross Exhibit -- 2?

24 JUDGE RAINEY: Yes.

25 MR. CLEARFIELD: A one-page document that shows the

1 collections process.

2 JUDGE RAINEY: So marked for identification.

3 (Whereupon, the document was marked
4 as PGW Cross-Examination Exhibit
5 No. CP-2 for identification.)

6 BY MR. CLEARFIELD:

7 Q. Mr. Colton, this is a time line which shows the
8 period of time that it takes for PGW to effectuate a
9 termination on average. You have examined many utility
10 termination processes around the country, I take it; is that
11 correct?

12 A. That's fair to say. Yes, the answer is yes.

13 Q. The time from the first bill due date to shutoff
14 is 52 days, based on this calculation; you see that?

15 A. I see that.

16 Q. Can you tell us now, is that typical? Is that
17 more or less than the average time experienced by other
18 utilities, in your experience?

19 A. I don't think you can say that it's typical or
20 atypical because it's not simply -- it's generally not
21 simply a function of time, that most places that I've
22 worked, you get 20 days to pay your -- this is off the cuff.
23 I probably shouldn't do this, since I'm in the witness
24 stand.

25 Q. Well, you're the witness.

1 A. You get 20 days until the bill is due. There's
2 a five day lag before it's deemed to be overdue. You get a
3 two week written shutoff notice, a five to ten day written
4 shutoff notice, so 50 days, this would be pretty typical.

5 But again, most of the places that I work don't have
6 it be simply a function of the time, and outside of winter
7 natural gas bills, there is generally what's called a
8 treatment amount.

9 And if you're below the treatment amount, then you
10 don't go into the disconnect process, even if you're at the
11 50 day. So if your arrears is below \$50 or \$100, even if
12 you're within that 50 day time frame, you don't go into the
13 collection disconnect cycle --

14 MR. KEENE: Your Honor?

15 JUDGE RAINEY: Yes?

16 MR. KEENE: Could I get a clarification on this
17 document, where it came from, and is this the time line pre
18 or post collections initiative?

19 MR. CLEARFIELD: This came from PGW, as it indicates,
20 and it's the present time line.

21 MR. KEENE: Okay.

22 MR. CLEARFIELD: And actually, the 52 days would have
23 to be added to the 30 days for the initial bill, 30 days in
24 which the service is provided, so in total a customer could
25 receive service for 80 to 82 days prior to receiving --

1 prior to being terminated from the system.

2 BY MR. CLEARFIELD:

3 Q. Would you agree to that, based on this document?

4 A. Yes. I think what you just said is, somebody
5 starts service on day one. They may receive their bill on
6 day 30, and day 30 is in fact, the day of the day of the
7 bill is day one here. So when you add that, the fact that
8 utility bills are billed in arrears, what you just said is
9 true across the board.

10 Q. And Mr. Colton, you don't believe that in light
11 of this 80 day time period where PGW would have to provide
12 service, it would be reasonable to attempt to mitigate some
13 of the potential loss from a customer who doesn't pay
14 anything to PGW and nonetheless PGW has to provide service
15 for this 82 day period?

16 A. I haven't seen a proposal where the company has
17 said that a deposit will be imposed in those instances where
18 the customer pays nothing to the company after 80 days or 90
19 days or any other time.

20 Q. Well --

21 A. A proposal such as that would certainly be more
22 akin to addressing the concerns I raise than the proposal
23 the company actually did offer in this proceeding.

24 Q. I understand. My question was, you agree that
25 there's a potential that there will be customers that could

1 pay nothing, and nonetheless PGW would have to experience
2 this extended period of time of providing service before
3 they could terminate the service? That's potential?

4 A. Of course there's that potential. Is it
5 possible? Sure. There is a potential there.

6 Q. Under the -

7 A. Has there been any quantification of that? No.

8 Q. Okay. But considering PGW's special financial
9 circumstances, isn't it reasonable to try to mitigate that
10 potential loss by assigning a uniform deposit to all
11 customers so that at least we catch those customers who
12 might be in this situation, in your view?

13 A. Well, there are two elements to that question.
14 One is, does OCA accept the fact that the company has
15 special financial circumstances, and my testimony doesn't
16 address that, but I've been informed by counsel that other
17 OCA witnesses in testimony that's been designated in this
18 proceeding, OCA doesn't accept that.

19 Having said that, the second question is, is the
20 company's proposal to impose an across the board deposit in
21 order to address the issue of customers who may become
22 customers and make zero dollar payments, is that a
23 reasonable proposal, and the answer to that question is no.

24 Q. One last question. On page 16 of your
25 testimony, you say, "Clearly something is amiss at PGW. Now

1 is not the time to just say no to PGW's waiver request." Do
2 you recall that?

3 A. I do recall that.

4 Q. What were you referring to if you weren't
5 referring to the company's collections crisis, if you will,
6 and the need to increase collections and cash flow?

7 A. Well, I have been working on PGW payment
8 problems for probably close to 20 years -- 15 years now, and
9 I am well aware of the situation that PGW is in in that it
10 is a utility with a confined service territory. It's never
11 going to get bigger, and that confined service territory has
12 substantial poverty in it. And it was true when I first
13 began working on PGW issues in 1986 and it's true today.

14 And I think that given those issues, the combined
15 issues of poverty and non-payment and the increasing poverty
16 and the increasing inability to pay due to high natural gas
17 prices where inability to pay is creeping above 150 percent
18 of poverty, that it would be more than impolitic, it would
19 not -- I can't sit here and say that we should do nothing.

20 And that's why I offered alternatives which I thought
21 would preserve the consumer protections of Chapter 56 while
22 starting to address some of those structural issues that
23 have been identified, and which I know from personal
24 experience exist for PGW.

25 MR. CLEARFIELD: That's all I have, Your Honor. I

1 would move for the admission of our two cross-examination
2 exhibits.

3 JUDGE RAINEY: Any objection?

4 (No response.)

