

COMMONWEALTH OF PENNSYLVANIA

PUBLIC UTILITY COMMISSION

ORIGINAL

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Pennsylvania Public Utility Commission :  
 v. Philadelphia Gas Works :  
 : Docket No.  
 Requesting a general rate increase :  
 of \$65,000,000. : R-00006042;  
 : R-00006042,  
 Further Hearing. : C0001, et al.  
 :  
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Pages 665 through 764      Hearing Room No. 1  
    State Office Building  
    Broad and Spring Garden Streets  
    Philadelphia, Pennsylvania

DOCUMENT FOLDER

Wednesday, May 23, 2001

met, pursuant to notice, at 10:00 a.m.

BEFORE:

CYNTHIA W. FORDHAM, Administrative Law Judge

APPEARANCES:

JOHNNIE SIMMS, Esquire  
 P. O. Box 3265  
 Harrisburg, Pennsylvania 17105  
 (For the Office of Trial Staff)

*J.M.*

DOCKETED  
MAY 30 2001

DANIEL CLEARFIELD, Esquire  
 MARK STEWART, Esquire  
 Wolf Block Schorr & Solis-Cohen  
 Suite 300  
 212 Locust Street  
 Harrisburg, Pennsylvania 17101  
 (For Philadelphia Gas Works)

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Commonwealth Reporting Company, Inc.

700 Lisburn Road  
Camp Hill, Pennsylvania 17011

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## APPEARANCES (CONTINUED):

WENDELL F. HOLLAND, Esquire  
Obermayer Rebmann Maxwell & Hippel LLP  
19th Floor  
One Penn Center  
1617 JFK Boulevard  
Philadelphia, Pennsylvania 19103  
(For Philadelphia Gas Works)

WALTER W. COHEN, Esquire  
Obermayer Rebmann Maxwell & Hippel LLP  
204 State Street  
Harrisburg, Pennsylvania 17101  
(For Philadelphia Gas Works)

STEPHEN J. KEENE, Esquire  
TANYA J. McCLOSKEY, Esquire  
CHRISTY M. APPLEBY, Esquire  
555 Walnut Street  
Harrisburg, Pennsylvania 17101  
(For the Office of Consumer Advocate)

STEVEN GRAY, Esquire  
300 North Second Street  
Harrisburg, Pennsylvania 17101  
(For the Office of Small Business Advocate)

CHARIS BURAK, Esquire  
McNees Wallace & Nurick  
100 Pine Street  
Harrisburg, Pennsylvania 17108  
(For the Philadelphia Industrial and  
Commercial Gas Users Group)

PHILIP A. BERTOCCI, Esquire  
Community Legal Services  
1424 Chestnut Street  
Philadelphia, Pennsylvania 19102  
(For CEPA, ACORN, TAG and Action Alliance)

STANLEY E. BROWN, Esquire  
P.O. Box 3265  
Harrisburg, Pennsylvania 17105  
(Administrative Counsel)

**Commonwealth Reporting Company, Inc.**

700 Lisburn Road  
Camp Hill, Pennsylvania 17011

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## P R O C E E D I N G S

ADMINISTRATIVE LAW JUDGE CYNTHIAS WILLIAMS FORDHAM:

1  
2  
3 Good morning. I am Administrative Law Judge Cynthia  
4 Williams Fordham and this is the time and date for a  
5 further hearing in the matter of the Pennsylvania Public  
6 Utility Commission versus Philadelphia Gas Works at  
7 Docket No. R-00006042.

8 As I indicated yesterday, there have been a number  
9 of complaints filed with the rate case and they go from  
10 C-0001 to C-0171, and there were about 13 other C  
11 complaints that have been added to this docket.

12 At this time I would ask Counsel to enter their  
13 appearance, starting with PGW.

14 MR. CLEARFIELD: Good morning, Your Honor. I am  
15 Dan Clearfield with Wolf Block.

16 JUDGE FORDHAM: Good morning.

17 MR. HOLLAND: Wendell Holland with Obermayer  
18 Rebmann for the company.

19 MR. COHEN: Walter Cohen with Obermayer for the  
20 company.

21 MR. SIMMS: Good morning, Your Honor. Johnnie  
22 Simms representing the Office of Trial Staff.

23 MR. KEENE: Good morning, Your Honor. Stephen  
24 Keens and Christy Appleby for the Office of Consumer  
25 Advocate.

1 MS. BURAK: Good morning, Your Honor. Charis Burak  
2 on behalf of the Philadelphia Industrial and Commercial  
3 Gas Users Group.

4 MR. GRAY: Good morning, Your Honor. Steve Gray  
5 for the Office of Small Business Advocate.

6 MR. BERTOCCI: Good morning, Your Honor. Philip  
7 Bertocci for the consumer organizations, CEPA, ACORN, TAG  
8 and Action Alliance of Senior Citizens.

9 MR. BROWN: Stan Brown, Administrative Counsel.

10 JUDGE FORDHAM: Yesterday was the first day of  
11 hearings in this matter. We entered the statements and  
12 exhibits of five witnesses and they were cross-examined.  
13 Two of those witnesses will return today. That is  
14 Mr. Craig White and Mr. Thomas Knudsen.

15 There are some other housekeeping matters that we  
16 need to take care of and at this time I will ask  
17 Mr. Holland to do that.

18 MR. HOLLAND: Thank you, Your Honor.

19 Well, our first witness that we are going to call  
20 this morning will be Mr. White. We had an off the record  
21 discussion with the parties and they have indicated that  
22 they have no cross of Howard S. Gorman. That being the  
23 case, Your Honor, I would like to move at this time PGW  
24 Statements 5 and 5.1, as well as Exhibits HSG-1 through  
25 6, which is Volume III in our filing.

1 JUDGE FORDHAM: Hearing no objections, they will be  
2 entered into evidence.

3 (Whereupon, the documents were marked as PGW  
4 Statements Nos. 5.0 and 5.1 and Exhibits Nos.  
5 HSG-1 through HSG-6 for identification, and were  
6 received in evidence.)

7 JUDGE FORDHAM: Are there any other preliminary  
8 matters before we go to the first witness?

9 MR. CLEARFIELD: Yes, Your Honor. Mr. Lukens, we  
10 indicated, was waived in terms of cross. I don't believe  
11 we entered his testimony into the record.

12 JUDGE FORDHAM: That is true.

13 MR. CLEARFIELD: I would move for the admission of  
14 PGW Statement 6.0 and the accompanying exhibits, JPL-1  
15 through JPL-11.

16 MR. SIMMS: Your Honor, just so the record is  
17 clear, I don't want to be viewed that OTS's failure to  
18 object to the admission of Mr. Lukens' testimony is an  
19 agreement that we believe Mr. Lukens' testimony is  
20 relevant or the ratepayers of PGW should be paying for  
21 his witness fees. So with that understanding, we do not  
22 object to the admission of his testimony.

23 MR. CLEARFIELD: We understand the Trial Staff's  
24 position.

25 JUDGE FORDHAM: Okay. Would you restate the

1 position for the record? Because I believe there is a  
2 rate adjustment that you have made based on that.

3 MR. SIMMS: That's correct, Your Honor. We have  
4 made an adjustment in this case to disallow the fee that  
5 Mr. Lukens is charging to testify in this proceeding.  
6 With that adjustment and the moving into the record of  
7 his testimony and exhibits I did not want to have the  
8 record reflect that my failing to object to that  
9 admission is an agreement that we waive our adjustment or  
10 that we are in agreement that his testimony is relevant  
11 to this proceeding or that the PGW customers should be  
12 paying for his fees.

13 JUDGE FORDHAM: Does any other party have the same  
14 objection?

15 (No audible response.)

16 JUDGE FORDHAM: The objection of OTS is noted.

17 The testimony and the exhibits of Mr. Lukens are  
18 admitted.

19 (Whereupon, the documents were marked as PGW  
20 Statement No. 6 and Exhibits Nos. JPL-1 through  
21 JPL-11 for identification, and were  
22 received in evidence.)

23 JUDGE FORDHAM: Anything else?

24 (No audible response.)

25 JUDGE FORDHAM: Mr. Holland.

1 MR. HOLLAND: Your Honor, the company calls Craig  
2 White, who has been previously sworn.  
3 Whereupon,

4 CRAIG WHITE  
5 having been duly sworn, testified as follows:

6 JUDGE FORDHAM: Mr. Holland has already indicated  
7 that you have been previously sworn.

8 THE WITNESS: Yes, Your Honor.

9 MR. HOLLAND: Your Honor, with your permission, I  
10 would like to ask Mr. White a few preliminary questions.

11 JUDGE FORDHAM: Sure.

12 DIRECT EXAMINATION

13 BY MR. HOLLAND:

14 Q. Good morning, Mr. White.

15 A. Good morning.

16 Q. Mr. Metro states in his testimony that the  
17 principles of gradualism would be violated if the  
18 Commission accepts the company's proposed customer  
19 charge. Do you agree?

20 A. I think it is important to note that the  
21 current customer charge that customers are paying is  
22 11.66. If one were to compare the \$8 customer charge to  
23 the proposed -- and I am speaking solely of residential  
24 at this point -- to the \$15 proposed customer charge, I  
25 would agree with Mr. Metro. But my point would be that

1 the customers at the present time are paying \$11.66. We  
2 are asking that it move to \$15. And we have provided  
3 information that indicates that the total cost associated  
4 with that -- that the fully allocated cost is  
5 significantly more than the \$15 that we are asking be  
6 applied.

7 Q. Mr. Metro also states that it is generally more  
8 expensive to serve rural customers than urban customers  
9 and he sites telephone service to support his position.  
10 Do you agree with that, Mr. White?

11 A. Well, first I would like to -- let's relate  
12 this specifically to natural gas systems. PGW, when we  
13 are installing mains and services in inner-city urban  
14 environments we are dealing with a lot of issues that are  
15 not confronted in a rural application. In our center  
16 city area we have subways, traffic flow, we have many  
17 different utilities. Often times when you are installing  
18 facilities in a rural area you are operating in virgin  
19 ground. I have participated in numerous certificate  
20 filings on the interstate -- at the FERC for interstate  
21 pipelines and it has been my understanding over the years  
22 that it is much more expensive to install facilities in  
23 the northeast and in the  
24 Washington-Baltimore-Philadelphia-Newark-New York  
25 corridor than it is when you are installing facilities in

1 a rural area. So I would disagree that installing  
2 facilities in the rural area is more expensive or less  
3 advantageous.

4 Q. In discussing your proposed GCR mechanism for  
5 dollar-for-dollar cost recovery of such social programs  
6 as the customer responsibility program and the seniors  
7 program Mr. Keim faults your approach as lacking no  
8 incentives to monitor and control costs and he further  
9 compares the company to other LDCs in the state, that is,  
10 local distribution companies. Do you agree with  
11 Mr. Keim?

12 A. Well, first, PGW has a senior citizen discount  
13 which I don't believe any other utility in the state has.  
14 That is a discount that is provided by city ordinance.

15 Secondly, our customer responsibility program,  
16 which differs from the state CAP programs, as I  
17 understand it, is a program that has been approved by the  
18 Philadelphia Gas Commission and is intrinsic to our  
19 tariff.

20 As far as those two programs and our conservation  
21 works program, which is also a tariff approved mechanism,  
22 it is something that we are obligated to perform and we  
23 require recovery of those dollars in order to continue to  
24 operate.

25 Q. In his testimony Mr. Baudino renews his

1 criticisms of the company's transportation policy and  
2 asks the Commission to change it. Do you have a  
3 response, Mr. White?

4 A. Well, as I indicated in my testimony, Counsel  
5 has advised me that we -- if we want to make changes to  
6 our tariff and PGW proffers this, then the Commission can  
7 rule and make a decision on it. But for other parties to  
8 unilaterally determine or request changes, that is not in  
9 the cards as I understand it.

10 Having said that, PGW has provided information  
11 pertaining to both our electronic bulletin board and our  
12 restructure filing. With regard to the electronic  
13 bulletin board, we submitted information showing that we  
14 have a four phase project plan, the fourth phase of which  
15 is to address nomination, scheduling and more or less an  
16 interactive bulletin board.

17 Likewise, on the restructuring filing we have an  
18 enterprise-wide effort ongoing addressing such things as  
19 the customer information system, which is an integral  
20 part of our ability to track and manage a restructured  
21 unbundled system. Once again, we have a timeframe that  
22 will allow us to meet what we believe is what the state  
23 act on competition requires, and that is that PGW as a  
24 municipal is in compliance by September 1, 2003. We have  
25 filing deadlines prior to that and we anticipate meeting

1 those deadlines.

2 Q. In his testimony Mr. Baudino implies that  
3 permitting broad-based transportation immediately should  
4 be relatively easy. Do you agree with that?

