

Daniel Clearfield
717.237.7173
dclearfield@eckertseamans.com

April 5, 2019

Via Electronic Filing

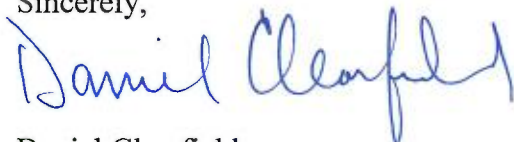
Rosemary Chiavetta, Secretary
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Philadelphia Gas Works Negotiable Liquefied Natural Gas (“LNG-N”) Tariff
Docket No. R-2019-XXXXXXX

Dear Secretary Chiavetta:

Enclosed for electronic filing please find Philadelphia Gas Works’ (“PGW”) Supplement No. 120 to its Gas Service Tariff – Pa P.U.C. No. 2. Also enclosed is a redlined version to show where changes have been made to the existing Tariff, a Statement of Reasons and other data required to be filed pursuant to 52 Pa. Code § 53.52, and the supporting direct testimony of Raymond M. Snyder, PGW’s Senior Vice President of Gas Management. Copies of this Supplement and accompanying material are being served in accordance with the attached Certificate of Service.

Sincerely,



Daniel Clearfield

DC/lww
Enclosure

cc: Cert. of Service w/enc.

CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of PGW's Tariff Supplement No. 120 to Gas Service Tariff Pa P.U.C. No. 2 upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

Via Email and/or First Class Mail

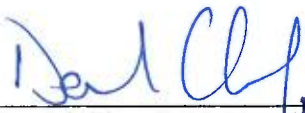
Gina Miller, Esq.
Bureau of Investigation and Enforcement
PA Public Utility Commission
Commonwealth Keystone Building
PO Box 3265
400 North Street, 2nd Floor West
Harrisburg, PA 17105-3265
ginmiller@pa.gov

Harrison Breitman, Esq.
Lauren Burge, Esq.
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
hbreitman@paoca.org
lburge@paoca.org

Sharon Webb, Esq.
Office of Small Business Advocate
Commerce Building
300 North Second Street, Suite 202
Harrisburg, PA 17101
swebb@pa.gov

Charis Mincavage, Esq.
Adelou A. Bakare, Esq.
Alessandra L. Hylander, Esq.
McNees Wallace & Nurick, LLC
100 Pine Street
PO Box 1166
Harrisburg, PA 17108-1166
cmincavage@mcneeslaw.com
abakare@mcneeslaw.com
ahylander@mcneeslaw.com

Date: April 5, 2019



Daniel Clearfield, Esquire

PHILADELPHIA GAS WORKS

GAS SERVICE TARIFF



Issued by: Craig White
President and CEO

PHILADELPHIA GAS WORKS
800 West Montgomery Avenue
Philadelphia, PA 19122

List of Changes Made by this Tariff Supplement

TABLE OF CONTENTS (Page Nos. 6-7)

Updated to reflect revised page numbers for each of the changes listed below on this page.

LIQUEFIED NATURAL GAS SERVICE - RATE LNG (PAGE NO. 142)

Cancels all provisions for Rate LNG.

NEGOTIATED LIQUEFIED NATURAL GAS SERVICE - RATE LNG (PAGE NO. 156)

Establishes the availability, rates, and terms of service for new rate for eligible customers.

TABLE OF CONTENTS

	<u>Page Number</u>
List of Changes Made By This Tariff	One Hundred and Sixteenth Revised 2
<u>Description of Territory Served</u>	5
<u>Table of Contents</u>	One Hundred and Sixteenth Revised 6
<u>Definitions</u>	Second Revised 10
<u>RULES and REGULATIONS:</u>	
1. The Gas Service Tariff	First Revised 15
2. Application and Contract for Gas Service	Sixth Revised 17
3. Credit and Deposit	Third Revised 21
4. Billing and Payment	Second Revised 26
5. Termination and/or Discontinuance of Gas Service	Second Revised 30
6. Termination of Service for Safety Reasons and Curtailment of Service/ Service Continuity	First Revised 38
7. Inquiry, Review, Dispute, and Appeals Process	First Revised 41
8. Customer's Responsibility for Company's Property	First Revised 44
9. Conditions of Service, Point of Delivery, and Application of Rates	Third Revised 47
10. Extensions And Rights-Of-Way	First Revised 50
11. Meters: Measurements, Readings, Errors, and Tests	First Revised 53
12. Service Charges and Miscellaneous Fees and Provisions	Second Revised 57
13. Universal Service And Energy Conservation Programs	Second Revised 59
14. Gas Choice Enrollment and Switching	First Revised 63
15. Supplier of Last Resort	First Revised 65