5 JUDGE RAINEY: Hearing none, so admitted.

6 (Whereupon, the documents marked as
7 PGW Cross-Examination Exhibits Nos.
8 CP-1 and CP-2 were received in
9 evidence.)

10 JUDGE RAINEY: Mr. Gray?

11 MR. GRAY: Thank you, Your Honor. I have one
12 question.

13 CROSS-EXAMINATION

14 BY MR. GRAY:

15 Q. Mr. Colton, good afternoon.

16 A. The Red Sox in seven.

17 (Laughter.)

18 Q. Okay. Talk to my expert witness. He's from
19 Boston. Can you turn to your rebuttal testimony, page two,
20 line five? And with Judge Turner's help, I was able to
21 create a quick cross-examination exhibit.

22 First, looking at your rebuttal on page two, you say
23 it is unreasonable to base decisions on what might happen if
24 all eligible customers were to enroll in any particular
25 program, and you were addressing Mr. Knecht's testimony

1 about his concern about maximizing the CRP enrollment; is
2 that correct?

3 A. I was addressing Mr. Knecht's testimony that I
4 quoted on page two, lines three, four and five of my
5 testimony, yes.

6 Q. Okay. Would you please turn to the document
7 I've handed out?

8 MR. GRAY: Your Honor, I'd ask that be marked as OSBA
9 Cross-Examination Exhibit FCI-1.

10 JUDGE RAINEY: So marked for identification.

11 (Whereupon, the document was marked
12 as OSBA Cross-Examination Exhibit
13 No. FCI-1 for identification.)

14 MR. GRAY: Thank you.

15 BY MR. GRAY:

16 Q. This is a response from the company to OSBA
17 Interrogatory Set 2, No. 1. If you'll take a look at the
18 answer to (a), the last full sentence in that paragraph, the
19 company says, "Instead of eliminating the moratorium for
20 these low income customers, PGW intends aggressively to
21 identify customers who qualify for CRP and to move them into
22 that program." Do you see that?

23 A. I do see that.

24 Q. Given that statement by the company, do you
25 understand the OSBA concern that PGW is going to attempt to

1 maximize the enrollment in their CRP program?

2 A. No. I worked on low income programs throughout
3 the country in probably 25 or 30 states, and I know from
4 personal experience that in helping to design and implement
5 each of those low income rate affordability programs, that
6 if you -- well, really, you don't even have to strike the
7 first clause about eliminating the moratorium, but each
8 agency, commission and non-profit community organization
9 that I've worked with around the country would ascribe to
10 the statement there that fill-in-the-blank intends
11 aggressively to identify customers who qualify for the
12 relevant rate affordability program, to move them into that
13 program.

14 Everybody makes that comment, and everybody believes
15 that comment, and notwithstanding that aspiration, it
16 doesn't happen. And Mr. Knecht's comment that I quote on
17 lines three, four and five of page two is wrong because of
18 that. This comment really doesn't have much meaning.

19 Q. You would agree that winter Mr. Knecht's math is
20 at least correct? If somehow by some means PGW was able to
21 maximize their CRP enrollment to a near 100 percent level,
22 his math is at least correct?

23 A. I haven't checked his arithmetic. My testimony
24 is simply that whether or not his arithmetic is correct, his
25 underlying assumption that it would be at all conceivably

1 possible that all eligible customers were to enroll in the
2 CRP is in error. I haven't checked his arithmetic.

3 MR. GRAY: Thank you, Your Honor. That's all I have.

4 JUDGE RAINEY: Any other parties have any questions,
5 cross-examination for Mr. Colton?

6 (No response.)

7 MR. KEENE: Your Honor, if I could just have a minute
8 to see if there's any redirect?

9 JUDGE RAINEY: Sure.

10 (Pause.)

11 MR. KEENE: That's all we have, Your Honor.

12 JUDGE RAINEY: Mr. Colton, you may stand down.

13 (Witness excused.)

14 JUDGE RAINEY: Mr. Gray, did you want to move into
15 evidence your cross-examination exhibit?

16 MR. GRAY: Thank you, Your Honor. Yes, I'd ask that
17 be moved into the record at this time.

18 JUDGE RAINEY: Any objections?

19 (No response.)

20 JUDGE RAINEY: Hearing none, so admitted.

21 (Whereupon, the document marked as

22 OSBA Cross-Examination Exhibit No.

23 FCI-1 was received in evidence.)

24 JUDGE RAINEY: Mr. Knecht, if you'll raise your right
25 hand, I'll swear you in.

1 Whereupon,

2 ROBERT D. KNECHT

3 having been duly sworn, testified as follows:

4 JUDGE RAINEY: Please be seated and provide your full
5 name and spell your name for the record.

6 THE WITNESS: My full name is Robert D. Knecht. My
7 last name is spelled K-N-E-C-H-T.

8 JUDGE RAINEY: And Mr. Knecht, would you provide the
9 name of the company and your title?

10 THE WITNESS: I am a principal and the treasurer of
11 Industrial Economics, Incorporated.

12 JUDGE RAINEY: And where is your company located?

13 THE WITNESS: We are located at 2067 Massachusetts
14 Avenue, Cambridge, Massachusetts, 02140.

15 JUDGE RAINEY: Thank you. Please proceed, Mr. Gray.

16 MR. GRAY: Thank you, Your Honor.

17 Your Honor, the OSBA has previously served on the
18 parties and Your Honor and provided at least three copies to
19 the court reporter of what we have identified as OSBA
20 Statement No. 1, titled the direct testimony of Robert D.
21 Knecht.

22 JUDGE RAINEY: So marked for identification.

23 (Whereupon, the document was marked
24 as OSBA Statement No. 1
25 for identification.)

1 MR. GRAY: Thank you, Your Honor.

2 DIRECT EXAMINATION

3 BY MR. GRAY:

4 Q. Mr. Knecht, do you have a copy of OSBA Statement
5 1 in front of you?

6 A. I do.

7 Q. Was this document prepared by you?

8 A. Yes, it was.

9 Q. Are there any additions or corrections?

10 A. No, there are not.

11 Q. If I were to ask you the questions contained
12 therein, would your answers be the same today as they were
13 when you prepared this?