5 A. As I just indicated, there are a lot of issues  
6 that we have to address that will be part of our  
7 restructuring filing. We have to determine the -- we  
8 have to solve a lot of operational issues as well as  
9 issues that other companies have addressed. We are on  
10 the end of laterals. We are on deadend laterals in all  
11 instances. We do not have main line facilities running  
12 through the Philadelphia service territory. We have a  
13 heavy reliance on LNG to meet both design winter and peak  
14 day. We have different operational circumstances that we  
15 have to account for, not to mention the fact that we do  
16 not have a customer information system at this time that  
17 can track customer usage. And when I say track, tag it  
18 to a supplier, maintain a history of customer -- maintain  
19 customer history with regard to individual suppliers they  
20 may have operated with overtime. There are a lot of  
21 issues and I am sure we will get to them as time goes by  
22 here today.

23 Q. He also suggests that Pennsylvania natural gas  
24 utilities have had transportation in place since the  
25 mid-'80s and kind of implies that PGW does not. Do you

1 agree with that, Mr. White?

2 A. Not at all. PGW has transportation capability  
3 in its tariff. We have a GTS tariff. Yes, we do have a  
4 high threshold. Right now you must utilize 75,000 Mcf a  
5 year to transport on our system or a buyer group of three  
6 customers can transport on our system. But as it stands  
7 right now we have not included in those transportation  
8 rates such asset costs as the assets necessary for within  
9 the day balancing and the swings in people's loads.

10 Let me be a little more specific. Customers do not  
11 use their gas on a solely ratable basis across 24 hours.  
12 So PGW's system must be able to manage peaks and valleys  
13 in their load requirements. Our present tariff for  
14 transportation customers doesn't recognize that. We  
15 expect that those types of things must be addressed in  
16 the restructuring filing.

17 Also, we have a transportation tariff today that  
18 provides plus or minus ten percent swing within the day  
19 which is much more liberal than the transportation  
20 tariffs that I have reviewed of other Pennsylvania  
21 utilities. Additionally we have a plus or minus five  
22 percent on the month.

23 Now, what we do have that people may not like is  
24 the fact that when you get outside of those parameters  
25 you are going to get hit with penalties. Those penalties

1 are there to discourage behavior. We have a system which  
2 has operational requirements which we must maintain and  
3 if anything we have very liberal within the day  
4 balancing, within the month balancing.

5 MR. HOLLAND: Thank you, Mr. White.

6 Your Honor, Mr. White is available for cross.

7 JUDGE FORDHAM: Thank you.

8 Mr. Simms.

9 MR. SIMMS: Thank you, Your Honor.

10 CROSS-EXAMINATION

11 BY MR. SIMMS:

12 Q. Mr. White, let me refer you to page six of your  
13 direct testimony. On that page you made a comparison of  
14 monthly customer charges of other LDCs in Pennsylvania,  
15 did you not?

16 A. Yes, that's correct.

17 Q. Now, at the bottom of that page you make a  
18 comparison of monthly customer charges for the Pittsburgh  
19 area LDCs?

20 A. Yes.

21 Q. Columbia Gas of Pennsylvania you have listed as  
22 a customer charge of 10.81. Do you know what the  
23 customer charge was for that company, LDC, before it was  
24 increased to 10.81?

25 A. No, sir, I do not.

1 Q. Equitable Gas Company you have listed as a  
2 customer charge of \$11.65. Do you know what the customer  
3 charge was for that company before it was raised to  
4 \$11.65?

5 A. No, I do not.

6 Q. Peoples Natural Gas you have listed as a  
7 customer charge of 10.21. Do you know what the customer  
8 charge was for Peoples prior to the customer charge being  
9 raised to 10.21?

10 A. No, I do not.

11 Q. Now, you have listed for PGW a current customer  
12 charge of \$8, isn't that correct?

13 A. Yes.

14 Q. And you have the PGW proposed customer charge  
15 of \$15, is that correct?

16 A. Yes.

17 Q. Now, on your rejoinder testimony you indicated  
18 that the customer charge is now \$11.66, correct?

19 A. That is what is currently in place pursuant to  
20 the interim settlement.

21 Q. The interim settlement. And when did that  
22 customer charge increase take place?

23 (Pause.)

24 MR. HOLLAND: Mr. Simms, can we say March 1st?

25 MR. SIMMS: That's fine.

1 THE WITNESS: Thank you.

2 BY MR. SIMMS:

3 Q. Is it your testimony that the \$11.66 is a  
4 permanent customer charge?

5 A. No. It is my testimony that the 11.66 will be  
6 in place through August 31 and it would be our  
7 expectation that at the conclusion of this rate  
8 proceeding there will be some decision on the customer  
9 charge moving forward.

10 Q. But if there is no movement on the customer  
11 charge going forward the customer charge will revert back  
12 to \$8, correct?

13 A. It is my understanding that it would revert  
14 back to \$8.

15 Q. So in terms of a permanent customer charge we  
16 are looking at the \$8 that was the customer charge at the  
17 filing and your proposal for a \$15 customer charge,  
18 correct?

19 A. That's correct.

20 Q. Now, on page 13 of your rebuttal testimony you  
21 testified that a more appropriate comparison would be  
22 Equitable Gas Company of Pittsburgh, which has a customer  
23 charge of \$11.65 per month, correct?

24 A. Right. And I go on to state that obviously  
25 that customer charge has been in place and if Equitable

1 were to file today one does not know whether or not that  
2 would be sufficient or whether it could be potentially  
3 higher. We are filing today.

4 Q. And we earlier established that you were  
5 unaware of the customer charge prior to Equitable's  
6 increase to \$11.65?

7 A. That's correct.

8 Q. Now, your testimony addressing Mr. Metro's  
9 recommendation, are you suggesting that Mr. Metro did not  
10 make a comparison with Equitable Gas Company?

11 A. No. I am suggesting that Mr. Metro used a  
12 statewide average or at least an average of a much larger  
13 group, which indicates that there is a significant -- a  
14 more significant gap between what PGW is charging its  
15 customers today versus what it is proposing. In the case  
16 of Equitable, it is an inner-city facility like PGW and  
17 it faces a lot of the same issues that PGW has.

18 Q. Let me refer you to OTS Exhibit No. 3, schedule  
19 5. Do you have that before you?

20 A. No, I do not. What was the exhibit number?

21 (Witness perusing documents.)

22 Q. You have it there?

23 A. I think so. What was the exhibit number?

24 Q. It is Exhibit 3, schedule 5.

25 A. I got it.

1 Q. I just want to have you look at the bottom of  
2 the page. Do you see that? For residential?

3 A. Yes.

4 Q. And if you go straight across to OTS  
5 recommended, you see \$12?

6 A. Yes.

7 Q. Do you see (11.65 rounded up)?

8 A. Yes.

9 Q. Would you not agree that Mr. Metro did in fact  
10 make a direct comparison with Equitable's customer charge  
11 of \$11.65 and rounded it up for a recommendation for PGW  
12 of \$12?

13 A. I would assume that since the 11.65 is  
14 indicated here and it is -- unless there is another  
15 company in the state that is at 11.65 this represents  
16 Equitable and I would agree with you.

17 Q. Thank you.

18 Now, in using Equitable as a comparison as you have  
19 stated in your rebuttal testimony, am I to assume that  
20 you believe that the fixed distribution costs in the City  
21 of Pittsburgh are equivalent to the fixed distribution  
22 costs in the City of Philadelphia?

23 A. I couldn't say whether they are equivalent.  
24 The only thing I can draw is the conclusion that  
25 Pittsburgh is an inner-city environment, an urban

1 environment much like Philadelphia, not as large, not as  
2 old. But nevertheless I believe if you are going to do a  
3 comparison they would be the most likely comparison in my  
4 mind as being as similar to PGW as you could find in the  
5 state.

6 Q. Would I be correct that you do not know what  
7 fixed costs were included in Equitable's customer charge?

8 A. No, I do not.

9 Q. Now, on page seven of your direct testimony you  
10 utilize the R. J. Rudden cost of service study, do you  
11 not?

12 A. Pardon me?

13 Q. On page seven you utilize the R. J. Rudden cost  
14 of service study?

15 A. Yes.

16 Q. And that study shows that fixed  
17 distribution-related costs will be recovered under the  
18 residential customer class with a customer charge of  
19 approximately \$40, does it not?

20 A. \$40, yes.

21 Q. Now, you selected \$15 as the proposed customer  
22 charge. Why didn't you select \$20?

23 A. Well, because recognizing the fact that we  
24 would want to move in this direction on a gradual basis  
25 we didn't believe that moving beyond the \$15 level would

1 be appropriate.

2 Q. Would I be correct that assuming the study was  
3 performed correctly you could have selected a customer  
4 charge between \$8 and \$40, correct?

5 A. That's correct.

6 Q. Do you know when the customer charge for  
7 Equitable was put into effect?

8 A. No, I do not.

9 Q. Do you know whether or not the Commission has  
10 recently approved a residential customer charge for other  
11 LDCs in Pennsylvania?

12 A. No. It is just my understanding that  
13 Equitable's is the highest in the state.

14 Q. Now, on page seven of your direct testimony you  
15 testified that PGW is more sensitive to weather  
16 variations than most other gas utilities, did you not?

17 A. Yes.

18 Q. What do you base that statement on?

19 A. PGW's historical customer charges of four  
20 recently moving to eight as recent as a year ago and now  
21 to an interim 11.66 leaves a sufficient amount of  
22 recovery of revenue through the volumetric charge.

23 Q. Is it your testimony that PGW is more weather  
24 sensitive than Equitable Gas Company?

25 A. My testimony is that PGW is very sensitive to

1 weather in that a significant amount of our revenues are  
2 recovered through a volumetric charge.

3 Q. I understand your statement there but my  
4 question goes to do you know whether or not PGW is more  
5 weather sensitive than Equitable Gas Company?

6 A. Well, I do know that PGW has a larger  
7 percentage of residential customers. And residential  
8 customers in PGW's service territory are primarily  
9 heating. We have approximately an eight-to-one swing  
10 summer to winter. So the information that I have seen of  
11 other utilities does not indicate that there is quite the  
12 variability from summer to winter.

13 And most of our revenues are recovered in the  
14 winter. As I testified yesterday, in the November to  
15 March timeframe 72 percent of PGW's firm load occurs  
16 during that timeframe. And over the years I have  
17 reviewed from time to time other utilities and I know  
18 that PGW is very exposed to recovery of revenue from  
19 heating sales. So if we don't get the weather, if we  
20 don't get the colder temperatures, we are not going to  
21 recover costs, we are not going to make as much revenue.

22 Q. Is that any different than Equitable Gas  
23 Company?

24 A. Well, as I said, it is my understanding that we  
25 have a larger concentration of residential customers than

1 Equitable Gas Company.

2 Q. And what documents did you look at from  
3 Equitable Gas Company to suggest that?

4 A. Well, over the years I have looked at their  
5 annual report and the AGA studies that are put out from  
6 time to time. There are groups that have operated over  
7 time and PGW has historically been, as far as the  
8 concentration of residential customers, always at the top  
9 of the list.

10 Q. And would you --

11 A. Do I have any definitive information in front  
12 of me now? The answer is no.

13 Q. Would your answer be the same for Columbia Gas  
14 of Pennsylvania and Peoples Gas?

15 A. Yes.

16 Q. By the way, PGW does not experience gas on gas  
17 competition in its service territory, does it?

18 A. No, it does not.

19 Q. On rejoinder you testified about the rural  
20 application for LDCs. Do you recall that?

21 A. Yes.

22 Q. Have you done any studies as to the rural  
23 application in western Pennsylvania?

24 A. No, I have not.

25 Q. How about central Pennsylvania?

1 A. No, I have not.

2 Q. Those interstate pipeline conferences or  
3 meetings that you had at FERC, did any of them deal with  
4 western Pennsylvania and central Pennsylvania?

5 A. In the case of Equitrans it did. But quite  
6 frankly, my comments earlier deal more with the issues  
7 surrounding pipeline extensions such as Market Link,  
8 which is a Transco endeavor, and from Texas Eastern's  
9 standpoint their Flex Ex program, which in many instances  
10 they have to install facilities. The only time that  
11 costs become an issue in rural areas is when there are  
12 historic areas involved and things of that nature that  
13 really cause problems. I am sure there are other items,  
14 but my experience has been that the rural areas have been  
15 less costly than operating in urban areas based upon  
16 certificate filings that I have seen over the years.

17 Q. But you have not done a study of western  
18 Pennsylvania or central Pennsylvania?

19 A. No, I have not.

20 Q. Do you know the historical background of how  
21 Equitrans was developed?

22 A. Well, I know Equitrans is basically a  
23 collection of assets that was formerly directly  
24 associated with Equitable Gas and it was spun off as a  
25 separate pipeline.

1 Q. Equitable Gas at one point in time before it  
2 became Equitrans in fact owned the facilities that we now  
3 know as Equitrans, is that correct?

4 A. Yes.

5 MR. SIMMS: Your Honor, that concludes my  
6 cross-examination.

7 JUDGE FORDHAM: Thank you.

8 Mr. Keene.

9 MR. KEENE: I have no cross for Mr. White, Your  
10 Honor.

11 JUDGE FORDHAM: Ms. Burak.

12 MS. BURAK: Yes. Thank you, Your Honor.

13 JUDGE FORDHAM: You're welcome.

14 CROSS-EXAMINATION

15 BY MS. BURAK:

16 Q. Good morning, Mr. White.

17 A. Good morning.

18 Q. I think that we know one another. Just in  
19 case, I am Charis Burak on behalf of the Pennsylvania  
20 Industrial and Commercial Gas Users Group.

