

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

11/19/08

HB6, PA

R/S

Pennsylvania Public Utility Commission :

v.

R-2008-2029325

Equitable Gas Company :

**REBUTTAL TESTIMONY
OF
JAMES S. ANDERSON**

SECRETARY'S BUREAU

2008 DEC 11 PM 1:32

RECEIVED

ON BEHALF OF

THE TECHS INDUSTRIES, INC.

OCTOBER 31, 2008

1 **Q. What is your educational and employment background prior to joining The Techs?**

2 A. I earned a Bachelor of Science degree in Metallurgical Engineering from Grove City
3 College in 1982 and a Masters of Business Administration degree from University of
4 Pittsburgh in 1992. Prior to The Techs, I was a Quality Engineer at U. S. Steel
5 Corporation from 1982-1986.

6

7 **Q. Do The Techs have any facilities located in the service territory of Equitable Gas**
8 **Company ("Equitable")?**

9 A. Yes. The Techs are comprised of three facilities: NexTech, GalvTech and MetalTech.
10 Each of these facilities is located in Equitable's service territory.

11

12 **Q. What do The Techs' facilities manufacture?**

13 A. The Techs' facilities manufacture zinc-coated, low-carbon sheet steels in a broad range of
14 widths, gauges, finishes, and coatings. The Techs' products are used in applications for
15 the agriculture, automotive, construction, and housing industries, among others. All of
16 our product requires processing through cleaning and annealing furnaces. This process
17 requires furnace temperatures as high as 1900-2100 degrees Fahrenheit to allow for
18 proper coating adhesion and material temper so that it is rendered usable for our
19 customers.

20

21 **Q. Please provide some information regarding the contribution and impact of The**
22 **Techs in Southwestern Pennsylvania.**

1 A. The Techs played a key role in revitalizing the local economy by setting up operations in
2 facilities that had been previously rationalized. Today, The Techs continue to support the
3 local economy by employing approximately 215 workers at family-sustaining wages,
4 providing an important source of local tax revenues, and regularly contributing to local
5 charities.

6
7 The Techs' business model further supports the local economy because it relies on the
8 local transportation sector for shipping and receiving materials used in its production
9 processes. In addition, The Techs' products are regularly outsourced to local businesses
10 for further processing or manufacturing. Moreover, The Techs are one of the largest
11 customers of U. S. Steel Corporation's Mon Valley Works. Thus, The Techs facilities'
12 are important components of the local economy.

13

14 **Q. What is the purpose of your Rebuttal Testimony?**

15 A. The purpose of my Rebuttal Testimony is to respond to the testimony of James L. Crist
16 and others regarding Equitable's Agency program. In addition, I will respond to the
17 Office of Consumer Advocate ("OCA") witness Glenn Watkins regarding Equitable's
18 ability to negotiate delivery rates for customers like The Techs.

19

20 **Q. Please describe the type of contract(s) that The Techs have with Equitable.**

21 A. The Techs have an Agency Agreement as well as a Delivery Service Agreement with
22 Equitable. These contracts are long-term arrangements. As discussed later, The Techs'

1 seek to ensure that these Agreements remain in effect and are honored pursuant to their
2 terms.

3

4 **Q. Please explain the competitive environment for The Techs' products.**

5 A. The Techs' products compete with those of domestic and foreign producers. Managing
6 the cost of inputs for the manufacture of our products, such as natural gas-related costs, to
7 reasonable levels is critical to The Techs' ability to remain competitive. This is more
8 important now than ever in the face of a weakening economy.

9

10 For The Techs, natural gas-related costs represent a substantial percentage of non-
11 material related operating costs. Both the Agency and the Delivery Service Agreements
12 are essential to the financial viability for continued operations of The Techs' facilities in
13 the greater Pittsburgh area.

14

15 **Q. What are The Techs' options if its Agency Agreement or Delivery Service**
16 **Agreement with Equitable are negatively impacted by the outcome of this**
17 **proceeding?**

18 A. Two of The Techs' facilities, NexTech and MetalTech, can be served by Equitable and
19 Dominion Peoples. To the extent that The Techs' Agency Agreement or Delivery Service
20 Agreement with Equitable is negatively impacted, or Equitable no longer offers the
21 Agency program when The Techs' Agency Agreement contract expires, The Techs would
22 evaluate whether to take service with Dominion Peoples with respect for those facilities
23 that have this competitive option. I believe this is referred to as "gas on gas competition."

1 **Q. Have The Techs ever been a customer of Dominion Peoples?**

2 A. Yes. Both MetalTech and NexTech have taken service from Dominion Peoples
3 periodically over the years.

4
5 **Q. Are there reasons in addition to the bypass possibility that you believe the existing
6 contracts for The Techs should be honored?**

7 A. Yes. As I previously explained, The Techs make important contributions to the
8 economic well-being of the Greater Pittsburgh area through our employment of area
9 residents, our use of products produced by local businesses (such as U. S. Steel) and the
10 reliance of other local businesses on our products in their supply chains. These factors
11 also make the continued availability of our Agency Agreement and our negotiated
12 delivery rates in the general public interest.

13
14 **Q. What is The Techs requesting in this proceeding?**

15 A. The Techs seek to ensure that its Agency Agreement and the Delivery Service Agreement
16 remain in effect and are honored pursuant to their terms. The Techs also submit that,
17 because we are a competitive customer, we should not be charged the new Rider C
18 surcharge (assuming that it is approved).

19
20 **Q. Does this conclude your testimony?**

21 A. Yes.