	Page Number
RATES (Cover Page) _____	66
Gas Cost Rate _____	Seventy Fifth Revised 67
Revenue Reconciliation Adjustment (RRA) Rider _____	70
Senior Citizen Discount _____	First Revised 72
Exit Fee Rider _____	77
Merchant Function & Gas Procurement Charges; Price to Compare_	Thirtieth Revised 78
Restructuring and Consumer Education Surcharge _____	Twenty Ninth Revised 79
Efficiency Cost Recovery Mechanism _____	Forty Third Revised 80
Universal Services Surcharge _____	Seventy Seventh Revised 81
Other Post Employment Benefit Surcharge _____	Fourteenth Revised 82
General Service - Rate GS _____	Eighty Sixth Revised 83
Municipal Service - Rate MS _____	Eighty Sixth Revised 87
Philadelphia Housing Authority Service – Rate PHA _____	Eighty Sixth Revised 90
Daily Balancing Service – Rate DB _____	101
Interruptible Transportation Service – Rate IT _____	111
Gas Transportation Service - Rate GTS - Firm Service _____	118
Gas Transportation Service - Rate GTS - Interruptible _____	124
Cogeneration Service - Rate CG _____	Fifth Revised 131
Developmental Natural Gas Vehicle Service - Rate NGVS Firm Service	Fifty Eighth Revised 135
Developmental Natural Gas Vehicle Service - Rate NGVS Interruptible Service _____	139
Liquefied Natural Gas Service – Rate LNG _____	Fourth Revised 142
SPECIAL PROVISION – Air Conditioning Rider _____	143
SPECIAL PROVISION – Compressed Natural Gas Rider _____	145
SPECIAL PROVISION – Emergency/Unauthorized Use Gas Rider _____	147
Weather Normalization Adjustment Clause _____	Fourth Revised 149
Distribution System Improvement Charge _____	Eighteenth Revised 151
Backup Service – Rate BUS _____	154
Technology and Economic Development Rider and Micro-Combined Heat and Power Incentives _____	155
Negotiated Liquefied Natural Gas Service – Rate LNG-N _____	156

(This page intentionally left blank for future use.)

NEGOTIATED LIQUEFIED NATURAL GAS SERVICE - RATE LNG-N

Rate: Applicable to all Negotiated Liquefied Natural Gas Services rendered pursuant to this Rate Schedule as described below.

AVAILABILITY

Available at the Company's sole discretion when Customer and Company have executed a customer agreement ("Customer Agreement") for service under this Rate Schedule. The Customer must be able to arrange for the withdrawal/delivery of the commodity (via pipeline, transport vehicle, exchange services, or other delivery mechanisms agreed to by the parties) from the Company's Liquefied Natural Gas facilities. If the Customer is providing the commodity, then the Customer must also be able to arrange for the transportation of the commodity (via pipeline to Company's City Gate or via transport vehicle or pipeline) to the Company's Liquefied Natural Gas facilities.

RATES and TERMS OF SERVICE

Service under this schedule is for LNG services and may include, but is not limited to: 1) the provision of the commodity; 2) transportation of natural gas from the Company's City Gate to the Company's Liquefied Natural Gas facilities; 3) the liquefaction of the natural gas by the Company's Liquefied Natural Gas facilities; 4) the injection of the Customer's liquefied natural gas into the Company's Liquefied Natural Gas facilities; 5) the storage of liquefied natural gas; 6) the vaporization of liquefied natural gas; 7) the withdrawal of the liquefied natural gas via transport vehicle; and 8) the delivery of commodity from the Company's Liquefied Natural Gas facilities via pipeline, exchange services, or other delivery mechanism.

A Customer Agreement stipulating the negotiated rate(s) and negotiated terms of service shall be entered into between the Company and Customer when the Company, in its sole discretion, deems such offering to be economically advantageous to the Company. Depending on the negotiated terms, service under this rate will be either on a firm basis, which shall be interrupted only in cases of operating emergencies determined by the Company in its sole discretion, or on an interruptible basis in which case the Company reserves the right to interrupt service at Company's discretion pursuant to criteria set forth in the Customer Agreement. The negotiated rate(s) shall be in excess of the Company's incremental costs to provide service to the Customer.

PHILADELPHIA GAS WORKS

GAS SERVICE TARIFF



Issued by: Craig White
President and CEO

PHILADELPHIA GAS WORKS
800 West Montgomery Avenue
Philadelphia, PA 19122

List of Changes Made by this Tariff Supplement

TABLE OF CONTENTS (Page Nos. 6-7)

Updated to reflect revised page numbers for each of the changes listed below on this page.

LIQUEFIED NATURAL GAS SERVICE - RATE LNG (PAGE NO. 142)

Cancel all provisions for Rate LNG.

NEGOTIATED LIQUEFIED NATURAL GAS SERVICE - RATE LNG (PAGE NO. 156)

Establishes the availability, rates, and terms of service for new rate for eligible customers.

TABLE OF CONTENTS

	<u>Page Number</u>
List of Changes Made By This Tariff	One Hundred and Sixteenth Revised 2
<u>Description of Territory Served</u> _____	5
<u>Table of Contents</u> _____	One Hundred and Sixteenth Revised 6
<u>Definitions</u> _____	Second Revised 10
<u>RULES and REGULATIONS:</u>	
1. The Gas Service Tariff _____	First Revised 15
2. Application and Contract for Gas Service _____	Sixth Revised 17
3. Credit and Deposit _____	Third Revised 21
4. Billing and Payment _____	Second Revised 26
5. Termination and/or Discontinuance of Gas Service _____	Second Revised 30
6. Termination of Service for Safety Reasons and Curtailment of Service/ Service Continuity _____	First Revised 38
7. Inquiry, Review, Dispute, and Appeals Process _____	First Revised 41
8. Customer's Responsibility for Company's Property _____	First Revised 44
9. Conditions of Service, Point of Delivery, and Application of Rates _____	Third Revised 47
10. Extensions And Rights-Of-Way _____	First Revised 50
11. Meters: Measurements, Readings, Errors, and Tests _____	First Revised 53
12. Service Charges and Miscellaneous Fees and Provisions _____	Second Revised 57
13. Universal Service And Energy Conservation Programs _____	Second Revised 59
14. Gas Choice Enrollment and Switching _____	First Revised 63
15. Supplier of Last Resort _____	First Revised 65

