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May 24, 2021

**Via Electronic Filing**

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

Re: Philadelphia Gas Works 2021-2022 1307(f) Gas Cost Rate Filing  
Docket No. R-2021-3023970, C-2021-3024126 and C-2021-3024293

Dear Secretary Chiavetta:

Consistent with Section 5.412a of the Commission’s regulations, 52 Pa. Code § 5.412a, which requires the electronic submission of pre-served testimony, enclosed for electronic filing please find the following testimony and exhibits on behalf of Philadelphia Gas Works (“PGW”) in the above matter. This testimony was admitted into the record by Order of Administrative Law Judge Darlene Heep dated May 17, 2021.

<b>PGW St. No. 1</b>	<b>Direct Testimony of Florian Teme</b>	Served March 2, 2021
<b>PGW St. No. 2</b>	<b>Direct Testimony of Ryan Reeves</b>	Served March 2, 2021
<b>PGW St. No. 3</b>	<b>Direct Testimony of Gregory Stunder</b>	Served March 2, 2021
<b>PGW St. No. 1-R</b>	<b>Rebuttal Testimony of Florian Teme</b>	Served May 4, 2021
Exhibit FT-1	Statement of Reconciliation of USC from 9/2019 through 5/2020	
Exhibit FT-2	Revised FY 2020 LBC Reconciliation	
<b>PGW Supplemental St. No. 1-R</b>	<b>Supplemental Rebuttal Testimony of Florian Teme</b>	Served May 11, 2021
Exhibit FT-3	Revised Statement of Reconciliation of USC from 9/2019 through 8/2020	
<b>PGW St. 2-R</b>	<b>Rebuttal Testimony of Ryan Reeves</b>	Served May 4, 2021
<b>PGW St. 3-R</b>	<b>Rebuttal Testimony of Gregory Stunder</b>	Served May 4, 2021
<b>PGW St. 3-RJ</b>	<b>Rejoinder Testimony of Gregory Stunder</b>	Served May 12, 2021

All known parties and the presiding officers have been served previously with this Testimony and Exhibits. If you have any questions, please contact me.

Sincerely,

*Kristine E. Marsilio*

Kristine E. Marsilio

KEM/lww

Enclosure

cc: Hon. Darlene Heep w/o enc.  
Cert. of Service w/o enc.

## CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of the foregoing letter upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

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Dated: May 24 2021

*Kristine E. Marsilio*

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Kristine E. Marsilio, Esq.

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

DIRECT TESTIMONY OF

**Florian Teme**

ON BEHALF OF  
PHILADELPHIA GAS WORKS

Docket No. R-2021-3023970

Philadelphia Gas Works  
Proposed 2021-22 Annual GCR Adjustment

March 1, 2021

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1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND POSITION WITH THE COMPANY.**

3 A. My name is Florian Teme. My position is Vice President, Marketing, Sales and  
4 Energy Planning at the Philadelphia Gas Works.

5 **Q. HOW LONG HAVE YOU HELD THIS POSITION?**

6 A. I assumed my present position in December 2020. Prior to this position, I was  
7 Vice President, Marketing and Sales.

8 **Q. AS IT PERTAINS TO ENERGY PLANNING AND RATEMAKING,  
9 WHAT ARE YOUR JOB RESPONSIBILITIES?**

10 A. In my present position, I am responsible for the short and long term planning of  
11 gas demand, gas supply, raw material expense and revenue; overseeing the  
12 preparation of sales, sendout, revenue and fuel expense projections; developing  
13 peak day/hour load projections; overseeing the development of the various filings  
14 before the Pennsylvania Public Utility Commission (PUC) and Philadelphia Gas  
15 Commission (PGC), including the quarterly and annual Gas Cost Rate (GCR)  
16 filings; preparing the Integrated Resource Planning Report; and providing  
17 supporting documentation for gas costs related to PGW's Operating Budget  
18 before the PGC.

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

20 A. I have been employed with PGW since August 2003. I became PGW's Vice  
21 President, Marketing, Sales and Energy Planning in December 2020. Prior to  
22 that, I had various positions with PGW: Vice President, Marketing and Sales  
23 (September 2016 – December 2020), Director, Marketing and Sales (April 2013 –  
24 September 2016), Manager, Residential and Commercial Sales, Marketing

1 (March 2012 – April 2013); Manager, Controls and Analytics, Supply Chain  
2 (January 2010 – March 2012); Project Manager, Information Services (January  
3 2007 – January 2010); Supply Analyst, Gas Planning (April 2005 – January  
4 2007); and Technical Project Administrator, Marketing (August 2003 – March  
5 2005).