14 A. Yes, they would.

15 Q. Are these answers true and correct to the best
16 of your ability and belief?

17 A. Yes, they are.

18 MR. GRAY: Your Honor, I ask that OSBA Statement No.
19 1 be moved into the record subject to the usual cross and
20 timely motions.

21 JUDGE RAINEY: Any objections?

22 (No response.)

23 JUDGE RAINEY: Hearing none, so admitted.

24 (Whereupon, the document marked as
25 OSBA Statement No. 1 was received

1 in evidence.)

2 MR. GRAY: Mr. Knecht is available for cross.

3 JUDGE RAINEY: Mr. Clearfield? Mr. Stewart?

4 MR. STEWART: Thank you, Your Honor.

5 CROSS-EXAMINATION

6 BY MR. STEWART:

7 Q. Good evening, Mr. Knecht.

8 A. Good evening, Mr. Stewart.

9 Q. You're a rare thing, a rare find in that you're
10 a non-PGW witness that actually supports the waiver request,
11 so thank you for that. But you do seem to criticize the
12 company's collections initiative to the extent that it says
13 that it's going to enroll as many eligible customers in CRP
14 as possible; is that a fair reading of your testimony?

15 A. My testimony regarding the company's universal
16 service program, the customer responsibility program is
17 separate from the statements that I make in here about the
18 collections initiative. It's in response to the
19 investigation of the costs of the universal service program.

20 So I'm not sure how you link those two, to say that I
21 disagree with the collections initiative with respect to the
22 universal service program.

23 Q. You labeled the plan to enroll customers in CRP
24 as a stealth rate increase.

25 A. It could become one if in fact there is a

1 substantial increase in the number of participants in the
2 customer responsibility program because the customer
3 responsibility program costs are recovered through the
4 reconcilable universal service charge and therefore this
5 rate increase could go into effect without needing an
6 explicit Commission decision.

7 Q. Okay. And they are recovered in that surcharge
8 because the Act, I think it's 2203.8, requires the
9 Commission to insure that universal service programs are
10 adequately funded and available. So, I mean, enrolling
11 eligible customers in the program is consistent with making
12 those programs available to them; is it not?

13 A. As a number of witnesses have pointed out,
14 enrolling every single eligible participant, as Mr. Colton
15 just testified, in the program, bringing them into the
16 program, is not consistent with many universal service
17 programs.

18 The fact that the universal service charge is
19 reconcilable may come out of the Act or it may come out of
20 the Commission's decision in the restructuring proceeding.
21 I think it was the latter.

22 Q. Well, how would you define making universal
23 service programs available to customers, eligible customers,
24 as required by the Act?

25 A. How would I define making it available? In

1 terms of making universal service programs available to
2 customers, I believe that the Commission needs to weigh two
3 factors. One is the need to enroll those customers and the
4 second is the impact that that has on the rest of the
5 customers in the service territory.

6 And at some point, the costs to the customers in the
7 rest of the service territory become so large that it
8 outweighs the provision of universal services to the very
9 low income customers within the service territory.

10 Q. I believe earlier you were here when Ms. Coltro
11 testified that presently there are 62,000 customers
12 enrolled, roughly?

13 A. Yes, I was here.

14 Q. I understand your testimony. You cite the
15 forecasted decline in participation to 59,000 customers by
16 the end of the fiscal year. Assuming that that doesn't
17 happen, let's say it only goes down to 61,000, under your
18 60,000 person cap, what happens to the thousand people?

19 A. Under the cap as I would propose it, as a means
20 of implementing that cap, I think probably the best thing
21 would be to cap it at the number of customers who are in
22 place as of the end of the year and then let it decline
23 through attrition as those customers move out of the, if
24 they're able to, to move out of the program, and let it
25 decline to 60,000.

1 I would not recommend, if in fact PGW's forecast is
2 wrong, I would not recommend kicking those thousand out. I
3 would let it go down through attrition. But I would cap the
4 participation as of the end of the fiscal year.

5 MR. STEWART: Thank you. Nothing further.

6 JUDGE RAINEY: Mr. Keene, did you have any questions
7 for Mr. Knecht?

8 MR. KEENE: No, I do not, Your Honor.

9 JUDGE RAINEY: Mr. Simms?

10 MR. SIMMS: No questions, Your Honor.

11 JUDGE RAINEY: Anyone else have any questions for Mr.
12 Knecht?

13 MR. HICKS: No, Your Honor.

14 MR. BERTOCCI: No, Your Honor.

15 JUDGE RAINEY: Do you have any redirect?

16 MR. GRAY: One minute.

17 (Pause.)

18 MR. GRAY: No redirect, Your Honor.

19 JUDGE RAINEY: Thank you, Mr. Knecht. You may stand
20 down.

21 (Witness excused.)

22 JUDGE RAINEY: Let's just take a couple of minutes.
23 I need to check with my office.

24 (Recess.)

25 JUDGE RAINEY: We'll go back on the record.

1 Mr. Geller, if you'll raise your right hand, I'll
2 swear you in.

3 Whereupon,

4 HARRY S. GELLER

5 having been duly sworn, testified as follows:

6 JUDGE RAINEY: Please be seated and provide your full
7 name for the record.

8 THE WITNESS: My name is Harry S. Geller,
9 G-E-L-L-E-R.

10 JUDGE RAINEY: And Mr. Geller, would you provide the
11 name of the organization that you are employed by and also
12 your business address?

13 THE WITNESS: Yes. I am employed by the Pennsylvania
14 Utility Law Project located at 118 Locust Street,
15 Harrisburg, Pennsylvania, 17101. My title at the
16 Pennsylvania Utility Law Project is executive director.