21 First I would like to ask you to refer to page 117  
22 of PGW's tariff. Do you have that?

23 A. I do not have that with me.

24 MS. BURAK: Your Honor, if I can approach the  
25 witness?

1 JUDGE FORDHAM: Sure.

2 MS. BURAK: Maybe I could just hand it to the  
3 witness. It is the tabbed page, I believe.

4 BY MS. BURAK:

5 Q. Mr. White, would you agree with me that the  
6 first paragraph on this page -- I think it's about the  
7 second or third sentence in -- states that a customer may  
8 modify the quantities it intends to have delivered to the  
9 company's city gate in accordance with the monthly and  
10 daily nomination procedure of the delivery pipeline?

11 A. Yes.

12 Q. Now, does PGW automatically permit a customer  
13 to modify these quantities when the customer uses the  
14 procedure set forth by the delivery pipeline?

15 A. We will not allow a customer to make an  
16 adjustment after the gas day has been completed or the  
17 majority of the gas day has occurred because there is no  
18 physical capability for that customer to get back in  
19 balance. We will also not permit a customer whose gas  
20 supply has not been approved by the pipeline as an  
21 approved nomination, which has been the case in many  
22 instances. You must have an approved nomination on the  
23 pipeline and you must have an approved nomination with  
24 PGW. In many instances if it's not approved on the  
25 pipeline and you ask for this type of modification it is

1 a moot point. You know, I guess what I am saying is if  
2 you don't have the first there is no applicability to the  
3 second.

4 Q. Let me be more specific in my question, then.  
5 Based upon the sentence where I am going to assume that  
6 they have approval from the pipeline, that the customer  
7 has done everything that the pipeline has required, does  
8 PGW then automatically allow the customer to change  
9 nominations?

10 A. If the customer follows the proper procedures  
11 and contacts PGW and PGW has the operational capability  
12 to do it, it will do it.

13 Q. So then the answer is no?

14 A. If PGW has the ability to do it, it will do it.

15 MS. BURAK: Your Honor, could I at least get a yes  
16 or no to my question? I would like to know if it is  
17 automatic, if PGW will automatically approve it if the  
18 customer follows the interstate pipeline's requirements.

19 A. Subject to check -- and I would have to check  
20 with our T & E, our transportation and exchange folks --  
21 subject to check we provide the ability to make intraday  
22 nominations.

23 Q. That's not my question, Mr. White. My question  
24 is does PGW automatically permit a customer to modify  
25 these quantities when the customer uses and receives

1 approval from the delivery pipeline?

2 A. To the best of my knowledge the answer would be  
3 no, we do not automatically do it.

4 Q. Thank you.

5 So then does PGW based upon the company's sole  
6 discretion determine whether a customer is permitted to  
7 modify these quantities?

8 A. PGW based upon operational conditions and the  
9 requirements to maintain the system for firm customers  
10 will make that decision.

11 Q. And would it be correct to assume that it is  
12 the company deciding whether or not there are operational  
13 conditions that would allow the intraday nomination?

14 A. It would be appropriate and it would also be  
15 valid for this Court to recognize that PGW has not to my  
16 knowledge ever declined an intraday nomination.

17 Q. That is to your knowledge, correct?

18 A. To my knowledge.

19 Q. Do you make the call as to whether or not an  
20 intraday nomination will be approved?

21 A. No. People who work in my gas acquisitions  
22 group make that call.

23 Q. Do they tell you every time an intraday  
24 nomination is not approved?

25 A. No. We do not discuss individual customer

1 nominations on a daily basis.

2 Q. So that an intraday nomination might not have  
3 been approved and you would not necessarily be aware of  
4 it?

5 A. Well, that may be true but I have been informed  
6 that we have not declined an intraday nomination.

7 Q. Up until what date? When was the last time you  
8 were informed?

9 A. I think within the last month.

10 Q. And when did you first become informed? Has  
11 this been an ongoing process since you have been working  
12 at PGW?

13 A. The subject matter came up in the context of a  
14 meeting that was being held and at that meeting there was  
15 some discussion as to whether or not PGW had ever denied  
16 an intraday nomination and the response from the  
17 personnel that operate intraday nominations was that we  
18 have never declined an intraday nomination and we would  
19 appreciate knowing from any customer that we did decline  
20 who they were and when we did it. And to my knowledge  
21 that has not occurred. We have not been informed by any  
22 customer that we did not provide an intraday nomination.

23 Q. And do you know the date of that meeting?

24 A. I do not know the date of that meeting off-hand  
25 but we can check our calendars and find out and provide

1 that.

2 Q. That would be fine.

3 MR. HOLLAND: Do you have a date in mind,  
4 Ms. Burak? Maybe you could help us.

5 MS. BURAK: No, I have no idea. That is why I am  
6 asking.

7 MR. HOLLAND: Okay.

8 MS. BURAK: I don't know if it was in the past  
9 week, past month, the past year.

10 MR. HOLLAND: And specifically what would you like  
11 us to supply?

12 MS. BURAK: The date that the meeting occurred when  
13 this information first came up that an intraday  
14 nomination had never been disapproved.

15 THE WITNESS: Well, the meeting occurred and we  
16 have no problem. We will get that date.

17 MS. BURAK: Thank you.

18 THE WITNESS: As a matter of fact, we could -- let  
19 me leave it at that.

20 BY MS. BURAK:

21 Q. Mr. White, if you would stay on the same page  
22 of that tariff that I originally pointed out, page 117,  
23 but look at the paragraph entitled allowable imbalances.  
24 According to that paragraph, imbalances are permitted  
25 within a range of plus or minus ten percent on a daily

1 basis if adjusted within plus or minus five percent by  
2 month's end, correct?

3 A. That's correct.

4 Q. And according to the previous paragraph on that  
5 page, notice will be provided at the time of each  
6 individual customer's detail nominations as to the  
7 availability of retail gas backup, correct?

8 A. The previous paragraph identifies whether PGW  
9 is providing emergency gas supply or whether you will be  
10 subject to unauthorized.

11 Q. It does mention, though, the availability of  
12 retail gas backup on that page? I'm sorry, I don't have  
13 my copy in front of me.

14 (Witness perusing document.)

15 A. Yes. But it specifically references the fact  
16 that you have to have -- that it is subject to  
17 operational conditions and more importantly the  
18 individual contractual service obligation with the  
19 customer. So not all customers are applicable to retail  
20 backup service. As a matter of fact, we only have one  
21 customer that is a transportation customer that has  
22 standby service.

23 Q. My question is more going towards the fact that  
24 you were going to provide notice at the time of each  
25 individual customer's daily nomination regarding whether

1 or not retail gas backup is available, is that correct?

2 A. Yes, it is correct.

3 Q. And generally a PGW transportation customer  
4 must nominate natural gas the day before they are  
5 planning to use it, is that correct?

6 A. That's correct. In accordance with the  
7 interstate pipeline nominating requirements. The same  
8 time.

9 Q. And for weekend using or Monday usage the  
10 customer must nominate the week before, perhaps a Friday  
11 for Monday usage?

12 A. Not perhaps. Not perhaps. The week before on  
13 a Friday unless there is a holiday.

14 Q. Okay. And do you have transportation customers  
15 that nominates gas for weekend use or Monday use?

16 A. Absolutely, yes.

17 Q. So at the time of nomination a customer will  
18 learn whether any retail gas backup is available?

19 A. Typically we would try to provide as much  
20 notice to our customers as we possibly can. Now, you  
21 have to recognize that we are operating -- I mean,  
22 operating conditions must permit and any one of these --  
23 if we are going to look at an example here we have to  
24 look at it under a severe winter scenario where we are  
25 using possibly 380,000 of LNG vapor on that particular

1 day. So these decisions have to be made as early as  
2 possible to give the customers as much time as possible.  
3 But we have no control over how the weather can fluctuate  
4 and a ten degree day swing can obviously impact our  
5 ability to provide any type of backup service.

6 Q. That's fine.

7 So if the retail backup is not available and the  
8 customer uses volumes in excess of that nominated, then  
9 those volumes get billed at a rate of \$10 per Mcf if  
10 emergency gas was requested or \$20 per Mcf if it was  
11 unauthorized use?

12 A. If the customer has a contract that allows them  
13 to have retail backup service and the retail backup  
14 service is provided then obviously they would not incur  
15 any penalties. However, as I indicated, all of our  
16 customers -- there is only one customer that has the  
17 retail backup or standby service and in the case of those  
18 customers that do not have it, if they overrun their  
19 contract they are subject to the penalties.

20 Q. And I think you mentioned in fact in your  
21 rejoinder that these are somewhat stiff penalties?

22 A. What I mentioned was that our plus or minus ten  
23 percent is extremely liberal and that the penalties kick  
24 in when you get outside plus or minus ten percent.

25 Q. Based on the high penalties that could occur

1 would you not agree that it is extremely important for  
2 customers to know whether they are in balance with the  
3 system?

4 A. Well, first, I do not agree that they are high  
5 penalties. There are pipelines in the Chicago area that  
6 have \$75 unauthorized gas levels. Our own interstate  
7 pipelines are at \$25 and PGW is at 20. So we actually  
8 could incur an interstate pipeline penalty in excess of  
9 what we have in this tariff.

10 Q. Let me rephrase the question, then. Would you  
11 agree with me that the \$10 and \$20 per Mcf could be  
12 construed as penalties? Is that fair to say?

13 A. The \$20 is a penalty. The \$10 is an offer of  
14 emergency gas at a rate of \$10 which is solely at the  
15 discretion of PGW. It is unilateral. It is solely at  
16 our discretion.

17 Q. So let's say based upon the high costs that  
18 could result to a customer, be it the \$10 or \$20, that it  
19 would be important for the customer to know whether or  
20 not they are in balance with the system?

21 A. Yes. I would think it would be important for  
22 the customer to know where they stood on their takes  
23 througout the day.

24 Q. Does PGW currently provide any mechanism which  
25 allows the customer to determine whether they are in

1 balance with the system 24 hours a day, seven days a  
2 week?

3 A. PGW has Metrotech and Metroscan devices on all  
4 transportation customers. The customer has a nominated  
5 amount and if that customer is overrunning their  
6 nominated amount they should know that. This is an  
7 unbundled world. This is, you know --

8 Q. So the answer to my question is yes, then, that  
9 24 hours a day, seven days a week a customer can  
10 determine whether or not they are in balance?

11 A. We would hope that customers would be able to  
12 tell.

13 Q. I guess that is not quit the answer I am  
14 looking for. So you are telling me it is a possibility?

15 A. I am telling you that the customer has an  
16 obligation to know where they are. If they want to  
17 review the metering or determine how much gas is burned  
18 in their facility, it would behoove them to do that so  
19 they would not overrun their nomination.

20 Q. But PGW does not provide a mechanism?

21 A. PGW has never declined someone who has called  
22 and asked us where they stood.

23 Q. Okay.

24 A. But as far as providing a mechanism, do we have  
25 a bulletin board that they can sign on to and read? No,

1 we do not.

2 Q. Can the customer call 24 hours a day, seven  
3 days a week, to PGW to find out where they stand?

4 A. At this time, no, they cannot.

5 Q. You mentioned that you do have a transportation  
6 tariff --

7 A. Well, before you go to the next question, let's  
8 be clear.

9 Q. Okay.

10 A. The customer is a transportation customer.  
11 They have opted to be a transportation customer. They  
12 have determined that they are going to go to a third  
13 party supplier for their supplies. They are going to  
14 nominate gas from that third party supplier. They over  
15 or underrun that supply they are potentially impacting  
16 our system in a negative way, particularly if they go  
17 beyond what we are willing to allow as the daily and  
18 monthly swing. The point is that the customer has an  
19 obligation and if they don't recognize that obligation  
20 they are going to be subject to penalties.

21 Q. And you don't believe PGW has an obligation to  
22 the customer to let them know where they are on PGW's on  
23 system?

24 A. When you say where they are on PGW's system --

25 Q. If they are in balance.

1           A. -- we are the distribution system. We are  
2 providing the capacity downstream of the city gate. We  
3 are accepting the nomination from that customer. We  
4 provide intraday nominations when asked for. We are  
5 providing information while we have the staffing in place  
6 on what potentially is the amount of take that has  
7 occurred on that particular day. PGW is doing what I  
8 believe to be many aspects or the appropriate aspects of  
9 rendering a transportation service. Not to mention that  
10 the transportation service does not have any additional  
11 costs associated with within the day swings and so forth.  
12 Customers at this present time can take their gas in a  
13 manner other than on a ratable 24 hour take. We haven't  
14 yet opted to address that.

15           Q. Since we are on the transportation, let me ask  
16 you another question related to that.

17           A. Certainly.

18           Q. You mentioned that you have a transportation  
19 tariff with perhaps higher requirements than other LDCs.

20           A. What do you mean by higher requirements?

21           Q. 75,000 Mcf in order to transport, is that  
22 correct?

23           A. That's correct.

24           Q. Can you roughly estimate how many of PGW's  
25 customers would be eligible to transport under this

1 requirement?