6 I received my Bachelor of Business Administration (Management  
7 Information Systems) from Temple University - Fox School of Business and  
8 Management in 2003 and my Master of Business Administration (Business  
9 Intelligence, Six Sigma) from Saint Joseph's University - Erivan K. Haub School  
10 of Business in 2011.

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

13 A. Yes, I have provided testimony in PGW's last two base rate cases (Docket No. R-  
14 20120-3017206 and R-2017-2586783) and in PGW's 2019-2020 Gas Cost Rate  
15 proceeding (Docket No. R-2019-3007636).

16 **Q. HOW IS YOUR TESTIMONY STRUCTURED?**

17 A. First, I describe PGW's rate design and Gas Cost Rate (GCR) calculation  
18 methodology. Second, I describe the level of heating degree-days utilized in this  
19 filing. Third, I identify the methodology for determining the number of customers  
20 and calculating firm sales. Fourth, I discuss the calculation for the Unaccounted  
21 for Adjustment Factor (UAF). Fifth, I discuss Off System Sales and Capacity  
22 Release credits. Sixth, I discuss the updated study that supports the validity of its  
23 peak day methodology. Lastly, I will discuss the reasonableness of PGW's gas  
24 costs.

1 **II. RATE IMPACTS AND SUPPORTING DOCUMENTS**

2 **Q. PLEASE DESCRIBE THE IMPACT OF THE PROPOSED CHANGE IN**  
3 **PGW'S GCR IN THIS PROCEEDING.**

4 A. PGW's GCR on September 1, 2020 was \$3.4107/Mcf and this rate was increased  
5 in the Company's first quarterly GCR filing on December 1, 2020 to \$3.8484.  
6 PGW's second quarter GCR filing, also submitted to the PUC concurrently with  
7 this filing, decreases the GCR to \$3.4687 effective March 1, 2021. The proposed  
8 rate to be effective September 1, 2021 is \$4.1361.

9 **Q. PLEASE SUMMARIZE THE EVIDENCE THAT PGW IS SUBMITTING**  
10 **IN SUPPORT OF ITS PROPOSED GCR ADJUSTMENT.**

11 A. This filing contains the schedules supporting the filing requirements of Section  
12 53.64(a) for the proposed GCR for the period September 1, 2021 through August  
13 31, 2022.

- 14 • Schedule 1 identifies the Levelized Gas Cost Rate. Specifically, this  
15 schedule identifies the GCR Firm Sales Volumes in Mcfs ("S"), Total  
16 Applicable GCR Expense ("C"), and adjustments for Prior Year  
17 Reconciliation and Interest ("E"). An adjustment is also included for the  
18 Interruptible Revenue Credit (IRC). Additionally, this schedule calculates  
19 the company's total projected recovery plus the load balancing revenue  
20 and LNG sales demand revenue to determine if these rates adequately  
21 cover the Net Applicable GCR Expense (a Net Over/Under Recovery  
22 amount is displayed to prove the calculation). Schedule 1a details the  
23 Price to Compare for the PGW rate classes.
- 24 • Schedule 2 identifies the calculation of GCR Firm Sales in Mcfs ("S") and  
25 the Applicable Volumes. The company utilizes Total Volumes and

1 subtracts the volumes associated with Firm Transportation, Interruptible  
2 Sales, LNG Sales and AC Sales to arrive at GCR Firm Sales (“S”). Also  
3 included in Schedule 2 are the Applicable Volumes which is comprised of  
4 GCR Firm Sales less 20% of the sales attributable to Senior Citizens  
5 (Senior Citizen Discount Sales) plus the Firm Transportation Volumes.