17 JUDGE RAINEY: Thank you. Please proceed, Mr.
18 Bertocci.

19 MR. BERTOCCI: Thank you, Your Honor.

20 DIRECT EXAMINATION

21 BY MR. BERTOCCI:

22 Q. Mr. Geller, you have a copy of testimony which
23 has been marked Action Alliance, et al. Statement No. 1?

24 A. Yes, I do.

25 Q. And that testimony has been distributed, two

1 copies to the court reporter and a copy to the Judge and
2 copies to the parties.

3 (Whereupon, the document was marked
4 as Action Alliance, et al.
5 Statement No. 1 for
6 identification.)

7 BY MR. BERTOCCI:

8 Q. Did you prepare that testimony?

9 A. Yes, that's correct.

10 Q. Do you have any corrections to offer to that
11 testimony?

12 A. Yes, I do have four corrections for purposes of
13 clarity. On page four, line six, I would ask that the "or"
14 which is located after the word "ratepayer" be removed and
15 in its place the phrase or two words, "rather than," be
16 inserted.

17 On page 23, line 22, I would substitute the word
18 "agreements" for "levels." And --

19 MR. SIMMS: Would you repeat that again?

20 THE WITNESS: Yes. Page 23, line 22, the first word
21 on that line is presently "levels." Substitute the word
22 "agreements."

23 Page 31, line 14, eliminate the words "period
24 between."

25 And then finally I would request that, in the

1 appendix, there are a number of articles, and the article
2 dated January 16, 2003 from the Philadelphia Inquirer be
3 removed from the appendix.

4 JUDGE RAINEY: That's the first article, Mr. Geller?

5 THE WITNESS: No, Your Honor.

6 JUDGE RAINEY: January 16, 2004?

7 THE WITNESS: Yes -- 2003 --

8 JUDGE RAINEY: From the Philadelphia Inquirer --

9 THE WITNESS: -- is the one I am --

10 JUDGE RAINEY: Oh, 2003?

11 THE WITNESS: Three. Yes, it is the first article --
12 well, no.

13 MR. KEENE: It's like the fourth one.

14 THE WITNESS: Fourth in, and the body begins, "Family
15 members and friends gathered outside a burned out row
16 house."

17 JUDGE RAINEY: Oh, okay. That's January 16, 2003.

18 THE WITNESS: Two thousand three.

19 JUDGE RAINEY: Okay, because I see you also have
20 January 16, 2004.

21 THE WITNESS: No, it's January 16, 2003.

22 JUDGE RAINEY: Okay. So you want that article then
23 to be removed?

24 THE WITNESS: Yes. Thank you.

25 JUDGE RAINEY: That is actually the next to the last

1 article.

2 THE WITNESS: Yes.

3 JUDGE RAINEY: Okay.

4 BY MR. BERTOCCI:

5 Q. Now, Mr. Geller, is the testimony that you --
6 would you answer the questions that are presented in this
7 testimony the same way today if they were asked again to
8 you?

9 A. Yes, I would.

10 Q. And is that testimony true and correct to the
11 best of your knowledge, information and belief?

12 A. It is.

13 MR. BERTOCCI: Your Honor, I therefore move for
14 admission of Action Alliance, et al. Statement No. 1 into
15 evidence subject to any motions by the parties and cross-
16 examination.

17 JUDGE RAINEY: Any objections?

18 (No response.)

19 JUDGE RAINEY: Hearing none, so admitted.

20 (Whereupon, the document marked as
21 Action Alliance, et al. Statement
22 No. 1 was received in evidence.)

23 MR. BERTOCCI: Mr. Geller is ready for cross-
24 examination.

25 JUDGE RAINEY: Mr. Clearfield?

1 MR. CLEARFIELD: Thank you, Your Honor.

2 CROSS-EXAMINATION

3 BY MR. CLEARFIELD:

4 Q. Good evening, Mr. Geller.

5 A. Good evening.

6 Q. You're executive director of PULP; is that
7 right?

8 A. That's correct.

9 Q. Is that an arm of Legal Services?

10 A. Yes. It's one of the entities that's part of
11 the non-profit legal services system.

12 Q. And its mission is to represent the interests of
13 low income utility customers?

14 A. That is correct.

15 Q. And the purpose of your testimony that you've
16 submitted is to provide your opinion to the Commission as to
17 how in your PGW's proposed waivers might affect low income
18 customers?

19 A. That is correct, the impact that these waivers
20 would have on low income customers in being able to connect
21 to, maintain and restore service.

22 Q. Now, have you attempted to take each of the
23 waivers we've requested and balance them against PGW's
24 alleged financial crisis that it's in at this point?

25 A. I have attempted to indicate what the effect of

1 the waiver requests would have on individuals, the effect it
2 would have on those individuals as compared to Chapter 56,
3 and to the extent that I'm able to understand or have
4 information about PGW's economic situation, I have made no
5 determination in regard to their economic situation.

6 Q. So have you looked at that or you just haven't
7 made any determination on that?

8 A. I have made no determination based on the
9 information.

10 Q. Page four, line two of your testimony, and I'm
11 looking at the section which says that Chapter 56 is
12 premised, and I'm paraphrasing, I'm adding an "is," is that
13 conditions of service should be reasonable and affordable
14 for all. Do you see that?

15 A. Yes, I do.

16 Q. Where in Chapter 56 does it say that service
17 should be affordable to all customers?

18 A. It indicates that in regard to payment
19 arrangements, when customers negotiate payment arrangements,
20 their ability to afford service should be taken into
21 consideration.

22 Q. But does that mean in your view that one of
23 Chapter 56's goals is to find a payment level for a customer
24 whose income or other circumstances does not give them the
25 ability to pay the tariff rate for service they use in order

1 to keep the customer on the system?

2 A. One -- can you please repeat that?

3 Q. Sure. Does it mean in your view that one of
4 Chapter 56's goals is to find a payment level for a customer
5 whose income or other circumstances does not give him or her
6 the ability to pay the tariff rate for service that they use
7 in order to keep the customer on the system?