	Page Number
RATES (Cover Page) _____	66
Gas Cost Rate _____	Seventy Fifth Revised 67
Revenue Reconciliation Adjustment (RRA) Rider _____	70
Senior Citizen Discount _____	First Revised 72
Exit Fee Rider _____	77
Merchant Function & Gas Procurement Charges; Price to Compare_	Thirtieth Revised 78
Restructuring and Consumer Education Surcharge _____	Twenty Ninth Revised 79
Efficiency Cost Recovery Mechanism _____	Forty Third Revised 80
Universal Services Surcharge _____	Seventy Seventh Revised 81
Other Post Employment Benefit Surcharge _____	Fourteenth Revised 82
General Service - Rate GS _____	Eighty Sixth Revised 83
Municipal Service - Rate MS _____	Eighty Sixth Revised 87
Philadelphia Housing Authority Service – Rate PHA _____	Eighty Sixth Revised 90
Daily Balancing Service – Rate DB _____	101
Interruptible Transportation Service – Rate IT _____	111
Gas Transportation Service - Rate GTS - Firm Service _____	118
Gas Transportation Service - Rate GTS - Interruptible _____	124
Cogeneration Service - Rate CG _____	Fifth Revised 131
Developmental Natural Gas Vehicle Service - Rate NGVS Firm Service	Fifty Eighth Revised 135
Developmental Natural Gas Vehicle Service - Rate NGVS Interruptible Service _____	139
Liquefied Natural Gas Service – Rate LNG _____	Fourth Revised 142
SPECIAL PROVISION – Air Conditioning Rider _____	143
SPECIAL PROVISION – Compressed Natural Gas Rider _____	145
SPECIAL PROVISION – Emergency/Unauthorized Use Gas Rider _____	147
Weather Normalization Adjustment Clause _____	Fourth Revised 149
Distribution System Improvement Charge _____	Eighteenth Revised 151
Backup Service – Rate BUS _____	154
Technology and Economic Development Rider and Micro-Combined Heat and Power Incentives _____	155
<u>Negotiated Liquefied Natural Gas Service – Rate LNG-N</u> _____	<u>156</u>

(This page intentionally left blank for future use.)
~~LIQUEFIED NATURAL GAS SERVICE – RATE LNG~~

~~Rate: Applicable to Liquefied Natural Gas Service as described below.~~

~~AVAILABILITY~~

~~Available at the Company's sole discretion where the Customer is able to arrange for the transportation of Liquefied Natural Gas via truck from the Company's Liquefied Natural Gas facilities.~~

~~RATES and TERMS OF SERVICE~~

~~Contracts stipulating the negotiated rate and negotiated terms of Liquefied Natural Gas Service may be entered into between the Company and Customer when the Company, in its sole discretion, deems such offering to be economically advantageous to the Company. Service under this rate is interruptible, and the Company reserves the right to interrupt service at Company's discretion.~~

~~The Company reserves the right to determine whether the customer will be charged the current Gas Cost Rate (GCR) or the current Weighted Average Cost of Gas (WACOG). The charge will not be less than the current GCR or the current WACOG.~~

NEGOTIATED LIQUEFIED NATURAL GAS SERVICE - RATE LNG-N

Rate: Applicable to all Negotiated Liquefied Natural Gas Services rendered pursuant to this Rate Schedule as described below.

AVAILABILITY

Available at the Company's sole discretion when Customer and Company have executed a customer agreement ("Customer Agreement") for service under this Rate Schedule. The Customer must be able to arrange for the withdrawal/delivery of the commodity (via pipeline, transport vehicle, exchange services, or other delivery mechanisms agreed to by the parties) from the Company's Liquefied Natural Gas facilities. If the Customer is providing the commodity, then the Customer must also be able to arrange for the transportation of the commodity (via pipeline to Company's City Gate or via transport vehicle or pipeline) to the Company's Liquefied Natural Gas facilities.

RATES and TERMS OF SERVICE

Service under this schedule is for LNG services and may include, but is not limited to: 1) the provision of the commodity; 2) transportation of natural gas from the Company's City Gate to the Company's Liquefied Natural Gas facilities; 3) the liquefaction of the natural gas by the Company's Liquefied Natural Gas facilities; 4) the injection of the Customer's liquefied natural gas into the Company's Liquefied Natural Gas facilities; 5) the storage of liquefied natural gas; 6) the vaporization of liquefied natural gas; 7) the withdrawal of the liquefied natural gas via transport vehicle; and 8) the delivery of commodity from the Company's Liquefied Natural Gas facilities via pipeline, exchange services, or other delivery mechanism.

A Customer Agreement stipulating the negotiated rate(s) and negotiated terms of service shall be entered into between the Company and Customer when the Company, in its sole discretion, deems such offering to be economically advantageous to the Company. Depending on the negotiated terms, service under this rate will be either on a firm basis, which shall be interrupted only in cases of operating emergencies determined by the Company in its sole discretion, or on an interruptible basis in which case the Company reserves the right to interrupt service at Company's discretion pursuant to criteria set forth in the Customer Agreement. The negotiated rate(s) shall be in excess of the Company's incremental costs to provide service to the Customer.