- 6 • Schedule 3 identifies the Projected Applicable Fuel Expense. Specifically,  
7 this schedule identifies PGW’s Net Natural Gas Expense and Total  
8 Applicable Expenses. To arrive at the Net Natural Gas Expense, the total  
9 cost of commodity and pipeline charges for firm sales are calculated per  
10 month. Two credits are then applied for the portion of gas costs recovered  
11 from PGW’s Interruptible Sales customers (i.e. the “Interruptible & Firm  
12 A/C Credit”) and for gas used by PGW (i.e. “Gas Used by Utility”). Next,  
13 the Company calculates the net effect of gas supplies being transferred  
14 into and out of storage and LNG. The result is the Net Natural Gas  
15 Expense. To arrive at the Total Applicable Expenses in Schedule 3, the  
16 fuel expenses for Purchased Electric and miscellaneous are added to the  
17 Net Natural Gas Expenses to arrive at Total Applicable Expenses.
- 18 • Schedule 4(a) is the actual/estimated data for FY 21. Schedule 4(b) is the  
19 C factor Reconciliation for FY 21. Schedule 4(c) is the E factor  
20 Reconciliation for FY 21. Schedule 4(d) is the IRC Revenue Billed for  
21 FY 21. Schedule 4(e) is the Reconciliation of Demand Charges for FY 21.
- 22 • Schedule 5(a) (“Interest Calculation”) provides the calculation of the  
23 interest expense or credit for the period of September 2020 through

1 August 2021 for the under/over recovery of fuel costs and the interest for  
2 the natural gas refunds. Schedule 5(b) (“Interest on Natural Gas  
3 Refunds”) provides information on historic refunds that have been  
4 received by the Company resulting from various cases before the Federal  
5 Energy Regulatory Commission and the interest on these refunds.

6 Schedule 5(c) provides the calculation of the interest for the demand and  
7 commodity charges.

- 8 • Schedule 6 presents the load balancing revenue for the forecast period of  
9 September 2021 to August 2022.
- 10 • Schedule 7 calculates total projected recovery with the proposed GCR.
- 11 • Schedule 8 shows the changes in rates identifying the proposed changes to  
12 the GCR and distribution charge and the impact on the proposed total  
13 commodity rate.
- 14 • Schedule 9(a) shows the calculation of the Universal Service & Energy  
15 Conservation Surcharge to be effective September 1, 2021. Schedule 9(b)  
16 is the reconciliation of the Universal Service & Energy Conservation  
17 Surcharge for the period September 2020 to August 2021.
- 18 • Schedule 10(a) shows the calculation of the Interruptible Revenue Credit  
19 to be effective September 1, 2021. Schedule 10(b) is the forecasted  
20 Interruptible Revenue Margin for Fiscal Year 2022. Schedule 10(c) is the  
21 reconciliation of the Interruptible Revenue Credit for Fiscal Year 2020.

- 1           • Schedule 11(a) shows the calculation of the Other Post Employment  
2           Benefit (OPEB) Surcharge to be effective September 1, 2021. Schedule  
3           11(b) is the reconciliation of the OPEB Surcharge for Fiscal Year 2021.
- 4           • Schedule 12(a) shows the calculation of the Efficiency Cost Recovery  
5           Surcharge to be effective September 1, 2021. Schedule 12(b) shows the  
6           reconciliation of the Efficiency Cost Recovery Surcharge for the Fiscal  
7           Year 2021.
- 8           • Schedule 13(a) is the calendar year 2020 reconciliation of the Load  
9           Balancing Charge and Schedule 13(b) is the 2020 Load Balancing  
10          Expense and Interest Calculation.
- 11          • Schedule 14 sets the load balancing charge to be effective September 1,  
12          2021 which is a decrease from last year.
- 13          • Schedule 15 identifies the natural gas prices that were used in the  
14          preparation of this filing.
- 15          • Schedule 16 is the annual reconciliation of the retainage rate and lost and  
16          unaccounted for rate.
- 17          • Schedule 17(a) is the forecasted over/(under) recovery of the  
18          Restructuring and Consumer Education Surcharge on September 1, 2021;  
19          Schedule 17(b) is the Restructuring and Consumer Education Surcharge  
20          FY 2020 Reconciliation; and Schedule 17(c) is the Restructuring and  
21          Consumer Education Expense.

1 **Q. WHAT IS THE TIME PERIOD FOR FORECASTING PGW'S FUTURE**  
2 **GAS COSTS?**

3 A. PGW's forecast period is a twenty (20) month period that commences on January  
4 1, 2021 (two months before this filing) and eight months before the effective date  
5 of the tariff on September 1, 2021. The 2021-22 GCR year is from September 1,  
6 2021 to August 31, 2022, however, since the required forecast covers 20 months,  
7 it must begin eight months earlier, consistent with Commission regulations.