8 A. I believe that one of Chapter 56's goals, as a
9 matter of fact, the overarching goal, is to attempt to avoid
10 termination by seeing if there are other alternatives.

11 And within the thrust of Chapter 56 through the
12 collection process, the goal is to see if an affordable
13 payment arrangement can be arranged for the customers, and
14 the customers' obligation of course is to try to maintain it

15 Q. Even if that builds up additional uncollectibles
16 for the company that have to be paid by other customers?

17 A. To the extent that there's an attempt to reach
18 an affordable level, at sometimes there will be
19 uncollectibles, that is correct.

20 Q. And so even in those contexts, you believe that
21 Chapter 56 mandates that utilities find these alternative
22 ways to keep the customer on the system?

23 A. I think within the context of Chapter 56,
24 utilities do have an obligation to explore Chapter 56 to see
25 where they can maximize collections opportunities short of

1 termination.

2 Q. Do all customers have the obligation to pay for
3 the natural gas they consume?

4 A. Customers do have the obligation to pay for the
5 gas they consume, with the exception that the General
6 Assembly and the Commission have recognized that low income
7 customers are in many situations unable to afford the full
8 cost of gas and therefore they have established universal
9 service programs and the Commission has recognized and even
10 PGW has recognized that Level 1 and Level 2 customers have
11 difficulties. Some customers beyond Level 2 also will have
12 those difficulties.

13 Q. Absent customers that are in these Commission
14 approved low income assistance programs, isn't it true that
15 the obligation of good faith that's imposed in Chapter 56
16 means that a customer is required to abide by the terms of
17 service regarding timely payment?

18 A. The customers are required to abide by the terms
19 of service regarding timely payment, again within the
20 context that payment arrangements are to be negotiated based
21 on ability to afford, and there are many individuals who are
22 at an equal income level of those who are in the programs
23 and not in the programs, they have not been enrolled in the
24 programs.

25 And then there are individuals who may be above the

1 guidelines of some of the programs who are still in
2 financial distress and not able to afford the full payment.

3 Q. And do you believe that the Commission's Chapter
4 56 regulations would authorize or require that a customer
5 who is simply not able to keep up with his or her utility
6 payments should nonetheless be provided service in that
7 context?

8 A. No, I don't believe the Commission's regulations
9 say that simply because someone doesn't keep up with their
10 payment service, they get continued service. There are --
11 PGW terminates people regularly throughout the year and the
12 Commission approves those terminations. It depends on the
13 individual circumstance, based on the customer's economic
14 and family circumstances.

15 Q. You say on page eight that you view -- well, I
16 won't paraphrase -- that the interest of consumers and the
17 utility should be balanced on a systemwide basis and that
18 the task of performing this type of balancing has been
19 delegated to the Commission by the Legislature. Do you see
20 that?

21 JUDGE RAINEY: Which line are you referring to?

22 MR. CLEARFIELD: Page eight, I'm sorry, lines one
23 through three.

24 BY MR. CLEARFIELD:

25 Q. Do you see that on the top there?

1 A. Yes.

2 Q. And you think that Chapter 56 is a reflection of
3 that balancing that the Legislature has delegated to the
4 PUC?

5 A. Yes, I do.

6 Q. Are you familiar with the bill that was passed
7 recently by the House of Representatives, Senate Bill 689?

8 MR. BERTOCCI: I object, Your Honor. I think that's
9 irrelevant to this proceeding.

10 MR. CLEARFIELD: Well, Your Honor, the testimony here
11 says that the Chapter 56 is a set of guidelines that have
12 been delegated by -- has been established by the PUC
13 pursuant to authority delegated by the Legislature.

14 I think that a recent pronouncement by the General
15 Assembly --

16 MR. BERTOCCI: I object, Your Honor.

17 MR. CLEARFIELD: Excuse me.

18 MR. HICKS: One at a time.

19 MR. CLEARFIELD: Excuse me.

20 JUDGE RAINEY: Let Mr. Clearfield finish his
21 argument. Go ahead, Mr. Clearfield.

22 MR. CLEARFIELD: I think that the recent
23 pronouncement by one house of the General Assembly
24 concerning modifications and revisions to those very same
25 billing and collection rules is relevant to test Mr.

1 Geller's premise that Chapter 56 reflects the Commission and
2 Legislature's balancing.

3 MR. BERTOCCI: Your Honor, a bill that has passed in
4 one part of the General Assembly, the House of
5 Representatives, is not law. There are millions of laws
6 that have been passed in one half -- millions of measures,
7 bills that have been passed in one part of the Legislature
8 and never passed in the other.

9 And that is not an indication of the standards of the
10 General Assembly at this time. If it became law, that would
11 be another thing, but we are not at that point.

12 JUDGE RAINEY: What is the Senate Bill number?

13 MR. BERTOCCI: Senate Bill number is 689.

14 MR. CLEARFIELD: Six eighty nine. It was passed by
15 the House over the weekend by a vote of 165, I think, to --

16 JUDGE RAINEY: It was passed by the House, but --

17 MR. HICKS: Not by the Senate.

18 MR. KEENE: It's stalled in the Senate.

19 MR. STEWART: It is pending.

20 MR. HICKS: May I weigh in as well, Your Honor?

21 JUDGE RAINEY: Go ahead, weigh in, Mr. Hicks.

22 MR. HICKS: I think this is a sandbag. If Mr. Geller
23 had mentioned Senate Bill 689, it would have opened the door
24 for Mr. Clearfield to walk in.

25 But Mr. Geller's testimony generally mentions

1 legislation passed by the Legislature, not specifically, and
2 therefore this is precisely the issue that we negotiated out
3 of this proceeding. It should not be permitted to come back
4 in.

5 JUDGE RAINEY: Okay. I'm going to sustain the
6 objection.

7 MR. CLEARFIELD: Just for the record, we intend to
8 refer to the Senate bill in our brief because it's a public
9 record and make those arguments.

10 MR. HICKS: We'll deal with it in our briefs.

11 JUDGE RAINEY: That's fine, but it's my understanding
12 that it's not law and it's only passed in the one house of
13 the General Assembly and stalled in another.