2 A. Well, due to the fact that you can combine  
3 three customers I don't have that number off the top of  
4 my head. But probably at this time we have 500  
5 interruptible customers that have Metrotech and Metroscan  
6 devices. If you assume that some combination of those  
7 types of customers, you would think that those 500  
8 customers might be eligible for transportation under the  
9 current tariff.

10 Q. Okay.

11 A. You are asking me to give, you know, just an  
12 opinion on it. That is the best I can do.

13 Q. That's fine. But currently you have  
14 approximately only eight customers with transportation  
15 contracts on your system?

16 A. Yes. We have fluctuated as high as 12 but we  
17 have had some customers come back to us and buy our  
18 bundled interruptible service.

19 Q. Now, upon completion of PGW's restructuring  
20 proceeding in approximately 2003 the goal there is to  
21 provide all of PGW's customers --

22 A. It will be a fully unbundled system in  
23 compliance with the state act.

24 Q. Okay. And so then residential, commercial and  
25 industrial customers will have the opportunity to

1 transport?

2 A. Everyone will be a transport customer on our  
3 system. They may choose to buy gas as rebundled gas  
4 supply, we have to address that in the restructuring  
5 filing.

6 MR. HOLLAND: Did you mean potential unbundled  
7 customer?

8 THE WITNESS: No. What I am saying is that under  
9 the state act all customers are essentially  
10 transportation customers. And then what occurs is if  
11 they choose to buy gas supply from the LDC, as I  
12 understand it, they essentially have the same service  
13 that they had prior to unbundling. It is just that on  
14 their bill the transportation and the supply will be  
15 separately stated. It is pretty much transparent to the  
16 customer.

17 MR. HOLLAND: I'm sorry, Ms. Burak.

18 BY MS. BURAK:

19 Q. So I think as you mentioned earlier, PGW is  
20 going to need to make significant modifications to its  
21 billing system?

22 A. Yes.

23 Q. Its operational capacity, various aspects?

24 A. That's correct.

25 Q. In order to handle the transporting of these

1 numerous customers?

2 A. And tracking.

3 Q. Okay. So in fact would you agree that  
4 significant changes will be required in order to allow  
5 the company to handle the increase from the eight  
6 customers that are currently transportation customers to  
7 all customers possibly, hypothetically?

8 A. We will have to modify systems.

9 Q. Now, you mentioned that you are planning on a  
10 phase-in of the restructuring. Is that a correct  
11 characterization?

12 A. You would have to point me to the area of the  
13 testimony.

14 Q. In your rejoinder you mentioned that you are  
15 looking at it as a step by step until 2003.

16 A. I didn't indicate that we were going to phase  
17 in the transportation. What I indicated was that there  
18 are different phases to the development of our electronic  
19 bulletin board and that we have an enterprise effort  
20 ongoing to develop the restructuring filing that we are  
21 going to have to file before the Commission. And I think  
22 we have to file no later than July 1st, 2002; no earlier  
23 than December 31, 2001.

24 Q. But it is fair to say, then, that PGW is not  
25 planning to prior to July 1, 2002, proposing any type of

1 lowering of the 75,000 Mcf requirement for  
2 transportation? Is that a fair characterization?

3 A. I would not say that we are -- as we develop  
4 our restructuring filing if we get to a point where we  
5 believe that there may be some benefit to doing some  
6 things in advance of the full blown restructuring filing  
7 we may propose to do that.

8 Q. But at this time you have no plans to do so?

9 A. At this time we are not prepared to do so.  
10 It's not an issue as to whether we have plans. We have  
11 to be prepared to put us in a position where we make the  
12 call as to whether we want to do anything.

13 Q. Just to follow up, Mr. White, is it correct to  
14 assume that the current eight customers with  
15 transportation contracts on PGW's system are responsible  
16 for purchasing their own natural gas?

17 A. Yes.

18 Q. And they are responsible for arranging for the  
19 transportation of that natural gas to PGW's city gate?

20 A. That's correct.

21 Q. And connecting with the interstate pipeline  
22 supplier with respect to this transportation?

23 A. Could you define what you mean by connecting?

24 Q. That they are responsible for the interaction  
25 with the interstate pipeline supplier with respect to

1 this natural gas.

2 A. To a large extent. But the interstate pipeline  
3 supplier also has to nominate with PGW. They have a  
4 requirement to nominate on our system on a daily basis.

5 Q. Okay.

6 MS. BURAK: Thank you, Mr. White.

7 Your Honor, that is all I have.

8 JUDGE FORDHAM: Thank you.

9 Mr. Gray.

10 MR. GRAY: Nothing, Your Honor. Thank you.

11 JUDGE FORDHAM: Do you have anything?

12 MR. BERTOCCI: No, Your Honor.

13 JUDGE FORDHAM: Any redirect?

14 MR. HOLLAND: Yes, Your Honor. Can we take a five  
15 minute break?

16 JUDGE FORDHAM: Yes. We will take a five minute  
17 break.

18 (Recess.)

19 JUDGE FORDHAM: We are back on the record.

20 We have just completed the cross of Mr. White.

21 Mr. Holland, do you have any redirect?

22 MR. HOLLAND: Yes, Your Honor.

23 REDIRECT EXAMINATION

24 BY MR. HOLLAND:

25 Q. Mr. White, there was considerable discussion

1 regarding our policy with respect to intraday  
2 nominations. Can you tell us what our policy is, please?

3 A. Yes. PGW will provide intraday nominations  
4 when requested and we will provide those intraday  
5 nominations as long as operational/safety contingencies  
6 are met.

7 Q. And is it also so long as we meet the pipeline  
8 requirements?

9 A. Yes. As long as they meet the pipeline  
10 requirements. Yes.

11 Q. To the best of your knowledge is that  
12 consistent with our tariff?

13 A. Yes, I believe it is. And what I am about to  
14 read is a statement that we did not discuss but it is in  
15 the same paragraph on page 117. It is the final sentence  
16 in paragraph one at the top of the page, which says all  
17 delivery arrangements must be coordinated with the  
18 company's gas control dispatcher in a manner deemed  
19 acceptable by the company. The company shall within the  
20 limitations of its system assist in the balancing effort.  
21 So once again, that addresses the fact that we have a  
22 system which requires that we maintain appropriate  
23 operational and safety protection.

24 MR. HOLLAND: Thank you, Mr. White.

25 JUDGE FORDHAM: Anything else?

1 MS. BURAK: Actually, yes, Your Honor. Just  
2 briefly.

3 RE-CROSS-EXAMINATION

4 BY MS. BURAK:

5 Q. Mr. White, can you point to me where in the  
6 tariff it mentions the operational requirements of the  
7 system and provides some type of more or less standard by  
8 which a customer can tell whether or not their intraday  
9 nomination will perhaps meet the operational constraints  
10 of the system before they provide it to PGW?

11 A. No, I cannot. But this is a very dynamic  
12 situation that we are talking about. It could be in the  
13 middle of a peak winter situation and on a peak day  
14 during the design winter. There are a lot of variables  
15 that will impact our ability to indicate that we have the  
16 operational capabilities or operational ability and that  
17 the system can continue to operate safely.

18 Q. Also, Mr. White, you mentioned the sentence  
19 regarding the company assisting in the balancing effort.  
20 Does that include informing the customer as to whether or  
21 not they are in balance?

22 A. I think we have already discussed that issue.  
23 As I said, we believe it is the customers' responsibility  
24 to operate in accordance with the nominated volumes that  
25 they have agreed to on our system. If they go outside of

1 that, they are subject to unauthorized.

2 Q. So just out of curiosity then, what does this  
3 sentence mean? How exactly will you be assisting?

4 A. Well, I think we will be assisting if the  
5 customer met all of the requirements of the pipeline,  
6 requested the intraday nomination and we believed that we  
7 had the operational capabilities and it was a safe  
8 situation, then we will be assisting the customer in  
9 making the modification that was requested.

10 Q. You have in here assist, though. In actuality  
11 you mean you will determine whether or not the intraday  
12 nomination will be accepted, is that correct?

13 A. All arrangements will be coordinated with our  
14 dispatcher in a manner deemed acceptable by the company.  
15 I'm not sure where you are reading but that was the  
16 sentence that I read a few moments ago. Once again, we  
17 must maintain the system integrity. Safety is our number  
18 one issue.

19 Q. So PGW makes the final decision, then?

20 A. Yes.

21 MS. BURAK: Thank you, Your Honor.

22 JUDGE FORDHAM: Mr. Holland.

23 MR. HOLLAND: Nothing further.

24 JUDGE FORDHAM: Thank you.

25 MR. HOLLAND: Thank you, Mr. White.

1 JUDGE FORDHAM: Thank you.

2 (Witness excused.)

3 JUDGE FORDHAM: The on the record data request from  
4 Ms. Burak was for Mr. White to provide the date of the  
5 meeting where the personnel stated that PGW has never  
6 denied an intraday nomination.

7 MS. BURAK: Thank you, Your Honor.

8 MR. HOLLAND: We will take care of that, Your  
9 Honor.

10 JUDGE FORDHAM: Is that the conclusion of PGW's  
11 witnesses at this time?

12 MR. HOLLAND: Yes, Your Honor. And again I would  
13 like to move Mr. White's testimony and his exhibits. I  
14 believe they have been so moved.

15 JUDGE FORDHAM: Any objection?

16 (No audible response.)

17 JUDGE FORDHAM: Hearing no objection, they are  
18 admitted.

19 MR. CLEARFIELD: Your Honor, they had already been  
20 admitted.

21 JUDGE FORDHAM: I'm sorry. That's right. They  
22 were admitted yesterday when he testified.

23 Mr. Brown.

24 MR. KEENE: Your Honor, just to clarify the  
25 schedule, the witness schedule, it was my understanding

1 that Mr. Knudsen was going to appear before Mr. Wheaton  
2 to the extent that any of the parties had cross on his  
3 rejoinder. And during the break I just surveyed Counsel  
4 and I don't believe any of us had any cross for  
5 Mr. Knudsen on his rejoinder. In that case I don't think  
6 he has to appear again and we can move on to Mr. Wheaton.

7 MR. COHEN: Your Honor, we will notify him that he  
8 need not come in this afternoon. I think he was going to  
9 come around 11:30.

10 JUDGE FORDHAM: Okay. Thank you.

11 Mr. Brown.

12 MR. BROWN: Administrative Counsel would like to  
13 call Perry Wheaton.

14 Whereupon,

15 PERRY L. WHEATON  
16 having been duly sworn, testified as follows:

17 JUDGE FORDHAM: Would you state your name and  
18 business address for the record, and please spell your  
19 last name?

20 THE WITNESS: My name is Perry L. Wheaton,  
21 W-H-E-A-T-O-N. My business address is Post Office Box  
22 2390, New London, New Hampshire 03257.

23 JUDGE FORDHAM: Mr. Brown.

24 MR. BROWN: Your Honor, I previously distributed  
25 copies of the direct testimony of Mr. Wheaton on behalf

1 of Administrative Counsel in a document that has been  
2 premarked as Administrative Counsel Statement No. 1.  
3 Your Honor, I would ask that the statement be identified  
4 for the record as marked.

5 JUDGE FORDHAM: It shall be so marked.  
6 (Whereupon, the document was marked as  
7 Administrative Counsel Statement No. 1 and  
8 Exhibit No. 1 for identification.)

9 MR. BROWN: I am also handing two copies of it to  
10 the court reporter.

11 DIRECT EXAMINATION

12 BY MR. BROWN:

13 Q. Mr. Wheaton, do you have a copy of  
14 Administrative Counsel Statement 1?

15 A. I do.

16 Q. Does that contain your direct testimony in  
17 question and answer form?

18 A. It does.

19 Q. And attached to your statement is an Exhibit 1,  
20 a resume which contains your qualifications and  
21 experience?

22 A. Yes.

23 Q. In your direct testimony at page two you refer  
24 to an Attachment 1. What is Attachment 1?

25 A. The Attachment 1 is our management audit report

1 which was prepared for the Public Utility Commission.

2 MR. BROWN: Your Honor, as I hand two copies of  
3 this to the court reporter I would ask that that be  
4 marked as Attachment 1 to Administrative Counsel  
5 Statement No. 1.

6 JUDGE FORDHAM: It shall be so marked.

7 (Whereupon, the document was marked as  
8 Administrative Counsel Attachment No. 1 for  
9 identification.)

10 BY MR. BROWN:

11 Q. Now, Mr. Wheaton, turning to your direct  
12 testimony, if I were to ask you the questions contained  
13 in your testimony today, would your answers be the same  
14 as contained in your statement?

15 A. They would be.

16 Q. Was the document prepared by you?

17 A. It was.

18 Q. Are the answers contained true and correct to  
19 the best of your knowledge?

20 A. To the best of my knowledge, they are.

21 MR. BROWN: Your Honor, at this point I would move  
22 for the admission of Administrative Counsel Statement No.  
23 1 as well as Exhibit 1, which is his qualifications and  
24 experience, and most importantly I would move for the  
25 admission of Attachment 1 to Administrative Counsel

1 Statement No. 1.

2 JUDGE FORDHAM: I believe that PGW is the only  
3 party that wants to cross-examine, is that correct? Does  
4 any other party want to cross-examine Mr. Wheaton?