8 **III. RATE DESIGN AND GCR CALCULATION METHODOLOGY**

9 **Q. PLEASE PROVIDE A GENERAL DESCRIPTION OF PGW'S RATE**  
10 **DESIGN AND GCR CALCULATION METHODOLOGY.**

11 A. The volumetric rates charged to PGW's customers are the distribution charge and  
12 the Gas Cost Rate plus the Merchant Function Charge (MFC) and Gas  
13 Procurement Charge (GPC). The distribution charge consists of the Delivery  
14 Charge; the Universal Service and Energy Conservation Surcharge; the Other Post  
15 Retirement Benefit Surcharge; the Efficiency Cost Recovery Surcharge; and  
16 Restructuring and Consumer Education Surcharge. The Universal Service and  
17 Energy Conservation Surcharge provides for the recovery of Customer  
18 Responsibility Program (CRP) discounts; Senior Citizen Discounts; the costs of  
19 the Enhanced Low Income Retrofit Program (ELIRP); CRP arrearage forgiveness  
20 and the Conservation Incentive Credit. The Other Post Retirement Benefit  
21 Surcharge recovers the amount to fund these obligations. The Efficiency Cost  
22 Recovery Surcharge recovers the cost of the energy efficiency programs.

23 The second element of the rate is the Gas Cost Rate or GCR factor. This  
24 charge is a mechanism used to flow through the costs of natural gas costs and  
25 other raw materials in a timely and equitable manner. The specific elements of

1 PGW's GCR are set forth in PGW's Tariff.

2 Generally, the cost of gas purchased to serve the requirements of PGW's  
3 customers constitutes the largest single item in the delivered price of gas. In the  
4 past, all natural gas costs were recovered through base rates (distribution charge).  
5 However, in the early 1970's, the price of gas lost its stability and underwent rapid  
6 escalation during and after a worldwide oil crisis. To combat this instability and  
7 prevent the economic harm to all parties caused by regulatory lag in reflecting  
8 these price fluctuations in base rates, the concept of a fuel adjustment surcharge  
9 mechanism was introduced by PGW. This mechanism provides the flexibility to  
10 rapidly reflect current conditions without the time delay inherent in a full-scale  
11 base rate alteration. The intent is to achieve an annual balance of the costs  
12 incurred for fuel and its pass-through to customers. The costs for pipeline  
13 transportation, storage capacity and related fuel prices charged by the interstate  
14 pipeline suppliers are largely outside of distributor control. The PUC oversees the  
15 pass-through of these charges and the balancing activity. The Gas Cost Rate  
16 Section in PGW's Tariff identifies the appropriate formula for such a balance and  
17 the charges that may be recovered through this mechanism. Charges for natural  
18 gas and other raw materials are included in the GCR. In addition, the interest  
19 expense for the over or under recovery of gas costs and natural gas refunds are  
20 also included in the GCR. No labor or profit component is added by PGW. The  
21 GCR represents the direct pass-through of actual costs incurred.

22 Only costs related to meeting customer sendout requirements, including  
23 associated plant fuel, may be included as a fuel expense for GCR purposes.

1 Purchases diverted into storage and/or LNG become an expense only when  
2 withdrawn for customer delivery. Costs associated with purchases made to  
3 supply interruptible customers are excluded from the Total Applicable GCR  
4 Expenses used to calculate the GCR. Also, demand costs for pipeline  
5 transportation for the firm transportation customers are excluded from the GCR.

6 Various adjustments are then made to the total applicable expenses  
7 eligible for the GCR. Natural gas refunds and interest on the refunds are credited  
8 in the calculation of the GCR in the fiscal year received. An adjustment is made  
9 to correct for any over or under recovery during the previous period resulting  
10 from differences between rates used to project the prior GCR and those actually  
11 experienced. The interest expense or credit on the over or under recovery is  
12 applied to calculate the total adjustment. An additional adjustment is also made  
13 for the Interruptible Revenue Credit which is a credit that firm sales customers  
14 receive for the interruptible sales margin.

15 To determine the unit level of the GCR, the remaining total expenses must  
16 be divided by the sum of the volumes over which they can be effectively  
17 distributed.

18 **Q. WHAT IS THE BASIS FOR THE PRICES USED IN DETERMINING THE**  
19 **GAS COSTS USED IN THIS FILING?**

20 A. The pricing methodology utilized by the Company is consistent with that used in  
21 the recent quarterly filings with the inclusion of the additional months in the 20-  
22 month forecast. Specifically, the company utilized actual prices for January 2021  
23 and the NYMEX Futures close data (as of January 15, 2021) for the 19 forecast  
24 months of February 2021 through August 2022.