14 MR. HICKS: That's correct, Your Honor.

15 JUDGE RAINEY: Okay. Let's proceed.

16 MR. CLEARFIELD: I don't think there's any evidence
17 that it's stalled. It hasn't passed yet, and they've gone
18 home for the summer.

19 JUDGE RAINEY: Okay. I was just --

20 MR. CLEARFIELD: It may be in idle.

21 JUDGE RAINEY: Okay. It's not law, I guess, is the
22 bottom line. It hasn't gotten to the Governor, he hasn't
23 signed it, both houses haven't passed it. Okay, go ahead.

24 MR. CLEARFIELD: Thank you, Your Honor.

25 BY MR. CLEARFIELD:

1 Q. Page four, Mr. Geller, line 14. There you
2 comment on PGW's proposal that an applicant for service may
3 be required to pay an arrangement from a prior outstanding
4 bill for a customer that resided at the same location if we
5 have evidence that shows that that applicant had lived at
6 the same location for a period when the bill was
7 outstanding. Do you see that?

8 A. Yes.

9 Q. And you say that it would overturn Section
10 56.35; do you see that?

11 A. Yes, that's correct.

12 Q. And on pages 18 to 19 of your testimony, I think
13 you indicate or suggest that the only time that such a prior
14 arrearage could be assigned to a new applicant would be --
15 well, let me put it this way, absent fraud, only the person
16 who contracts for service can be held liable for it. Are
17 you saying that the only time that the prior arrearage can
18 be assigned to the new applicant is if fraud is shown?

19 A. If fraud is shown or there's a contractual
20 responsibility or a proper judicial body has made a
21 determination.

22 Q. Would that include the PUC?

23 A. The PUC does make that determination, however it
24 makes the determination after the fact rather than prior to
25 the fact. There's no presumption that somebody is liable.

1 MR. CLEARFIELD: Your Honor, I'd like to have
2 identified as PGW Cross-Examination Exhibit 3 a copy of an
3 informal complaint resolution involving this particular
4 issue. I will show it to Mr. Geller.

5 JUDGE RAINEY: So marked for identification.

6 (Whereupon, the document was marked
7 as PGW Cross-Examination Exhibit
8 No. CP-3 for identification.)

9 BY MR. CLEARFIELD:

10 Q. I don't know if you've reviewed this particular
11 informal complaint, Mr. Geller, before.

12 A. I did not.

13 Q. I'll certainly give you time to review it, but
14 in summary, and the point that's relevant to my cross, is
15 that in this instance an applicant applied for service and
16 the Bureau of Consumer Services, the gentleman who signed at
17 the bottom there, found that the applicant was jointly
18 liable for past arrearages for a relative who also lived at
19 the same address. You can take a look at that and confirm
20 that that's the facts. You can tell me when you're ready.

21 (Witness perusing document.)

22 A. Yes, I've read it.

23 Q. Would it be fair to say that there was no
24 finding of fraud in this case, only presumably that it is
25 reasonable to assign the past due arrearage to the new

1 applicant?

2 A. It is correct that there is not a specific
3 finding of fraud. There's a finding of facts that appear to
4 indicate the parties entered negotiations and contractual
5 relationship at the same time, although the word "contract"
6 is not used.

7 Q. I was going to say, there's no finding that
8 there was a contract between the mother and daughter?

9 A. It is not specifically stated. The facts would
10 lead one to conclude that that was the basis of the
11 determination.

12 MR. KEENE: Your Honor, is the company intending to
13 move this into the record?

14 MR. CLEARFIELD: Yes, we are. It's a public
15 document. Let me keep going.

16 BY MR. CLEARFIELD:

17 Q. This was under the existing Chapter 56.35; is
18 that correct?

19 JUDGE RAINEY: I'm sorry, are you raising an
20 objection, Mr. Keene?

21 MR. CLEARFIELD: I'm sorry.

22 MR. KEENE: No, that's all right. Thanks.

23 BY MR. CLEARFIELD:

24 Q. This was under the existing rules, 56.35; isn't
25 that correct?

1 A. It's dated May 20, 2004 under existing.

2 Q. So your indication -- is the determination here
3 functionally different than the determination that PGW
4 wishes to make or at least make in the first instance,
5 considering the fact that the customer would always have the
6 right to file a complaint with the PUC to contest that
7 determination?

8 A. I think PGW's request that there be a
9 presumption that someone has been found to have resided in
10 the premises or been at the premises is significantly
11 different from the facts related here.

12 And this one informal complaint by the Bureau of
13 Consumer Services, it's unclear to me if this is a policy
14 determination or any other factor other than the facts that
15 existed here where the parties went down to the office
16 together and negotiated together.

17 Q. In this instance also, or in addition, on page
18 13 of your testimony, you indicate that -- and I'll give you
19 a chance to get there in a minute -- that when a customer
20 requests or attempts to restore service and their income
21 level is 3 or 4, that under current rules, the Chapter 56
22 would allow or require a deposit of somewhere between I
23 guess around 50 percent. I can't remember -- 40 to 55
24 percent is --

25 A. That is correct.

1 Q. But if you look at this informal complaint,
2 noticing in the "Therefore, it is decided," that the
3 arrearage was \$7,178. Do you see that?

4 A. Uh-huh.

5 Q. And how much of that \$7,178 was the new
6 applicant required to pay as a condition of receiving
7 service?

8 A. I'm uncertain. You're premising the question on
9 Level 3 and Level 4 income, and I don't see anything in this
10 informal complaint, two page summary, that has any
11 indication of income or level finding or anything else.

12 Q. I'm sorry. We were assuming -- you see Finding
13 8, the first page? It says, "Does not qualify for the
14 customer responsibility program."

15 A. Yes.

16 Q. So wouldn't that indicate that that customer was
17 in Levels 3 or 4?

18 A. It may. There may be other factors that rule
19 this customer out of the CRP. But the decision speaks for
20 itself, the budget plus \$100 per month.