**Philadelphia Gas Works
Negotiable Liquefied Natural Gas (“LNG-N”) Tariff
Docket No. R-2019-XXXXXXX**

STATEMENT OF REASONS

I. INTRODUCTION

Philadelphia Gas Works (“PGW”) hereby submits Supplement No. 120 to Gas Service Tariff – Pa. P.U.C. No. 2 and requests that the Pennsylvania Public Utility Commission (“PUC” or “Commission”) approve its Negotiable Liquefied Natural Gas Tariff (“LNG-N”) filing. For the benefit of its customers, PGW intends to better optimize its existing LNG facilities through sales of excess liquefaction and storage capacity and through expansion projects with public-private partners (P3s), at no cost to PGW ratepayers. This optimization will permit additional LNG sales and service transactions that will produce millions of dollars of incremental revenue that will be used to offset PGW’s cost of providing gas service while enhancing its reliability.

In order to accomplish these goals on behalf of its customers, PGW is respectfully requesting approval for an expanded “LNG Services” tariff. This filing proposes an optional and voluntary rate that is designed to provide additional optionality to meet customer needs and would be available when a customer and the Company have executed a customer agreement. The proposed Tariff provisions are designed to provide customers with greater flexibility in utilizing PGW’s assets, while producing additional revenues that would ultimately help keep rates lower than they otherwise would be for other customers. As such, the proposed LNG-N provisions are just and reasonable and PGW respectfully requests the Commission’s approval.

II. STATEMENT OF REASONS

Proposed Rate LNG-N would subsume the existing tariff (Rate LNG) and would expand the types of LNG sales and services that PGW could offer to customers. In that way, proposed Rate LNG-N is broader than the existing Rate LNG. The existing Rate LNG covers only interruptible LNG sales (with commodity supplied by PGW) and requires that the LNG be withdrawn from PGW's LNG facilities by truck. Further, this LNG is only available for sales when PGW determines that it does not need all of the LNG in storage to meet its firm customers' demand needs. In comparison, Rate LNG-N would permit the liquefaction of gas that was either supplied by PGW or gas that was supplied by the counterparty. Under Rate LNG-N, which is designed to address all types of LNG-related services and costs (including those services previously provided under Rate LNG), PGW would have a mechanism to offer LNG-related gas sales, transportation, liquefaction, storage, vaporization, delivery methods, and exchange services.

The rates charged under Rate LNG-N will be negotiated. The Customer Agreement will stipulate the negotiated rate(s) and negotiated terms of service. These Agreements must be economically advantageous to PGW. The negotiated rate(s) will be in excess of PGW's incremental costs to provide the negotiated services to the customer.

One currently contemplated transaction¹ that would utilize the LNG-N provisions is projected to produce \$1.35 to \$4 million per year of additional revenue net of incremental expenses for PGW, all of which will flow back to ratepayers. The Commission has specifically recommended that PGW explore transactions such as this P3 project. In 2015, a Commission

¹ PGW is seeking approval from Philadelphia City Council for a Public Private Partnership (P3) project with Passyunk Energy Center, LLC (PEC). The project, if approved, will facilitate the marketing and sale of LNG, with the potential to generate millions of dollars in PGW revenue each year, through fees and revenue-sharing.

Staff Report, *Inquiry into Philadelphia Gas Works' Pipeline Replacement Program* ("2015 Staff Report"), stated that PGW "should continue to explore such [LNG expansion] opportunities and analyze what potential value, if any, it will have for its regulated customers and its infrastructure improvement plans."² PGW has heeded the Commission's recommendation to explore such possibilities and this P3 Project represents the first fruits of that process.

Further, the expanded LNG services will not have any negative effects on PGW's ability to meet its customers' design day needs. In fact, one of the contemplated transactions would actually add to PGW's liquefaction abilities (at no cost to ratepayers), which means that PGW may have enhanced access to supply for purchase and the facilities may be available to assist other regional utilities in times of supply shortage, if capacity is available for such purpose. Again, the Commission's 2015 Staff Report supports this type of transaction to the extent it does not negatively affect PGW's sales service customers: "Although PGW relies on the stored LNG to meet its projected design day demand, the LNG facilities do have unused or untapped capacity." Accordingly, to facilitate these substantial benefits on behalf of PGW's customers,³ PGW is seeking approval from the Commission for its LNG-N Tariff, which is broad and flexible enough to permit these market driven transactions to go forward.⁴

² Pennsylvania Public Utility Commission Staff Report, *Inquiry into Philadelphia Gas Works' Pipeline Replacement Program* at 57 (Apr. 21, 2015), available at http://www.puc.pa.gov/NaturalGas/pdf/PGW_Staff_Report_042115.pdf.

³ The P3 project offers the potential of generating between \$1.35 million and \$4 million in additional revenue for PGW, each year for 25 years. Likewise, the ability to offer increased LNG services at PGW's Richmond LNG facilities will also create the opportunity for additional PGW revenues.

⁴ The market is looking for, and demanding, services beyond the delivery of LNG by truck, and PGW is positioned to provide these services, if Rate LNG-N is approved.

III. CONCLUSION

PGW's proposed LNG-N filing will aid the Company in continuing to provide safe and reliable service to the public within its service territory while, at the same time, providing an option that will better maximize PGW's LNG assets for the benefit of its ratepayers. For all of the reasons presented in this filing, PGW submits that the proposed Tariff filing is just and reasonable and should be approved by the Commission.

52 Pa. Code § 53.52

§ 53.52. Applicability; public utilities other than canal, turnpike, tunnel, bridge and wharf companies.