5 MR. KEENE: I have no cross, Your Honor.

6 MR. SIMMS: We have no cross, Your Honor.

7 JUDGE FORDHAM: We will take care of the motion  
8 after the cross-examination.

9 MR. HOLLAND: We will reserve our right to object,  
10 Your Honor.

11 JUDGE FORDHAM: Yes.

12 MR. HOLLAND: And I guess as a housekeeping matter  
13 since Mr. Knudsen will not be called I would like to move  
14 at this time for the introduction of his --

15 JUDGE FORDHAM: Why don't you wait on that.

16 MR. HOLLAND: Wait on that?

17 JUDGE FORDHAM: Yes.

18 MR. HOLLAND: All right

19 CROSS-EXAMINATION

20 BY MR. HOLLAND:

21 Q. Good morning, Mr. Wheaton.

22 A. Good morning.

23 Q. Is it your suggestion that we should eliminate  
24 the seniors discount?

25 A. I forget our exact language but it certainly --

1 it went to that intent. I would have to look up our  
2 specific language.

3 Q. If you could look on page VII-38.

4 (Witness perusing document.)

5 Q. Paragraph 16 in part says eliminate the senior  
6 citizens assistance program?

7 A. Right.

8 Q. Is it your understanding that PGW provides  
9 under its senior citizens program a 20 percent discount  
10 to over 90,000 customers who have to be at least 65 years  
11 of age or older?

12 A. Subject to check.

13 Q. Are you aware that the senior citizens program  
14 was created by a city ordinance?

15 A. Generally, yes.

16 Q. Are you aware that the company is constrained  
17 by the Natural Gas Choice and Competition Act from  
18 eliminating this program?

19 A. Not specifically.

20 Q. Is it also your testimony that in eliminating  
21 the senior citizens program that the company would save  
22 about \$13 million on an annual basis?

23 A. Yes.

24 Q. Could you explain in your view how the company  
25 would save if the senior citizens program were

1 eliminated?

2 A. If you refer to our report on page VII-34 and  
3 35, we have provided the cost of the senior citizens  
4 program for the three years, '97, '98 and '99. The cost  
5 of that program was in excess of \$13 million each of  
6 those three years.

7 Q. Do we remove those costs altogether or do we  
8 shift those costs from one class of customers to another?

9 A. That goes beyond our specific recommendation  
10 here in terms of we did not -- I guess the answer is we  
11 did not look at the total rate case process as part of  
12 the management audit.

13 Q. Let me ask you this: to your knowledge what  
14 group -- who bears that burden, if you will, to pay for  
15 the senior citizens discount?

16 MR. BROWN: Your Honor, if I may just ask, I am not  
17 sure this is within the scope of his direct testimony. I  
18 don't think he has made a decision as to how these costs  
19 should be reallocated. So I don't really think that is  
20 within his testimony.

21 MR. HOLLAND: Your Honor, I will point the witness  
22 to exactly where I am talking about. That is on page  
23 VII, paragraph 35 -- excuse me -- page 35.

24 There he states simply currently the costs of these  
25 programs is spread across the volume of natural gas used

1 in the calculation of the GCR. The costs of these  
2 programs could more appropriately be considered a city  
3 expense rather than an element of PGW's GCR.

4 THE WITNESS: And your question?

5 BY MR. HOLLAND:

6 Q. If this program were to be eliminated where  
7 would these costs come from?

8 A. Well, I think you have just answered the  
9 question. I am having difficulty finding exactly on page  
10 35 where you were reading.

11 Q. At the last bullet on page 35.

12 A. Okay. I am with you. Yes. Go ahead. And  
13 your question?

14 Q. Subject to check would you agree that these  
15 costs are presently borne by other residential  
16 ratepayers?

17 A. Yes.

18 Q. And subject to check that if these other  
19 residential ratepayers were not to shoulder these costs,  
20 that these costs would be shouldered by the seniors who  
21 presently don't pay for them?

22 A. We were not looking at the total cost structure  
23 so I am not sure that you could make the direct parallel.  
24 But the implication says probably they would be. Again,  
25 it was not part of our -- we did not look at the total

1 ratesetting process of either the PGC or the PUC.

2 Q. So you didn't do any analysis on how these  
3 total costs would be eliminated?

4 A. That's right.

5 Q. When did you begin your factfinding audit?  
6 When did you first go to PGW to start this audit?

7 A. Roughly May of a year ago.

8 Q. And what was the effective date of your report?

9 A. The effective date of the report was January,  
10 2001.

11 Q. So when was the last time that you visited the  
12 company for the sake of this audit?

13 A. Subject to check, probably in October.

14 JUDGE FORDHAM: Mr. Wheaton, would you please keep  
15 your voice up?

16 THE WITNESS: Sure.

17 BY MR. HOLLAND:

18 Q. In your management audit, Mr. Wheaton, you talk  
19 of the bad debt write-offs and you talk about an industry  
20 average of about two percent for bad debt write-offs.  
21 Could you tell me what you meant by an industry or what  
22 the industry encompasses?

23 A. That is what we have experienced over time in  
24 the industry of gas and electric utility industries.

25 Q. Gas and electric utilities?

1 A. I believe so.

2 Q. Is that statewide or national?

3 A. National.

4 Q. Can you tell me if there is any municipal  
5 natural gas utility like PGW?

6 A. It is safe to assume that there is no utility  
7 that is like any other utility. And certainly  
8 Philadelphia Gas Works is unique.

9 Q. Just one final question, Mr. Wheaton. In our  
10 discussion with respect to the seniors program I thought  
11 the audit said that we could save \$13 million if the  
12 program were eliminated. And I thought on your  
13 cross-examination you essentially said that it would not  
14 quite be a savings but, rather, a shift from one class of  
15 customers paying for that program to the seniors  
16 themselves. Is that fair to say?

17 A. I think that was your interpretation. I think  
18 the real answer to that is I don't know.

19 Q. Well, let's think about it. If you remove  
20 those costs from the non-senior class that pays for it,  
21 where do you think that we could make that difference up?

22 A. It's not something that we have looked at in  
23 the context of the audit.

24 MR. HOLLAND: That's it, Your Honor.

25 JUDGE FORDHAM: Anything from any other parties?

1 MR. KEENE: Your Honor, I just want to clarify that  
2 I think one of Mr. Holland's questions stated that the  
3 senior citizens costs are recovered from the residential  
4 class, and I believe they are recovered through the GCR  
5 from all sales customers.

6 MR. HOLLAND: I'm sorry. You are right.

7 MR. CLEARFIELD: All firm customers.

8 MR. KEENE: All firm customers.

9 JUDGE FORDHAM: Anything further for Mr. Wheaton  
10 from any of the other parties?

11 (No audible response.)

12 MR. BROWN: Your Honor, at this point I renew my  
13 motion for the admission of Administrative Counsel  
14 Statement No. 1 as well as Attachment 1 to Administrative  
15 Counsel Statement No. 1.

16 JUDGE FORDHAM: Are there any objections?

17 MR. HOLLAND: Your Honor, we don't object to the  
18 audit being used to determine what improvements could be  
19 made to the O & M of the company. I want to note that  
20 essentially the audit is just a snapshot in time of the  
21 company's operation and maintenance. I think the record  
22 will show that the company has made significant  
23 improvements since October, since January. I would,  
24 however, again like to make the point that we would  
25 strongly object to the use of the management audit if it

1 is used in this case to make a rate adjustment or to  
2 modify any of the recommendations contained therein. I  
3 believe that the purpose of the audit was to determine  
4 essentially how the company could be operated in a more  
5 efficient manner and not for any determination with  
6 respect to just and reasonable rates. So our acceptance  
7 of the audit -- and I will renew what we said over the  
8 last couple of weeks -- our acceptance of the audit and  
9 the recommendations in the audit does not mean that we  
10 accept the general conclusions or the underlying reasons  
11 for the recommendation. We are just trying to move  
12 forward as a company.

13 JUDGE FORDHAM: Thank you.

14 The audit itself was requested by the Commission so  
15 we don't have -- I don't even have authority not to put  
16 that in. So that would definitely come in. With respect  
17 to the testimony -- and I assume you are not objecting to  
18 his exhibit, which is his resume -- I would note PGW's  
19 objections. In terms of use of the audit for briefing  
20 and adjustments either by the parties or by the  
21 Commission, your objection is noted.

22 MR. HOLLAND: Thank you.

23 JUDGE FORDHAM: Administrative Counsel Statement 1,  
24 Exhibit 1 and Attachment 1 are admitted.

25 (Whereupon, the documents marked as Administrative

1 Counsel Statement No. 1, Exhibit No. 1 and  
2 Attachment No. 1 were received in evidence.)

3 MR. BROWN: Thank you, Your Honor.

4 May I be excused?

5 JUDGE FORDHAM: Yes. The Administrative Counsel,  
6 Mr. Brown, and Mr. Wheaton may be excused. Thank you  
7 very much.

8 MR. BROWN: Thank you very much.

9 (Witness excused.)

10 JUDGE FORDHAM: Mr. Holland, you may now put in  
11 Mr. Knudsen's response.

12 MR. HOLLAND: Your Honor, I would like to move the  
13 admission of PGW Statement 1, which is the supplemental  
14 rebuttal testimony of Thomas Knudsen, as well as the  
15 exhibits that are attached. They are exhibits TEK-3  
16 through 6.

17 JUDGE FORDHAM: Any objection?

18 MR. HOLLAND: That was statement 1.2.

19 JUDGE FORDHAM: Hearing no objection, Statement 1.2  
20 of Mr. Knudsen plus the three exhibits, the exhibits 3  
21 through 6, are admitted without objection.

22 (Whereupon, the documents marked as PGW

23 Statement No. 1.2 and Exhibits Nos. TEK-3

24 through 6 were received in evidence.)

25 JUDGE FORDHAM: Mr. Simms.

1 MR. SIMMS: Yes, Your Honor.

2 JUDGE FORDHAM: Your witnesses?

3 MR. SIMMS: May I have a moment, Your Honor?

4 JUDGE FORDHAM: Let's take ten minutes.

5 (Recess.)

6 JUDGE FORDHAM: We are back on the record.

7 Mr. Simms.

8 MR. SIMMS: Thank you, Your Honor.

9 Your Honor, at this time the Office of Trial Staff  
10 calls to the witness stand Paul J. Metro.

11 Whereupon,

12 PAUL J. METRO

13 having been duly sworn, testified as follows:

14 MR. SIMMS: Your Honor, in accordance with the  
15 agreed stipulation I am simply going to --

16 JUDGE FORDHAM: Could he state his name and  
17 business address for the record?

18 THE WITNESS: My name is Paul J. Metro. My  
19 business address is P. O. Box 3265, Harrisburg,  
20 Pennsylvania.

21 JUDGE FORDHAM: Thank you.

22 You may proceed, Mr. Simms.

23 MR. SIMMS: Thank you, Your Honor.

24 Your Honor, in accordance with the agreement  
25 yesterday I am going to mark for identification the

1 direct testimony of Paul J. Metro as OTS Statement No. 3  
2 and the accompanying exhibit as OTS Exhibit No. 3.  
3 Mr. Metro's surrebuttal testimony will be marked for  
4 identification as OTS Statement No. 3SR. And, Your  
5 Honor, I would ask that the May 3rd revisions to pages  
6 14, 15 and 18 of OTS Statement No. 3 and revisions to  
7 schedules 3 and 4 of OTS Exhibit No. 3 be marked for  
8 identification case as OTS Revision 3.

9 May it be so identified?

10 JUDGE FORDHAM: It shall be so marked.

11 (Whereupon, the documents were marked as OTS  
12 Statements. Nos. 3 and 3SR, Exhibit No. 3 and  
13 Revision No. 3 for identification.)

14 DIRECT EXAMINATION

15 BY MR. SIMMS:

16 Q. Mr. Metro, do you have any corrections to make  
17 to either your direct testimony, your surrebuttal  
18 testimony or your exhibits?

19 A. Yes, I do. I have a correction on revised page  
20 15.

21 Q. That is OTS --

22 A. Statement No. 3. My direct testimony.

23 Q. That is to OTS Revision 3?

24 A. Yes.

25 Q. Please proceed.



1 Gas provides natural gas service to 260 residential and  
2 commercial customers in the City of Pittsburgh and  
3 surrounding municipalities in seven counties in  
4 southwestern Pennsylvania plus a few municipalities in  
5 West Virginia and in field line sales in eastern  
6 Kentucky?

7 MR. SIMMS: Objection, Your Honor. My objection  
8 only goes to what Equitable serves in Pennsylvania.

9 MR. HOLLAND: Okay.

10 BY MR. HOLLAND:

11 Q. Would you agree that Equitable serves mainly in  
12 the City of Pittsburgh and the surrounding municipalities  
13 in seven counties in southwestern Pennsylvania?

14 A. Without having their service territory  
15 description in front of me, I will agree with you.

16 Q. Would you also agree that with respect to the  
17 customer charge, would you agree that the \$15 customer  
18 charge rate level, with that PGW is only recovering  
19 slightly more than 50 percent of its fixed costs incurred  
20 by the company to serve residential GS customers?