21 But that doesn't indicate that at the same time Level
22 3 and Level 4 customers are required to pay larger amounts
23 depending on the circumstances.

24 Q. In this instance, assuming they were a three,
25 this customer wasn't required to pay anything up front to

1 receive service; is that correct?

2 A. Well, given your assumption that they're Level 3
3 and given the document you've given to me, as I say, the
4 document speaks for itself.

5 MR. CLEARFIELD: That's all the questions I have,
6 Your Honor.

7 MR. SIMMS: Your Honor, I'm not raising an objection
8 in terms of the substance of the cross-examination. My
9 concern is that -- I know Mr. Clearfield indicated this is a
10 public document. My concern is that it identifies the
11 customers and their address.

12 I wonder if we could get a redacted or blackened out
13 copy of the document without the reference to the customers
14 and their address. I think it still will satisfy the --

15 MR. KEENE: I would join in that request, Your Honor.

16 MR. BERTOCCI: Your Honor, I also raise the question
17 of whether it is a public document. You certainly couldn't
18 get that if you -- I don't think you could get that if you
19 went to Harrisburg to try to look in the file of this
20 particular customer.

21 MR. CLEARFIELD: I don't believe that's true, Your
22 Honor. We filed a formal complaint in response to this
23 informal determination. The formal complaint has all the
24 attachments including this document attached. The formal
25 complaint is a public document.

1 MR. KEENE: But even if that's the case --

2 MR. CLEARFIELD: But even --

3 MR. KEENE: Yes, this is a much more high profile
4 proceeding and I just don't think it's fair to drag
5 somebody's --

6 JUDGE RAINEY: Yes, I would agree --

7 MR. KEENE: -- information like this into this case.

8 JUDGE RAINEY: -- I think. Do you have any problem
9 with redacting this in such a way, Mr. Clearfield, that the
10 name and address of the customer are blacked out?

11 MR. STEWART: Say, Consumer A, Consumer B?

12 MR. CLEARFIELD: Let me just check with --

13 (Pause.)

14 MR. CLEARFIELD: We will submit a redacted version
15 without the last names. The first names are necessary to
16 follow the --

17 MR. HICKS: And address?

18 MR. KEENE: And the address?

19 MR. CLEARFIELD: And the address. We'll submit that
20 for the record in replacement. So we should hold off
21 admitting this at this point, then?

22 JUDGE RAINEY: Yes, okay. Will that be submitted by
23 the end of the week?

24 MR. CLEARFIELD: Yes, absolutely, along with the
25 revised version of Mr. Gyory's rebuttal testimony. With

1 that, I have completed my cross.

2 MR. BERTOCCI: Do we have a number for this cross-
3 examination exhibit?

4 MR. CLEARFIELD: Three.

5 JUDGE RAINEY: So that will otherwise satisfy
6 everyone in terms of redacting this document, to remove the
7 names of the parties as well as the address of the parties,
8 and so that then it otherwise will be admitted into
9 evidence?

10 MR. KEENE: Yes, Your Honor. If those redactions are
11 made, I have no objection.

12 JUDGE RAINEY: All right. So, Mr. Clearfield, then
13 you could either file that directly with the Commission or
14 send it to the court reporter.

15 All right. Any cross-examination by the parties, any
16 other parties, cross-examination for Mr. Geller? Mr. Hicks?

17 MR. HICKS: Very briefly, Your Honor.

18 CROSS-EXAMINATION

19 BY MR. HICKS:

20 Q. Mr. Geller, have you ever seen an opinion like
21 this before from the PUC, the one that Mr. Clearfield was
22 just referring to?

23 A. I have seen informal complaint decisions before,
24 yes.

25 Q. Have you ever seen a result like this before

1 from the Public Utility Commission?

2 A. I was not aware until seeing this of a result
3 attributing, just based on these facts, a presumption of
4 responsibility.

5 Q. Having reviewed this result, does that lead you
6 to conclude that the waiver request of PGW is necessary?

7 A. It does not lead me to conclude that the waiver
8 request is necessary.

9 MR. HICKS: I have no further questions.

10 JUDGE RAINEY: Any redirect, Mr. Bertocci?

11 MR. BERTOCCI: Yes, if I could take just a minute.

12 JUDGE RAINEY: Sure.

13 (Discussion off the record.)

14 JUDGE RAINEY: Before we proceed with redirect
15 examination, out of an abundance of caution, I'm going to
16 direct the court reporter to redact from the transcript any
17 references made to the informal complainant and their
18 address in PGW Cross-Examination Exhibit CP-3.

19 MR. CLEARFIELD: Your Honor, the actual names?

20 JUDGE RAINEY: The actual names of the informal
21 complainants and their addresses. And with that, Mr.
22 Bertocci?

23 MR. BERTOCCI: Thank you.

24 REDIRECT EXAMINATION

25 BY MR. BERTOCCI:

1 Q. Mr. Geller, you had an opportunity to review the
2 determination, the BCS determination which has been
3 presented here?

4 A. I did have an opportunity to review it, and I
5 note that it begins, "A summary of the complaint of PGW is
6 as follows," which leads me to conclude that in this case,
7 again, it was not a presumption of liability but in fact the
8 normal process was that the party entered into a payment
9 arrangement and it was PGW that appealed it and was reviewed
10 by the Bureau of Consumer Services, again, a situation that
11 vastly differs from a presumption prior to a review by BCS.

12 Q. So that the issue here is, who has the burden of
13 going forward to BCS in issues where there is a question of
14 liability for gas service received in the name of another
15 person?

16 A. That's correct. In this case, it was PGW that
17 undertook the burden of presenting facts that may indicate
18 liability and went forward as opposed to, again, a blanket
19 presumption that simply residing in a residence created that
20 obligation.