(a) Whenever a public utility, other than a canal, turnpike, tunnel, bridge or wharf company files a tariff, revision or supplement effecting changes in the terms and conditions of service rendered or to be rendered, it shall submit to the Commission, with the tariff, revision or supplement, statements showing all of the following:

- (1) The specific reasons for each change.

RESPONSE:

The Company has summarized the specific reasons for the proposed new rate option in its Statement of Reasons that is included as part of the Company's filing.

- (2) The total number of customers served by the utility.

RESPONSE:

PGW has 513,450 customers as of February 2019, which is the most recent data available.

- (3) A calculation of the number of customers, by tariff subdivision, whose bills will be affected by the change.

RESPONSE:

This filing does not seek to mandate a change to any customer or customer class's rates. Rather, this filing expands the Company's existing, voluntary Rate LNG and would be available when a customer and the Company have executed a customer agreement.

- (4) The effect of the change on the utility's customers.

RESPONSE:

This tariff change will not affect PGW's customers except those customers who execute a customer agreement for PGW for LNG-N services.

52 Pa. Code § 53.52

-
- (5) The direct or indirect effect of the proposed change on the utility's revenue and expenses.

RESPONSE:

Revenues and expenses will depend upon the negotiated terms of the customer agreement but will always be higher than incremental costs. At this time, PGW has one deal that is proposed to utilize LNG-N—a Public Private Partnership (P3) project with Passyunk Energy Center, LLC (PEC), from which revenues net of incremental expenses are projected to be \$1.35 million to \$4.0 million annually for 25 years.

-
- (6) The effect of the change on the service rendered by the utility.

RESPONSE:

The changes will have no effect on the service rendered by the utility.

-
- (7) A list of factors considered by the utility in its determination to make the change. The list shall include a comprehensive statement about why these factors were chosen and the relative importance of each. This subsection does not apply to a portion of a tariff change seeking a general rate increase as defined in 66 Pa.C.S. § 1308 (relating to voluntary changes in rates).

RESPONSE:

PGW would use this to enhance its LNG services to derive additional value from its assets for the benefit of the Company's ratepayers. Additionally, in 2015, a Commission Staff Report, *Inquiry into Philadelphia Gas Works' Pipeline Replacement Program* ("2015 Staff Report"), stated that PGW "should continue to explore such [LNG expansion] opportunities and analyze what potential value, if any, it will have for its regulated customers and its infrastructure improvement plans." Pennsylvania Public Utility Commission Staff Report, *Inquiry into Philadelphia Gas Works' Pipeline Replacement Program* at 57 (Apr. 21, 2015), available at http://www.puc.pa.gov/NaturalGas/pdf/PGW_Staff_Report_042115.pdf. PGW has heeded the Commission's recommendation to explore such possibilities, including a P3 Project. The proposed Tariff will facilitate moving forward with these transactions.

52 Pa. Code § 53.52

-
- (8) Studies undertaken by the utility in order to draft its proposed change. This paragraph does not apply to a portion of a tariff change seeking a general rate increase as defined in 66 Pa.C.S. § 1308.

RESPONSE:

No studies were undertaken.

-
- (9) Customer polls taken and other documents which indicate customer acceptance and desire for the proposed change. If the poll or other documents reveal discernible public opposition, an explanation of why the change is in the public interest shall be provided.

RESPONSE:

No polls were undertaken.

-
- (10) Plans the utility has for introducing or implementing the changes with respect to its ratepayers.

RESPONSE:

The change does not impact retail service, transportation service, or interruptible service customers. Therefore, there is no change to introduce or implement to the ratepayers.

-
- (11) FCC, FERC or Commission orders or rulings applicable to the filing.

RESPONSE:

There are no FCC, FERC, or Commission orders or rulings applicable to this filing.

PGW ST. 1

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

DIRECT TESTIMONY OF

RAYMOND M. SNYDER

ON BEHALF OF
PHILADELPHIA GAS WORKS

Docket Number R-2019-_____

Philadelphia Gas Works'
Proposed Expansion of Tariffed LNG Services

April 5, 2019

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND CURRENT POSITION WITH PGW.**

3 A. My name is Raymond M. Snyder. My position with PGW is Senior Vice President of
4 Gas Management.

5 **Q. PLEASE SUMMARIZE YOUR BACKGROUND AND EXPERIENCE.**

6 A. I received a Bachelor of Science degree in Civil Engineering from Pennsylvania State
7 University in 1979. I have also received a Master's Degree in Engineering Management
8 from Drexel University in 1988. I am a registered Professional Engineer in
9 Pennsylvania.

10 I have held the following positions at PGW: Engineering Assistant; Assistant
11 Staff Engineer; Staff Engineer; Senior Staff Engineer; Assistant Manager, Engineering;
12 Manager, Engineering; Director, Operations Systems Administration; Director, Gas
13 Processing; and Vice President, Gas Management.

14 **Q. HAVE YOU EVER PROVIDED TESTIMONY BEFORE THIS COMMISSION?**

15 A. Yes. I submitted testimony for the PGW 1307(f) Annual GCR Filings in Docket Nos. R-
16 2013-2346376, R-2014-2404355, R-2015-2465656, R-2016-2526700, R-2017-2587526,
17 R-2018-2645938 and R-2019-3007636.

18 **Q. WHAT IS THE FOCUS OF YOUR TESTIMONY IN THIS PROCEEDING?**

19 A. My testimony discusses:

- 20
 - A proposed expansion of PGW's tariffed LNG services.