21 A. If I could have a minute?

22 Q. Yes.

23 (Witness perusing document.)

24 A. Could you repeat that question, please?

25 Q. Essentially that we are only recovering a

1 little bit more than 50 percent of our fixed costs.

2 A. Based on the calculation of fixed cost in the  
3 company's cost of service study I would agree with that.

4 MR. HOLLAND: Thank you, Mr. Metro.

5 That's all, Mr. Simms.

6 JUDGE FORDHAM: Ms. Burak.

7 MS. BURAK: I have no questions, Your Honor.

8 JUDGE FORDHAM: Does anyone else have any questions  
9 for this witness?

10 (No audible response.)

11 MR. SIMMS: May I just have a brief moment, Your  
12 Honor?

13 JUDGE FORDHAM: Yes.

14 (Recess.)

15 JUDGE FORDHAM: Back on the record.

16 MR. SIMMS: Your Honor, I have no redirect.

17 JUDGE FORDHAM: Thank you.

18 Thank you, Mr. Metro.

19 THE WITNESS: Thank you.

20 (Witness excused.)

21 MR. SIMMS: Your Honor, at this time I move for the  
22 admission of OTS Statement No. 3, OTS Exhibit No. 3, OTS  
23 Statement No. 3SR and OTS Revision 3.

24 JUDGE FORDHAM: Any objections?

25 (No audible response.)

1 JUDGE FORDHAM: Hearing none, the statements and  
2 exhibits are admitted without objection.

3 (Whereupon, the documents marked as OTS  
4 Statements. Nos. 3 and 3SR, Exhibit No. 3 and  
5 Revision No. 3 were received in evidence.)

6 MR. SIMMS: Your Honor, at this time I call to the  
7 witness stand David Keim. He has not been previously  
8 sworn.

9 JUDGE FORDHAM: Thank you.

10 Whereupon,

11 DAVID F. KEIM

12 having been duly sworn, testified as follows:

13 JUDGE FORDHAM: Would you state your name and  
14 please spell your last name and your business address for  
15 the record?

16 THE WITNESS: My name is David F. Keim. My  
17 business address is P. O. Box 3265, Harrisburg,  
18 Pennsylvania 17105-3265.

19 JUDGE FORDHAM: Thank you.

20 You may proceed, Mr. Simms.

21 MR. SIMMS: Your Honor, I would ask at this time  
22 that the direct testimony of David Keim be marked for  
23 identification as OTS Statement No. 4, that the  
24 accompanying exhibit be marked for identification as OTS  
25 Exhibit No. 4 and the surrebuttal of David Keim be marked

1 for identification as OTS Statement No. 4SR. May it be  
2 so identified?

3 JUDGE FORDHAM: It shall be so marked.

4 (Whereupon, the documents were marked as OTS  
5 Statements Nos. 4 and 4SR and Exhibit No. 4  
6 for identification.)

7 DIRECT EXAMINATION

8 BY MR. SIMMS:

9 Q. Mr. Keim, do you have any corrections to make  
10 to you statement or exhibit?

11 A. No, I don't.

12 MR. SIMMS: Mr. Keim is available for  
13 cross-examination.

14 JUDGE FORDHAM: Thank you.

15 Mr. Holland.

16 MR. HOLLAND: Nothing from the company, Your Honor.

17 JUDGE FORDHAM: Ms. Burak.

18 MS. BURAK: Nothing, Your Honor.

19 JUDGE FORDHAM: Any other parties?

20 (No audible response.)

21 MR. SIMMS: Thank you, Your Honor. I move for the  
22 admission of OTS Statement No. 4, OTS Exhibit No. 4 and  
23 OTS Statement No. 4SR.

24 JUDGE FORDHAM: Any objections?

25 (No audible response.)

1 JUDGE FORDHAM: Hearing none, the statements and  
2 exhibits are admitted without objection.

3 (Whereupon, the documents marked as OTS  
4 Statements Nos. 4 and 4SR and Exhibit No. 4  
5 were received in evidence.)

6 JUDGE FORDHAM: Thank you, Mr. Keim.

7 (Witness excused.)

8 JUDGE FORDHAM: That is all we had scheduled for  
9 today. Let's go off the record for a minute.

10 (Discussion off the record.)

11 JUDGE FORDHAM: Back on the record.

12 There are a number of witnesses that are not going  
13 to provide cross-examination and at this time we will  
14 enter their statements and exhibits.

15 We will start with Mr. Simms.

16 MR. SIMMS: Your Honor, at this time I would ask  
17 that the direct testimony of Joseph Kubas be marked for  
18 identification case as OTS Statement No. 2. May it be so  
19 identified? And I will ask that the accompanying exhibit  
20 be marked for identification as OTS Exhibit No. 2 and  
21 moved into the record.

22 JUDGE FORDHAM: It is so marked.

23 (Whereupon, the documents were marked as OTS  
24 Statement No. 2 and Exhibit No. 2 for  
25 identification.)

1 JUDGE FORDHAM: Any objection?

2 (No audible response.)

3 JUDGE FORDHAM: Hearing none, it is admitted  
4 without objection.

5 (Whereupon, the documents marked as OTS  
6 Statement No. 2 and Exhibit No. 2  
7 were received in evidence.)

8 MR. SIMMS: I believe I missed his surrebuttal  
9 testimony, OTS Statement No. 2SR. I also ask that that  
10 be marked into the record.

11 JUDGE FORDHAM: Any objection?

12 MR. SIMMS: That is Mr. Kubas.

13 JUDGE FORDHAM: That is admitted.

14 (Whereupon, the document was marked as OTS  
15 Statement No. 2SR for identification, and was  
16 received in evidence.)

17 MR. SIMMS: I would ask that the statement and  
18 exhibits of the direct testimony of Mr. Deardorff be  
19 marked for identification as OTS Statement No. 5 and OTS  
20 Exhibit No. 5. May it be so marked for identification?

21 JUDGE FORDHAM: So marked.

22 (Whereupon, the documents were marked as OTS  
23 Statement No. 5 and Exhibit No. 5 for  
24 identification.)

25 MR. SIMMS: And moved into the record.

1 JUDGE FORDHAM: Any objection?

2 (No audible response.)

3 JUDGE FORDHAM: Admitted.

4 (Whereupon, the documents marked as OTS  
5 Statement No. 5 and Exhibit No. 5 were  
6 received in evidence.)

7 MR. SIMMS: Thank you, Your Honor.

8 JUDGE FORDHAM: You're welcome.

9 JUDGE FORDHAM: Mr. Keene.

10 MR. KEENE: Your Honor, pursuant to the stipulation  
11 agreed upon by the parties I would ask that the direct  
12 testimony of Ralph E. Miller on behalf of the Office of  
13 Consumer Advocate be marked as OCA Statement No. 2 and  
14 attached thereto are OCA Exhibits 2-A, 2-B and 2-C, and  
15 that the rebuttal testimony of Ralph E. Miller on behalf  
16 of the Office of Consumer Advocate be marked as OCA  
17 Statement No. 2R.

18 JUDGE FORDHAM: It shall be so marked.

19 MR. KEENE: And the surrebuttal testimony of Ralph  
20 E. Miller on behalf of the Office of Consumer Advocate as  
21 OCA Statement No. 2S.

22 JUDGE FORDHAM: It shall be so marked.

23 (Whereupon, the documents were marked as OCA  
24 Statements Nos. 2, 2R and 2S and Exhibits Nos.  
25 2-A, 2-B and 2-C for identification.)

1 MR. KEENE: And I would move for for the admission  
2 of OCA Statements 2, 2R and 2S and OCA Exhibits 2-A, 2-B  
3 and 2-C.

4 JUDGE FORDHAM: Any objection?

5 (No audible response.)

6 JUDGE FORDHAM: Admitted.

7 (Whereupon, the documents marked as OCA  
8 Statements Nos. 2, 2R and 2S and Exhibits Nos.  
9 2-A, 2-B and 2-C were received in evidence.)

10 JUDGE FORDHAM: Mr. Gray.

11 MR. GRAY: Thank you, Your Honor.

12 Your Honor, I have three documents today. The  
13 first is the direct testimony of Brian Kalcic, which I  
14 would ask to be marked as OSBA Statement No. 1. It  
15 includes written testimony and accompanying exhibits.

16 Then the second document is the rebuttal testimony  
17 of Brian Kalcic, which I would ask be identified as OSBA  
18 Statement No. 2. That is simply the rebuttal testimony  
19 of Mr. Kalcic.

20 And finally I have OSBA Statement No. 3, which is  
21 the surrebuttal testimony of Mr. Kalcic, which is written  
22 testimony and accompanying exhibits. And that I would  
23 ask be identified as OSBA Statement No. 3.

24 JUDGE FORDHAM: They shall be so marked.

25

1 (Whereupon, the documents were marked as OSBA  
2 Statements Nos. 1, 2 and 3 for identification.)

3 MR. GRAY: And I would move them into the record.

4 JUDGE FORDHAM: Any objection?

5 MR. HOLLAND: No objections, Your Honor.

6 JUDGE FORDHAM: Admitted.

7 (Whereupon, the documents marked as OCA  
8 Statements Nos. 1, 2 and 3 were  
9 received in evidence.)

10 JUDGE FORDHAM: Anything further?

11 MR. BERTOCCI: Your Honor, while we are doing this,  
12 I would like to renew my request to have CEPA Exhibit No.  
13 1 moved into the record.

14 MR. CLEARFIELD: I object, Your Honor.

15 MR. BERTOCCI: That was the responses to  
16 interrogatories that we talked about yesterday.

17 JUDGE FORDHAM: Which witness was that?

18 MR. BERTOCCI: There is no witness.

19 MR. CLEARFIELD: Yes, there is. We indicated that  
20 Mr. Knudsen was sponsoring those and he had an  
21 opportunity to cross Mr. Knudsen on those and he didn't  
22 do it.

23 JUDGE FORDHAM: Let's go off the record for a  
24 moment.

25 (Discussion off the record.)

1 JUDGE FORDHAM: Back on the record.

2 While we were off the record I did ask Mr. Bertocci  
3 what the interrogatories related to and he mentioned a  
4 number of things.

5 Would you repeat those for the record?

6 MR. BERTOCCHI: The employee parties and  
7 celebrations, company cars, cafeteria subsidy, political  
8 lobbying and customer service. And PGW had informed me  
9 that they had no objection to the authenticity -- no  
10 objection on the basis of authenticity of those  
11 interrogatories. On those grounds, I believe the  
12 evidence is relevant and that it should be admitted into  
13 evidence.

14 MR. CLEARFIELD: Your Honor, it is relevant, I  
15 suppose, because it deals with PGW. It's not material.  
16 The admissibility standard is that the evidence has to be  
17 relevant and material. That is 5.401 of the rules.

18 Mr. Bertocci can't and has not shown how these  
19 interrogatories relate in any way to any adjustment that  
20 anyone has put into this case. He has not shown how he  
21 is going to use these interrogatories. He has not shown  
22 how they in fact materially relate to the revenue  
23 requirement claim that we have made.

24 Now, he can't do it through his representations.  
25 He is a lawyer. That doesn't count. The only way he

1       could do it is through a witness or if he had  
2       cross-examined Mr. Knudsen and had shown how they were  
3       relevant to something that Mr. Knudsen had put in the  
4       case or to something within his testimony.

5               We did as a courtesy stipulate to the authenticity  
6       of these, which meant that he did not have to actually  
7       subpoena each of the individuals at PGW who indicated  
8       that they had in fact prepared these because they were  
9       all prepared under Mr. Knudsen's supervision and  
10       direction.

11              But I think legally from an evidentiary standpoint  
12       these are not permissible. But from a fairness  
13       standpoint they should not be allowed either. Here we  
14       are at a point where we are almost concluding with the  
15       proceedings and Mr. Knudsen has had no chance -- I still  
16       don't know how these are going to be used in the  
17       proceeding and Mr. Knudsen has not had a chance to  
18       respond. The company has not had a chance to respond.  
19       We would have to guess at what Mr. Bertocci intends to  
20       use these interrogatories for.

21              So the standard isn't just that they are relevant.  
22       The standard has to be that they are material, that they  
23       relate to the claims in the proceeding and I don't  
24       believe that has been shown and it would be unfair to  
25       allow them at this point.

1 JUDGE FORDHAM: Mr. Bertocci.

2 MR. BERTOCCI: Yes. They go to the prudence of  
3 many of the -- some of them go to the prudence of the  
4 expenses which PGW is seeking to recover in rates through  
5 this proceeding. They also go to customer service, which  
6 has been determined to be relevant in making the just and  
7 reasonable determination. And certainly prudence of  
8 expenses also underlies the just and reasonable  
9 determination.

10 It certainly should not be required of a party to  
11 have to have a witness in order to get evidence into the  
12 record of a case. You don't need an expert witness to do  
13 that. We have been provided with information which is an  
14 admission of the company concerning particular aspects of  
15 their operations and certainly it has been found already  
16 to be relevant in that it was required that PGW produce  
17 that information. I see no reason why it should not be  
18 placed into the record.