21 MR. BERTOCCI: Thank you. I have no more questions.

22 JUDGE RAINEY: Any recross, Mr. Clearfield?

23 RE-CROSS-EXAMINATION

24 BY MR. CLEARFIELD:

25 Q. Mr. Geller, you are aware that PGW has

1 identified some 5,000 potential instances in which these
2 kinds of facts might exist or existed in the last fiscal
3 year?

4 MR. BERTOCCI: Objection. I think Mr. Clearfield
5 should identify exactly where he's referring to in the
6 record. I think when he does it will be a situation, the
7 5,000 will turn out to be situations in which service was
8 turned off at an address and subsequently another party
9 applied for service, that's all. That's not this situation.

10 JUDGE RAINEY: I think we've been here before. There
11 was a previous question that was asked about the 5,000
12 figure, and it wasn't clear exactly what you, Mr.
13 Clearfield, were referring to within that 5,000 number,
14 whether or not that number solely applied to situations
15 where there were persons living within a residence, both
16 using service, and in an attempt to avoid termination, one
17 of the persons who was not the ratepayer of record then
18 applied to become the ratepayer of record. So we're just
19 not clear, that population of 5,000 that you are discussing,
20 what that 5,000 represents.

21 MR. CLEARFIELD: Well, Your Honor, the derivation of
22 the number appears at page 10 of Appendix A of PGW Exhibit
23 CP-1, and the specific statement is that in 2003, 23,000
24 accounts were shut off and 4,830 -- and I rounded it to
25 5,000 -- of these accounts were restored under a different

1 name and without payment of then existing average balance of
2 \$2,300.

3 My question was, would you agree that there were
4 4,830 potential instances, not that they in fact were in all
5 cases, that satisfied the circumstances that we were just
6 talking about, about somebody applying in a different name
7 and trying to avoid the restoration, just the potential.
8 This is the universe, the maximum universe that we're
9 talking about.

10 MR. BERTOCCI: Your Honor, I would renew my
11 objection, because PGW in the next sentence says, even PGW
12 doesn't assume that 4,830 are potential because they say,
13 "Of the 4,830 accounts, assuming 50 percent qualify to have
14 the prior balances transferred," so they've already
15 eliminated, by their own assumptions, half of this 4,830.

16 MR. CLEARFIELD: Well, Your Honor --

17 MR. BERTOCCI: So we're down to 2,415, and even there
18 they have no justification for why they think that they're
19 entitled to assume that even 2,415 are the type of people
20 that they are trying to --

21 MR. CLEARFIELD: We have a considerable
22 justification, but Mr. Bertocci shouldn't be testifying.

23 JUDGE RAINEY: Okay. Why don't we do this. It's
24 getting late in the day, and that figure still, based on my
25 previous statement, is still not clear. You're talking

1 about a potential universe of whatever.

2 If the question is clear to Mr. Geller, or he can say
3 if it's not clear enough for him to answer. He can say that
4 as well. But that having been said, did you hear the
5 question, Mr. Geller, and do you have a response to the
6 question?

7 THE WITNESS: I did. My response is that based on
8 the derivation as I see it, one cannot assume how many if
9 any of these customers would fit into the pattern of the
10 case we've discussed, if any.

11 BY MR. CLEARFIELD:

12 Q. Would you agree that there are probably several
13 thousand potential cases?

14 A. Absolutely not.

15 Q. Any cases? Does it ever happen, Mr. Geller?

16 A. Oh, obviously it does. But to make the
17 assumption that there are several thousand out of these
18 facts I think is --

19 Q. Well, if the number is --

20 A. -- stretching it.

21 Q. I'm sorry, I didn't mean to -- if the number is
22 half of this 4,830, would you consider that administrative
23 burden on PGW would deter it from being able to pursue those
24 cases through the existing policies, assuming that? I'm not
25 asking you to agree to that.

1 A. What is the assumption? Is the assumption, half
2 of these numbers fit into the case fact pattern that you're
3 putting forward? As I say, I don't find that to be credible
4 in terms of experience, but --

5 Q. I understand, but I'm asking you a hypothetical.

6 A. Okay. And the terms of the hypothetical are?

7 Q. If there are in fact some 2,500 of these kind of
8 cases per year, would you think that the administrative
9 burden that would be imposed on PGW for pursuing each and
10 every one through the PUC process under Section 56.35 would
11 be so large as to deter them from doing so?

12 A. Again, I'm sorry. I don't mean to be equivocal.
13 When you say "these kinds of cases," are you saying this
14 particular fact pattern?

15 Q. Yes, a case similar to this particular fact
16 pattern that we've discussed in PGW Cross-Examination CP-3.

17 A. It appears that in the one case I was presented,
18 PGW was able to get this resolved at an informal
19 determination. I don't believe that that was significantly
20 burdensome, if that was actually the case.

21 Q. What about if they had to do that 2,000 times a
22 year?

23 MR. BERTOCCI: Objection. He's calling for
24 speculation.

25 JUDGE RAINEY: Do you have another line of questions

1 of recross?

2 MR. CLEARFIELD: No, I don't, Your Honor.

3 JUDGE RAINEY: Okay. Thank you, Mr. Geller. You may
4 stand down.

5 (Witness excused.)

6 JUDGE RAINEY: And then I guess that concludes all
7 the witnesses to testify at the evidentiary hearings. Is
8 there anything else that we need to take up here this
9 evening?

10 (No response.)

11 JUDGE RAINEY: The parties are aware of certain
12 modifications, then, to the briefing schedule as well as the
13 additional discovery rules. Otherwise, the requirements for
14 briefs are the same as they appear in my prehearing order
15 dated June 11, 2004.

16 If there is nothing further that we need to take up
17 here this evening, then this hearing is adjourned. Thank
18 you.

19 (Whereupon, at 6:34 p.m., the proceedings were
20 concluded.)

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I hereby certify, as the stenographic reporter, that the foregoing proceedings were taken stenographically by me and thereafter reduced to typewriting by me or under my direction, and that this transcript is a true and accurate record to the best of my ability.

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By: John A. Kelly

John A. Kelly,
Certified Verbatim Reporter

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FORM 1