21

1 **II. BACKGROUND**

2 **Q. PLEASE PROVIDE A GENERAL DESCRIPTION OF PGW'S GAS**
3 **DISTRIBUTION SYSTEM.**

4 A. PGW's gas distribution system is located in Southeastern Pennsylvania in the County and
5 City of Philadelphia. Since this is not a gas-producing area, PGW and its natural gas
6 customers are dependent upon the interstate natural gas pipeline system to deliver natural
7 gas into the PGW gas distribution system. PGW relies on the interstate pipeline for all
8 natural gas supply, storage, and transportation services, except for PGW's own on-system
9 peak shaving facilities. PGW owns and operates two LNG facilities that are used
10 primarily both to meet intraday, daily and seasonal supply needs as well as to meet peak
11 day requirement. PGW operates its own LNG peak shaving liquefaction, vaporization,
12 and storage facilities.

13 **Q. PLEASE IDENTIFY PGW'S CURRENT INTERSTATE SUPPLIERS.**

14 A. Spectra Energy's Texas Eastern Transmission pipeline and Williams' Transco Gas
15 Pipeline comprise the two interstate natural gas pipelines that deliver gas to PGW's city
16 gates.

17 Spectra Energy and Williams Gas Pipeline represent the only interstate pipeline
18 facilities with physical connections to the PGW service territory. As a result, all of
19 PGW's supply contracts utilize these pipelines and the contracts also recognize pipeline
20 receipt and delivery rights. These contracts contain the ability to "lock up" the price for
21 upcoming months or to have the pricing default to an agreed upon market index if there is
22 no market advantage in fixing a price before the month begins. As a result, PGW not
23 only ensures security of supply from the pipelines but also can take advantage of varying
24 basis differentiated pricing in the market. This differentiated pricing results from the fact

1 that all shippers of natural gas receive their gas at varying locations along the pipeline.
2 PGW uses a city-gate delivered price in comparing the various alternatives available.
3 The city gate delivered price is computed considering the “into the pipe price of gas” plus
4 all incremental charges levied by the transporting pipeline to deliver the gas to the city
5 gate. These prices include, but are not limited to, reservation fees, fuel, transportation
6 charges and FERC Annual Charge Adjustment (“ACA”) charges.

7 Additionally, PGW utilizes storages and LNG to meet operational requirements.
8 Bundled storage contracts provide for the right both to the storage of the gas and its
9 delivery to PGW via bundled pipeline capacity. Unbundled storage contracts provide
10 storage rights for gas which is transported on PGW firm pipeline transportation capacity.
11 These storages provide off-system storage and LNG provides on-system storage. While
12 both types of storages are important to fulfill operational requirements, PGW’s on-system
13 LNG storage is vital during peak days when customer demand exceeds the amount of gas
14 that can be physically provided through PGW’s city gates.

15 Once operational requirements are met, these assets are then used in the overall
16 cost saving strategies. For example, once design winter sendout requirements are
17 ensured, the Company may utilize bundled storage and LNG as a substitute for higher
18 priced gas. PGW’s summer gas procurement policy uses a similar approach to address
19 system supply and storage refill. The Gas Supply department also uses forecasted prices
20 as a benchmark to purchase gas volumes for both system supply and storage refill below
21 the projected cost (when possible) on a proportional basis, while leaving a portion of its
22 needs to default to first of the month pricing.

23

1 III. TARIFF RATE SCHEDULE: RATE LNG-N

2 **Q. AS PART OF THIS TARIFF FILING IS PGW PROPOSING TO MAKE**
3 **CHANGES TO ITS TARIFF PROVISIONS?**

4 A. Yes, PGW is proposing to expand its existing liquefied natural gas (“LNG”) services
5 tariff so that it will accommodate a full a range of LNG-related services. Presently, PGW
6 provides LNG service from its existing facilities at its Richmond plant. At Richmond,
7 PGW can presently liquefy natural gas purchased by PGW, store the liquefied natural gas
8 and then offload the gas in liquid form (via transport vehicle) to a customer. In
9 comparison, at its Passyunk plant, PGW is able to store liquefied gas trucked from
10 Richmond and to similarly offload that LNG via truck. For the last several years PGW
11 has used its Rate LNG in its Tariff (Third Revised Page No. 142 at Tariff Pa. PUC No. 2)
12 to provide this LNG service to customers. The current tariff is limited to the provision of
13 PGW-supplied gas that was liquefied and delivered to a customer by transport vehicle.
14 This is done on an interruptible basis.

15 **Q. HOW WOULD PROPOSED RATE LNG-N EXPAND THE SERVICES THAT**
16 **COULD BE OFFERED?**

17 A. Proposed Rate LNG-N would subsume the existing tariff and would expand the types of
18 LNG sales that PGW could offer to customers. The rate would permit the liquefaction of
19 gas that was either supplied by PGW or gas that was supplied by the counterparty. LNG
20 could be stored for an agreed upon period and then delivered either by picking up the
21 LNG by transport vehicle, pipeline, or by exchange service.