19 I don't know what Mr. Clearfield means when he says  
20 is not material. Of course it is material. If it goes  
21 to prudence of expenses, if it goes to the customer  
22 service that is being provided, it should be relevant to  
23 the ultimate issue to be decided in this case.

24 JUDGE FORDHAM: Have the expenses that you  
25 mentioned been included or adjustments been included in

1 any of the other parties' cases?

2 MR. CLEARFIELD: No, Your Honor -- I'm sorry.  
3 There is testimony from the OCA that suggests that the  
4 Commission should consider level of service in  
5 determining the revenue requirement. With respect to  
6 that, there has been that testimony. But with respect to  
7 the other issues, I still have no idea how they would  
8 relate to another adjustment in the case.

9 MR. BERTOCCI: You know, you have to be a little  
10 naive to think that a \$45,000 expense for employee  
11 celebrations, to wonder why it is that we would like to  
12 see that in evidence when we know that the standard for  
13 employee parties is whether or not it is of direct  
14 benefit to ratepayers. The same thing with company cars  
15 or with the cafeteria subsidy. I really fail to  
16 understand PGW's incomprehension of why it is we might  
17 want these things placed into evidence.

18 JUDGE FORDHAM: I'm not questioning why you want  
19 them placed into evidence. We have to determine how they  
20 can be placed into evidence. And that is why I was  
21 asking you whether any other party had similar things in  
22 their testimony. Because we do need a witness to sponsor  
23 this. You could have cross-examined Mr. Knudsen or maybe  
24 some of the other witnesses from other places.

25 Let's go off the record for a minute.

1 (Discussion off the record.)

2 JUDGE FORDHAM: Back on record.

3 We had an off the record discussion regarding the  
4 admission of CEPA's exhibits. We have determined that  
5 Mr. Knudsen will be recalled. We have to determine when  
6 he is available. It will be either this afternoon or  
7 tomorrow. And Mr. Bertocci can at that time ask various  
8 questions and the company will be able to redirect and  
9 respond to the adjustments that are made.

10 The other thing is we are going to do Mr. Weakley  
11 this afternoon instead of tomorrow.

12 We will reconvene at two o'clock.

13 Thank you.

14 (Whereupon, at 12:13 p.m., the hearing was  
15 adjourned, to be reconvened at 2:00 p.m. this same day.)  
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## AFTERNOON SESSION

(2:00 p.m.)

1 JUDGE FORDHAM: We are back on the record.

2 Mr. Clearfield, is Mr. Knudsen available today?

3 MR. CLEARFIELD: Here is my report, Your Honor. We  
4 were able to determine that Mr. Knudsen would not be  
5 available until mid-morning tomorrow. Now, I wasn't able  
6 to get any additional information as to when he would be  
7 available at other points tomorrow. But he is not  
8 available today. He had meetings today that he cannot  
9 cancel because they were associated with the bond  
10 financing. So we apologize, but we can schedule him for  
11 mid-morning tomorrow.

12 MR. BERTOCCI: That's fine, Your Honor.

13 JUDGE FORDHAM: Thank you.

14 Mr. Simms.

15 MR. SIMMS: Thank you, Your Honor.

16 JUDGE FORDHAM: You're welcome.

17 MR. SIMMS: Your Honor, at this time I call to the  
18 witness stand Charles Weakley.

19 Whereupon,

20 CHARLES T. WEAKLEY

21 having been duly sworn, testified as follows:

22 JUDGE FORDHAM: Would you state your name and  
23 business address for the record? And please spell your  
24

1 last name.

2 THE WITNESS: My name is Charles T. Weakley,  
3 W-E-A-K-L-E-Y. My address is P. O. Box 3265, Harrisburg,  
4 Pennsylvania 17105.

5 JUDGE FORDHAM: You may proceed, Mr. Simms.

6 MR. SIMMS: Thank you, Your Honor.

7 At this time I ask that the direct testimony of  
8 Charles Weakley be marked for identification as OTS  
9 Statement No. 1, that the accompanying exhibit be marked  
10 for identification as OTS Exhibit No. 1, and that the  
11 surrebuttal testimony of Charles Weakley be marked for  
12 identification as OTS Statement No. 1SR.

13 JUDGE FORDHAM: It shall be so marked.

14 (Whereupon, the documents were marked as OTS  
15 Statements Nos. 1 and 1SR and Exhibit No. 1  
16 for identification.)

17 DIRECT EXAMINATION

18 BY MR. SIMMS:

19 Q. Mr. Weakley, do you have any corrections or  
20 modifications to your statements or exhibit?

21 A. Yes, I do.

22 On page nine of my direct testimony, which is OTS  
23 Statement No. 1, line 11, the \$875,000 should read  
24 \$825,000. And then make the same correction on line 12.

25 The second change I have deals with promotional

1 expenses.

2 Q. Do you have a page number?

3 A. Yes. It appears on page 11 of my direct  
4 testimony. I would like to revise my position. After  
5 hearing Mr. White's testimony yesterday and considering  
6 the fact that the company does not have any flex rates I  
7 would like to recommend that the company be able to  
8 recover \$385,000 in rates.

9 Q. Is that for promotional expenses?

10 A. Yes, sir.

11 Since the company does not have an economic  
12 development rider I suggest that the company file one  
13 during the restructuring proceeding. This will enable  
14 the company to offer customers an attractive rate without  
15 an initial cash outlay.

16 That's all the corrections.

17 Q. With that adjustment to promotional expenses,  
18 does that change the OTS final recommendation, overall  
19 recommendation?

20 A. No, it does not. The OTS recommendation  
21 remains at \$44 million.

22 Q. Does that conclude your corrections or  
23 modifications?

24 A. Yes.

25 MR. SIMMS: Your Honor, Mr. Weakley is available

1 for cross-examination.

2 JUDGE FORDHAM: Thank you.

3 Mr. Holland.

4 MR. CLEARFIELD: I will be doing the cross, Your  
5 Honor.

6 JUDGE FORDHAM: Mr. Clearfield.

7 MR. CLEARFIELD: Thank you.

8 CROSS-EXAMINATION

9 BY MR. CLEARFIELD:

10 Q. Good afternoon, Mr. Weakley.

11 A. Good afternoon.

12 Q. Let's start with the modification you made here  
13 this afternoon. You indicated that you were going to  
14 revise your adjustment to permit the company to receive  
15 or to collect in rates \$385,000 for promotional expenses?

16 A. Yes, that's correct.

17 Q. What was the adjustment that you had originally  
18 proposed?

19 A. Initially I proposed that the company claim of  
20 1,645,000 be denied in total.

21 Q. So then you would reduce that 1.6 million to  
22 roughly 1.2 million?

23 A. 1,260,000.

24 Q. Now, Mr. Weakley --

25 A. I'm sorry. Let me make it clear. I am

1 allowing the company to recover 385,000. The claim was  
2 1,645,000. That would be a reduction to the company  
3 claim of 1,260,000.

4 Q. Yes. As opposed to your original reduction of  
5 1,600,000?

6 A. That's correct.

7 Q. Here is where I think I am confused. If you  
8 are in essence adding back to your adjustments some  
9 \$400,000, roughly, why would not your recommended revenue  
10 requirement go up by \$400,000?

11 A. The fact that I am increasing expenses by  
12 \$400,000, all that would do is reduce net income by  
13 400,000. The change is immaterial to the request and the  
14 overall level of revenues.

15 Q. I see. So it does actually change -- well, let  
16 me ask you this: how did you determine that the \$44  
17 million was reasonable, then? Were you attempting to  
18 arrive at a certain target level of debt service and cash  
19 for the company?

20 A. No.

21 Q. My understanding was that if you look at your  
22 OTS Exhibit 1 you looked at the company's operating  
23 revenues and expenses adjusted to include the \$65 million  
24 proposed rate increase initially, is that right?

25 A. Yes.

1 Q. And then you calculated a series of adjustments  
2 and the net effect of those adjustments reduced that  
3 overall level of revenues by --

4 A. Approximately 44 million -- I'm sorry.

5 Q. Go ahead. It didn't reduce it by 44. The end  
6 result was 44.

7 A. It reduced it by approximately \$21 million.

8 Q. So you are saying it's not that the 21 wouldn't  
9 change. It would change slightly but it is so small that  
10 you don't think it is necessary to readjust your  
11 schedules, is that right?

12 A. That's correct.

13 Q. Just on that point, while we are there, if  
14 hypothetically the Commission determined to start at a  
15 different starting point, i.e., not the 65 but determined  
16 that the company's claimed revenue requirement or filed  
17 revenue requirement was some higher level, would you  
18 undertake to find what you would consider to be your  
19 recommendation in the same way, that is, to reduce this  
20 higher level by the adjustments that you are proposing to  
21 come to a revised revenue requirement?

22 A. Yes.

23 Q. Let's go back to a couple of other items just  
24 for clarification. I think you have indicated this, but  
25 in your testimony it appears from my reading that your

1 recommendation -- that you agree that PGW's revenue  
2 requirement should include a reasonable level of working  
3 capital necessary to permit PGW to have the cash  
4 necessary to pay its bills when due. Is that fair?

5 A. Could you repeat that?

6 Q. It appears that you agree that in calculating  
7 PGW's revenue requirement you have to make sure that the  
8 company has -- included in the revenue requirement is a  
9 reasonable level of working capital necessary to permit  
10 PGW to have the cash it needs to pay its bills when they  
11 come due.

12 MR. SIMMS: Do you have a citation to a page  
13 number?

14 MR. CLEARFIELD: No. This is my interpretation of  
15 his overall recommendation.

16 A. My recommendation allows PGW to have a positive  
17 cash balance at the end of the year.

18 BY MR. CLEARFIELD:

19 Q. And is that an appropriate thing to include in  
20 the calculation of the revenue requirement for PGW?

21 A. Yes.

22 Q. So it is appropriate to include cash working  
23 capital, a reasonable amount of cash working capital, in  
24 determining what PGW's revenue requirement is, then?

25 A. Yes.

1 Q. And would you also agree that it is appropriate  
2 to calculate the revenue requirement so that we have  
3 reasonable assurances that PGW will satisfy its bond  
4 ordinance covenants?

5 A. Yes.

6 Q. Mr. Weakley, generally wouldn't you agree that  
7 it is appropriate to set rates based upon the projections  
8 or estimates of the revenues and expenses and financial  
9 data that are representative of the period of time in  
10 which the rates are going to be in effect?

11 A. No.

12 Q. No? Well, let's take this step by step. We  
13 both agree that -- we are both using, that is, PGW and  
14 you in your analysis, are using the two year period  
15 starting approximately October of 2001 as the rating  
16 period. In other words, the period of time in which we  
17 are projecting the rates will be in effect, isn't that  
18 right?

19 A. No. My analysis was based on the future test  
20 year.

21 Q. Well, when do you think the rates are going to  
22 be in effect in this case? How long are they going to be  
23 in effect?

24 A. Until the company's restructuring case.

25 Q. And how long do you expect that to be?

1 A. Well, you are required to file by July, 2002.

2 Q. And do you know when the statute indicates that  
3 the unbundled rates are to go into effect?

4 A. I don't recall.

5 Q. Would you accept subject to check that it says  
6 it is the first fiscal year after the Commission makes it  
7 decision in the restructuring case?

8 A. Yes.

9 Q. So that is October -- that is September, 2003,  
10 isn't it?

11 A. Yes.

12 Q. So if the rates are going to go into effect as  
13 a result of this case in September, 2001, and the  
14 restructuring rates are going to go into effect in  
15 September of 2003, that is a two year period, isn't that  
16 right?

17 A. Yes.

18 Q. And isn't what we are trying to do is to set a  
19 level of revenue requirement that would be reflective of  
20 the way the company is going to experience the level of  
21 expenses, revenues, financial considerations that will be  
22 experienced in that period, aren't we?

23 A. We are here to set a revenue level based on the  
24 future test year.

25 Q. Isn't the future test year intended to attempt

1 to approximate on a normalized basis the projected level  
2 of expenses that the company is going to experience in  
3 the period of time in which they are going to actually  
4 collect the rates?

5 (Pause.)

6 Q. I mean -- can you answer yes or no to that?

7 A. Yes.

8 Q. Is that yes to the question or yes you can  
9 answer yes?

10 A. Yes to the question.

11 Q. Thank you.

12 Let me ask you some questions about gas costs,  
13 Mr. Weakley. Again, I think we have some common ground.

14 You agree, don't you, that the level of gas costs  
15 that PGW incurs when it tries to serve its customers will  
16 have an effect on the company's financial results beyond  
17 its collection of rates in its GCR? And specifically it  
18 is going to have an effect on its bad debt expense?

19 A. It may have an effect on the bad debt expense.

20 Q. Okay. If it changes the level of revenues the  
21 company actually experiences will be higher and  
22 correspondingly, all other things equal, the bad debt  
23 expense will be higher, won't it?

24 A. Yes.

25 Q. And also the level of gas costs that it has to

1 pay, the gas bills it has to pay, if they are higher,  
2 much higher than they were in some prior periods, that is  
3 going to affect the cash needs of the company, isn't it?