22 **Q. PLEASE DESCRIBE THE PROPOSED RATE LNG-N (NEGOTIATED**
23 **LIQUEFIED NATURAL GAS)?**

24 A. Rate LNG-N would only be available to customers that have negotiated an agreement
25 with PGW regarding LNG sales and services. Depending upon the needs of the

1 customer, these LNG-related sales and services could include: 1) the provision of the
2 commodity; 2) transportation of natural gas from the Company's City Gate to the
3 Company's Liquefied Natural Gas facilities; 3) the liquefaction of the natural gas by the
4 Company's Liquefied Natural Gas facilities; 4) the injection of the Customer's liquefied
5 natural gas into the Company's Liquefied Natural Gas facilities; 5) the storage of
6 liquefied natural gas; 6) the vaporization of liquefied natural gas; 7) the withdrawal of the
7 liquefied natural gas via transport vehicle; and 8) the delivery of commodity from the
8 Company's Liquefied Natural Gas facilities via pipeline, exchange services, or other
9 delivery mechanism. Depending on the negotiated terms and market requirements,
10 service under Rate LNG-N will be either on a firm basis or on an interruptible basis.
11 Firm service for LNG-N shall be interrupted only in cases of operating emergencies
12 determined by the Company in its sole discretion.

13 **Q. PLEASE DISCUSS THE SPECIFICS OF THE RATE DESIGN PROPOSAL FOR**
14 **RATE LNG-N.**

15 A. The rates charged under Rate LNG-N will be negotiated. The Customer Agreement will
16 stipulate the negotiated rate(s) and negotiated terms of service. These Agreements must
17 be economically advantageous to PGW, as determined by PGW in its sole discretion.

18 The negotiated rate(s) shall be in excess of the PGW's incremental costs to
19 provide the negotiated services to the Customer. For example, if PGW is the party who is
20 supplying the commodity itself, the incremental cost to provide that commodity is either
21 the current Gas Cost Rate ("GCR") or the current Weighted Average Cost of Gas
22 ("WACOG"). So, the charge for the commodity itself will not be less than the current
23 GCR or the current WACOG. This is the same treatment given to sales of the
24 commodity under the current Rate LNG.

1 **Q. HOW WILL REVENUES BE TREATED UNDER RATE LNG-N?**

2 A. The treatment of revenues under Rate LNG-N will depend on the party that supplies the
3 LNG or natural gas commodity.

4 If the Customer is supplying the LNG or natural gas commodity, there is no actual
5 sale of LNG or natural gas by PGW. Instead of providing natural gas in the form of
6 LNG, PGW will be supplying LNG services (such as liquefaction, and/or storage, and/or
7 vaporization or some combination thereof) to that customer. Therefore, revenues from
8 those will be recorded in PGW's account for "Other Revenues," and included in that
9 calculation in PGW's base rate proceedings. This is the same treatment given to other
10 non-gas revenues such as PGW's appliance repair program. That is, PGW will fully
11 account for those revenues in determining its *pro forma* revenues and revenue
12 requirement when calculating its base rates. This treatment will work to provide PGW
13 with a greater cash flow that can be used to finance operations, while insuring that
14 ratepayers receive all the benefits of any such sales.

15 If PGW is the party that is supplying the commodity, the revenues from the sale
16 of the commodity will be included in the computation of the GCR. If that commodity is
17 provided in liquefied form, there will be an additional negotiated charge for the
18 liquefaction of the natural gas. That additional charge will be recorded in PGW's
19 account for "Other Revenues," in the manner I just described. This is the same treatment
20 given to sales under the current Rate LNG.

21 **Q. DOES PGW INTEND TO CONTINUE SERVICE UNDER RATE LNG?**

22 A. No. Customers will negotiate agreements under Rate LNG-N — if they desire to
23 continue to purchase LNG or use LNG services from PGW's LNG facilities. This is
24 expected to have a minimal impact. None of PGW's customers under Rate LNG have

1 deliveries scheduled under their existing agreements with PGW. PGW does not
 2 anticipate receiving requests, in the near future, for deliveries under those existing
 3 agreements.

4 **Q. IS THE PROPOSAL FOR RATE LNG-N THE SAME AS THE EXISTING RATE**
 5 **LNG?**

6 A. No. The proposed Rate LNG-N is broader than the existing Rate LNG. The existing
 7 Rate LNG only uses LNG (supplied by PGW) and requires that the LNG be withdrawn
 8 from PGW’s LNG facilities by truck. As I discussed, Rate LNG-N enables PGW to
 9 provide LNG in that method. But, Rate LNG-N further authorizes PGW to provide for
 10 the sale of LNG in ways other than by truck and also to provide a full range of LNG-
 11 related services. The market is looking for, and demanding, services beyond the delivery
 12 of LNG by transport vehicle, and PGW is positioned to provide these services, if Rate
 13 LNG-N is approved.

14 **Q. IS THIS PROPOSAL FOR RATE LNG-N THE SAME AS THE PROPOSAL FOR**
 15 **RATE LNG-N THAT WAS MADE IN PGW’S 2019-2020 GAS COST RATE**
 16 **PROCEEDING?**

17 A. Yes. PGW proposed the expansion of LNG services as part of its 2019-2020 gas cost
 18 rate proceeding (Docket No. R-2019-3007636). In that proceeding, consistent with the
 19 Interim Order dated March 26, 2019,¹ the subject proposal was removed and stricken
 20 from that proceeding. Prior to that time, PGW received discovery requests from the

¹ <http://www.puc.state.pa.us/pcdocs/1612073.docx>.