4 A. Yes.

5 Q. And the reason for that, just so it is clear to  
6 the Judge, is that the GCR is a total cost collection  
7 mechanism. It does not match gas cost bills with gas  
8 cost revenues on a monthly basis, does it?

9 A. No. It provides for the collection of gas  
10 costs on a dollar for dollar basis.

11 Q. So that if we incur a large gas bill, let's  
12 say, prior to the time that we are actually able to  
13 collect the dollars in the GCR, we are going to have a  
14 cash working capital need. We are going to have to find  
15 the cash somewhere else to make that payment, aren't we?

16 A. Yes. And that is when the short-term debt is  
17 utilized for.

18 Q. That is one of the places that we can get that  
19 cash working capital?

20 A. Right.

21 Q. And if we have a cash working capital need  
22 above the short-term debt we would have to get it through  
23 the rates, wouldn't we?

24 A. Yes. And that goes to the quarterly filings.

25 Q. Well, the quarterly filings deal with the

1 actual gas cost that the company incurs in the collection  
2 through the GCR, don't they?

3 A. The gas costs -- the quarterly adjustments  
4 reflect a change in the gas costs and the rates are  
5 adjusted.

6 Q. But those are for actual gas costs incurred.  
7 They don't include an allowance for cash that the company  
8 would project that it would need to meet a gas bill that  
9 might come due before it actually collects those gas --

10 A. That's correct.

11 Q. You indicated that you thought it was  
12 appropriate to set the revenue requirement to meet PGW's  
13 bond covenants. One of those bond covenants is a debt  
14 service coverage covenant, isn't it?

15 A. Yes.

16 Q. And essentially, very simply, the company has  
17 to have funds available for debt service that are 1.5  
18 times the level of debt service that it has to pay?

19 A. That's correct.

20 Q. Your recommendation produces coverages that are  
21 higher than that minimum amount, doesn't it?

22 A. Yes.

23 Q. Now, does that indicate that you think it is  
24 appropriate for the company to have a margin of error, if  
25 you will, above this minimum level to in a sense assure

1 that the company will be able to meet these debt service  
2 coverage covenants?

3 A. That's correct.

4 Q. And you would agree that a prudent manager of a  
5 gas utility would want to have such a margin of error or  
6 a cushion, if you will, to make sure they can meet their  
7 obligations to their bondholders?

8 A. Yes.

9 Q. Let me just ask a few more questions on bad  
10 debt expense. Just to set the stage, you used a five  
11 year average, historical average, to calculate a bad debt  
12 percentage for PGW. And I believe the five year average  
13 is '95 through '99 this this instance, is that right?

14 A. That's correct.

15 Q. Now, have you reviewed the testimony that  
16 Mr. Bogdonavage submitted on this subject in his  
17 rebuttal?

18 A. Yes.

19 Q. And specifically, Mr. Bogdonavage indicated,  
20 for example, at page ten that in the 2001 fiscal year PGW  
21 has 40 percent of its customers in arrears. Do you  
22 recall that? And it has a potential -- well, I will let  
23 you take a look at it.

24 (Witness perusing document.)

25 Q. Do you see that on lines 15 through 16,

1 Mr. Weakley?

2 (Witness perusing document.)

3 Q. It says that the company at present, which is  
4 when he was writing this, which would be fiscal year  
5 2001, 40 percent of its customers are in arrears and has  
6 over \$200 million in potential delinquencies. That is  
7 their accounts receivable.

8 A. Right.

9 Q. Now, when you said your analysis of the  
10 historic data that you used to calculate your bad debt  
11 expense did you investigate whether PGW had ever  
12 experienced such levels of delinquencies or arrearages in  
13 those periods?

14 A. Yes, I did.

15 Q. And in what way did you do that? Well, let me  
16 ask you this: in what years did PGW have those kinds of  
17 experienced levels of arrearages? Forty percent of its  
18 customers.

19 (Witness perusing document.)

20 Q. Are you looking at a schedule that is in your  
21 testimony?

22 A. No.

23 Q. Okay. Okay.

24 A. Historically the arrearages were less than 40  
25 percent.

1 Q. And would the same be true of the potential  
2 delinquencies?

3 A. Yes.

4 Q. I wanted to ask you some questions about the  
5 actual level that you are recommending as well. And I  
6 wanted to compare it to Mr. Bogdonavage's updated  
7 exhibits which are, you know, the latest available  
8 information. Do you have Mr. Bogdonavage's rebuttal  
9 exhibits with you?

10 A. JRB-2?

11 Q. Yes. You seem to know where I am going.

12 We can use that exhibit, I think, to make some  
13 comparisons. And also if you could just have open as  
14 well your schedule that you used to calculate your  
15 percentage.

16 You calculated a percentage of 7.616 percent as a  
17 bad debt percentage of gas revenues, is that right?

18 A. Yes. That's correct.

19 Q. Now, if you look at JRB-2, page one, the first  
20 column there on the left shows actual 1999-2000 results  
21 of operations. Do you see that?

22 A. Yes.

23 Q. And for that year PGW booked or actually  
24 realized \$54.6 million in bad debt expense. Do you see  
25 that?

1 A. Could you give me the reference again?

2 Q. Sure. It is JRB-2, page one, the far left-hand  
3 column.

4 A. Right.

5 Q. Which is actual 1999-2000?

6 A. Yes.

7 Q. And then under the line item under the expense  
8 lines for bad debt expense do you see 54,642,000?

9 A. Yes.

10 Q. Now, that was on a base of 532,986,00 in gas  
11 revenues. Do you see that at the top there?

12 A. Yes, I do.

13 Q. Mr. Weakley, my first question is just sort of  
14 to help me understand and reconcile the numbers. Your  
15 1999 listing on your OTS Exhibit 1 has an amount of  
16 \$482,700,00. Do you see that?

17 (Witness perusing documents.)

18 Q. Would you know why those would be different?

19 (Witness perusing document.)

20 Q. Is it possible that that is the 1998-1999  
21 fiscal year? I am not sure.

22 A. Yes. That is what it is. These were the  
23 fiscal years ended.

24 Q. So this would be the prior year, the 482?

25 A. Yes.

1 Q. Do you know what \$54,642,000 is as a percentage  
2 of the total gas revenues that the company actually  
3 experienced? I calculated it as 10.25 percent but you  
4 know how lawyers are with math.

5 (Pause.)

6 Q. I have Mr. Bertocci's calculator here if you  
7 want it.

8 (Pause.)

9 A. Yes, it is about 10.2 percent. But just to  
10 make sure you understand, the 54 million listed in this  
11 schedule is based on the company's funding of reserve  
12 balance and it is not the actual write-off of customer  
13 accounts. During the same period the company wrote off  
14 19,465,000 in customer accounts. Just so you know.

15 Q. Well, you are the expert, but isn't that number  
16 really representative of what the company -- and it is an  
17 audited number, isn't it, that bad debt expense?

18 A. It's an estimate.

19 Q. Well, I believe Mr. Bogdonavage testified that  
20 in fact it is audited by outside auditors and verified by  
21 them. Do you remember that testimony?

22 A. It is reviewed by the company's auditors but  
23 accountants don't express an opinion on the  
24 uncollectibles. What they do is they review it with the  
25 company and that the estimates in the financials are

1 representations of management.

2 Q. But this is the actual amount that they will  
3 book as their bad debt expense reserve for that year.  
4 This is a historical level. Isn't that what that is?  
5 When they close their books they are going to close it  
6 with 54.6 million.

7 A. That is the amount that they book for the  
8 expense. But there is two ways to estimate the expense.  
9 One is funding of reserve and the other is the historical  
10 analysis that I made.

11 Q. I understand. But if that is in fact the  
12 number that will show up in the books of the company,  
13 when it makes its calculation, its end of the year  
14 calculation as to whether it met its bond covenant,  
15 specifically its debt service covenant, that is number  
16 they are going to use to determine that, aren't they?

17 A. Yes.

18 Q. And if we utilize the percentage that you are  
19 recommending for the actual 1999-2000 period, that is,  
20 the 7.6 percent, would I be right that your methodology  
21 for estimating or calculating that would produce, I  
22 believe, \$40 million?

23 A. \$42 million.

24 Q. And just so it is absolutely clear, if in fact  
25 the company received in rates an allowance that only

1 reflected 42 million and it actually incurs what it  
2 booked at 54, then it's not going to make its debt  
3 service coverage covenant at the end of the year, is it?

4 (Pause.)

5 Q. That is mathematical.

6 A. Well, it may be mathematical, but when rates  
7 are set in this proceeding and the Commission adopts my  
8 recommendation the auditors will take that into account  
9 and reflect the actual calculated expense.

10 Q. Well, they are not going to do it on the basis  
11 of what the Commission allowed in rates, are they? They  
12 are going to examine the company's analysis of bad debt  
13 expense and its estimate and determine whether that is an  
14 accurate amount and they are going to either recommend an  
15 adjustment upward or downward based on that process,  
16 aren't they?

17 A. Yes.

18 Q. Just finally, we were looking at the actual  
19 1999-2000 period. If we just scan over the columns to  
20 the actual -- what we are calling the actual estimated,  
21 the third column in, that is our latest update for the  
22 fiscal year 2000-2001, and that has seven months actual  
23 and five months estimate. Do you understand that?

24 A. Yes.

25 Q. And at this point we are estimating 69.6

1 million, or \$70 million, in bad debt expense for this  
2 fiscal year. Do you see that?

3 A. Yes.

4 MR. CLEARFIELD: That is all I have, Your Honor.

5 JUDGE FORDHAM: Does any other party have anything  
6 for this witness?

7 (No audible response.)

8 JUDGE FORDHAM: Mr. Simms, do you have any  
9 redirect?

10 MR. SIMMS: Yes, Your Honor. Could I have about  
11 five or ten minutes?

12 JUDGE FORDHAM: Sure.

13 (Recess.)

14 JUDGE FORDHAM: We are back on the record.

15 Mr. Simms.

16 MR. SIMMS: Thank you, Your Honor.

17 REDIRECT EXAMINATION

18 BY MR. SIMMS:

19 Q. Mr. Weakley, just so the record is clear, what  
20 was your adjustment in this proceeding based upon?

21 A. It was based upon the future test year ending  
22 August 31, 2001.

23 Q. Does the Commission have tools available to PGW  
24 or to any other LDC to minimize the lag in gas costs?

25 A. Yes. The company has the ability to file

1 quarterly reports to reflect changes in gas costs. Also  
2 if gas costs rise above two percent they can make a  
3 filing and recover those costs on one day notice.

4 Q. Is your resultant debt service coverage ratio a  
5 necessary cushion?

6 A. While there is a cushion, the necessary debt  
7 coverage is 1.5 percent.

8 Q. So the 1.5 percent is what is necessary?

9 A. Yes.

10 Q. And anything above that is what?

11 A. Is just the fallout of the cashflow.

12 MR. SIMMS: That concludes my redirect, Your Honor.

13 JUDGE FORDHAM: I just had one question to clarify  
14 the record. I believe we all know the answer but I just  
15 want to make sure that it is on the record.

16 When Mr. Clearfield asked about the revenue  
17 requirement at the beginning of the cross-examination you  
18 indicated that you wanted to make sure that there would  
19 be a positive cash balance at the end of the year. Did  
20 you mean August, 2001?

21 THE WITNESS: 2001, that's correct.

22 JUDGE FORDHAM: There was some testimony yesterday  
23 from the PGW witnesses about having a negative cash  
24 balance for fiscal year ending August, 2002. Did you  
25 deal with that issue at all?

1 THE WITNESS: No.

2 JUDGE FORDHAM: Anything else?

3 MR. SIMMS: No, Your Honor.

4 MR. CLEARFIELD: No, Your Honor.

5 JUDGE FORDHAM: Thank you. You may be excused from  
6 the stand.

7 (Witness excused.)

8 MR. SIMMS: Your Honor, at this time I move for the  
9 admission of OTS Statement No. 1, OTS Exhibit No. 1 and  
10 OTS Statement No. 1SR.

11 JUDGE FORDHAM: Hearing no objections, it is  
12 admitted.

13 (Whereupon, the documents marked as OTS  
14 Statements Nos. 1 and 1SR and Exhibit No. 1  
15 were received in evidence.)

16 JUDGE FORDHAM: This concludes the testimony for  
17 today. Tomorrow we have Janice Davis from PGW, and  
18 Mr. Knudsen is returning. Mr. Bertocci will  
19 cross-examine him at that time. And then the last  
20 witness is Richard Lelash, is that correct? And  
21 Mr. Baudino's testimony will be included in the record at  
22 that time.

23 MS. BURAK: I will have that with me tomorrow, yes,  
24 Your Honor.

25 JUDGE FORDHAM: We will reconvene at 10 o'clock

1 tomorrow.

2 Thank you.

3 MR. HOLLAND: Thank you, Your Honor.

4 MR. KEENE: Thank you, Your Honor.

5 MR. CLEARFIELD: Thank you, Your Honor.

6 (Whereupon, at 2:45 p.m., the hearing was  
7 adjourned, to be reconvened at 10:00 a.m. on Thursday,  
8 May 24, 2001, in Philadelphia, Pennsylvania.)

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