1 Office of Consumer Advocate (“OCA”)² and the Office of Small Business Advocate
2 (“OSBA”)³ regarding Rate LNG-N.

3

4 **IV. PASSYUNK PLANT PROJECT**

5 **Q. HAS THE COMMISSION ENCOURAGED PGW TO EXPLORE**
6 **OPPORTUNITIES TO EXPAND OR MORE FULLY UTILITIZE PGW’S LNG**
7 **FACILITIES?**

8 A. Yes. On April 21, 2015, the Staff of the PUC issued a seminal Report entitled: “Staff
9 Report: Inquiry into Philadelphia Gas Works’ Pipeline Replacement Program” (“PUC
10 Staff Report”).⁴ The PUC Staff Report suggested that PGW should continue to explore
11 opportunities to expanded LNG services and facilities.

12 **Q. DID PGW EXPLORE SUCH OPPORTUNITIES?**

13 A. Yes. In 2016, PGW issued an RFP (# 30552) related to LNG sales and asset
14 optimization.

15 **Q. HAS PGW IDENTIFIED ANY OPPORTUNITIES TO EXPAND OR TO MORE**
16 **FULLY UTILIZE PGW’S LNG FACILITIES?**

17 A. Yes. One opportunity related to expanded LNG services and facilities is the proposed
18 Public Private Partnership (P3) project with Passyunk Energy Center, LLC (PEC). This
19 P3 is sometimes referred to as the “Passyunk Plant Project.”

² On February 11, 2019, the OCA filed a Public Statement, a Notice of Appearance on behalf of Harrison W. Breitman, Esq. and Lauren M. Burge, Esq., and a formal Complaint. The Complaint was docketed by the Secretary’s Bureau at Docket No. C-2019-3007837.

³ On February 8, 2019, the OSBA filed a Public Statement, a Notice of Appearance on behalf of Sharon Webb, Esq., and a formal Complaint. The Complaint was docketed by the Secretary’s Bureau at Docket No. C-2019-3007819.

⁴ http://www.puc.pa.gov/NaturalGas/pdf/PGW_Staff_Report_042115.pdf.

1 **Q. IS THE PROPOSAL FOR RATE SCHEDULE LNG-N RELATED TO THE**
2 **PASSYUNK PLANT PROJECT?**

3 A. Schedule LNG-N, as proposed, creates several ways for PGW to use PGW's existing
4 LNG facilities to provide LNG services and generate revenue. The Passyunk Plant
5 Project would enhance PGW's ability to provide LNG services and generate revenue
6 from LNG facilities using capacity that is presently not needed to meet firm
7 requirements.

8 **Q. PLEASE BRIEFLY DESCRIBE THE PASSYUNK PLANT PROJECT.**

9 A. The Project would be capable of producing approximately 120,000 gallons of LNG a day
10 at PGW's Passyunk Plant. Right now, PGW liquefies natural gas at its Richmond Plant
11 and transports it to Passyunk for storage. The new LNG facilities at Passyunk would
12 allow for everything to be done at the Passyunk facilities, eliminating the need for
13 transporting LNG from Richmond to Passyunk.

14 The Project requires a private entity, Passyunk Energy Center LLC ("PEC"), to
15 put up all the capital and construct the LNG liquefaction (and other) facilities, reducing
16 the risk to PGW and its customers. With the Project, PGW will lease the new liquefier
17 and new loading facilities at the Passyunk Plant for a nominal fee. These facilities will
18 enhance PGW's system reliability by adding liquefaction to PGW's system, add to
19 PGW's system redundancy, and allow PGW to have more opportunities to generate
20 revenue by providing LNG services.

21 The Project presents a significant revenue opportunity for PGW and its ratepayers
22 with minimal financial outlays by PGW. The Project presents no financial risk to
23 ratepayers while generating at a minimum \$1.35 million, and may average \$4.0 million in
24 new net revenue annually. Over the lifetime of the agreement, that means as much as

1 \$100 million in revenue. These sums can be used to, among other things, mitigate or
2 delay future base rate adjustments. Additionally, there are no upfront costs for PGW, and
3 any incremental operating costs will be reimbursed to PGW as part of agreements entered
4 into pursuant to the LNG-N Tariff.

5 PGW expects to produce revenue by providing LNG sales services to PEC and
6 others pursuant to agreements entered into in accordance with the proposed LNG-N
7 Tariff, and delivering to PEC via trailer or via pipeline exchange. In addition, the new
8 facilities will add another source of LNG that could be utilized by PGW to meet firm
9 demand and will obviate the need to annually transport LNG by truck from Richmond
10 Plant to the Passyunk Plant.

11 **Q. WAS THIS PROJECT SUBMITTED TO THE PHILADELPHIA GAS**
12 **COMMISSION?**

13 A. Yes. In September 2018, PGW submitted details of its proposed P3 with PEC to the
14 Philadelphia Gas Commission (PGC). The PGC completed its review, and the proposal
15 is now before the Philadelphia City Council for its consideration. City Council is
16 expected to take up the proposal in 2019.

17 **Q. IS THE PROPOSED TARIFF DEPENDENT UPON THE APPROVAL OF THE**
18 **PASSYUNK PLANT PROJECT?**

19 A. No. PGW intends to have Rate LNG-N in place before offering expanded LNG sales and
20 services. If PGW expands its LNG facilities, the expanded LNG facilities will further
21 reinforce its system reliability and add additional redundancy.

22 Without the Passyunk Plant Project, PGW's ability to provide expanded LNG
23 services — i.e., services beyond the withdrawal of LNG from PGW's LNG facilities by
24 truck — would be more constrained. That being said, the ability to provide expanded

1 LNG services would be present and would create the opportunity for PGW to generate
2 revenue, albeit on a smaller magnitude.

3

4 V. CONCLUSION

5 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

6 A. Yes.

7