1 **Q. HOW DOES THE GCR FOR THE FORECAST PERIOD COMPARE**  
2 **WITH THE GCR FORECASTED IN THE COMPANY'S LAST ANNUAL**  
3 **GCR FILING?**

4 A. The GCR forecasted for 2021-2022 is lower than the level PGW had forecasted  
5 for the 2020-2021 GCR. The level of costs in the 2021-2022 period are being  
6 influenced by the decrease in costs compared to the prior year.

7 **IV. LEVEL OF HEATING DEGREE DAYS**

8 **Q. DESCRIBE THE LEVEL OF HEATING DEGREE-DAYS THAT WERE**  
9 **USED IN YOUR ANALYSIS.**

10 A. The Company utilizes the temperatures recorded at the PGW Richmond Plant to  
11 calculate the average temperature for a given day. The Company subtracts the  
12 average temperature from 65 degrees to calculate the number of degree-days for  
13 the day. The degree-days for all of the days in the year are aggregated to arrive at  
14 the total number of degree-days for the year. Next, the Company calculates the  
15 average heating degree-days for the past 20 years to arrive at the forecasted  
16 heating degree-days in a normal year, and in this filing PGW is using the 20 year  
17 average of 3,931 degree days.

18 **V. METHODOLOGY FOR DETERMINING NUMBER OF CUSTOMERS**  
19 **AND CALCULATING FIRM SALES**

20 **Q. HOW HAS THE COMPANY CALCULATED THE NUMBER OF**  
21 **CUSTOMERS IN EACH RATE CLASS?**

22 A. PGW determined the actual number of customer billings on December 31, 2020  
23 using the PGW Gas Sales and Revenue Reports. Next, the Marketing Department  
24 load forecast was used to factor in the addition and loss of customers. Finally, the  
25 customer numbers were adjusted for the loss of customers due to non-payment  
26 terminations.

1 **Q. WHAT IS THE METHODOLOGY FOR CALCULATING THE WEATHER**  
2 **NORMALIZED BILLED SALES?**

3 A. PGW used a two-step process to arrive at the appropriate level of usage per  
4 customer. First, a trial domestic factor is developed by class of customers from  
5 sales reported for the previous year's summer months. This average factor is then  
6 utilized in the sendout formula with the customer counts for the months of July,  
7 August and September. A comparison between what the formula calculates and  
8 the actual experienced for those three months is ascertained and the trial domestic  
9 factors are finalized to replicate the total sendout experienced. The finalized  
10 domestic factors (DOMS) are then utilized in conjunction with the actual sales  
11 and customer counts for the months of December, January and February to  
12 determine the average Mcf per degree day for each of the individual months for  
13 the remaining temperature sensitive load. The results are weighted by degree-  
14 days to give an average value which is utilized as a trial value for the heating  
15 factor.

16 The finalized domestic factor and the trial heating factor developed, as  
17 such, are then applied in the sendout calculations together with customer counts  
18 for the months of December, January and February (the peak winter cold period)  
19 to project an estimated sendout for each of these months. The projected sendout  
20 is then compared with the actual sendout experienced. Any variation between the  
21 projected and actual is adjusted to force the replication of the actual sendout  
22 experience, thus resulting in the determination of a finalized heating factor.

23 Utilizing these domestic and heating factors, billed sales are then  
24 forecasted using 3,931 degree days and the number of customers.

1 **VI. CALCULATION OF UNACCOUNTED FOR ADJUSTMENT FACTOR**

2 **Q. WHAT IS THE UNACCOUNTED FOR GAS PERCENTAGE USED IN**  
3 **THIS FILING?**

4 A. The level of unaccounted for gas and retainage rate used in this filing is 2.6 % and  
5 is based on a 3-year average.

6 **VII. OFF SYSTEM SALES AND CAPACITY RELEASE CREDITS**

7 **Q. WHAT IS THE TOTAL AMOUNT OF OFF SYSTEM SALES, CAPACITY**  
8 **RELEASE CREDITS, AND ASSET MANAGEMENT CREDITS THAT**  
9 **ARE INCORPORATED INTO THE GCR?**

10 A. PGW has projected the amount of off system sales, capacity release credits, and  
11 asset management credits within the GCR period of 2021-22. This amount is  
12 based on a 3 year average. Of that amount, \$12,237,121 was credited to the GCR.

13 **IX TED RIDER AND MICRO-CHP INCENTIVE PROGRAM**

14 **Q. AS PART OF THE SETTLEMENT OF PGW'S MOST RECENT BASE**  
15 **RATE CASE (R-2020-3017206), PGW AGREED TO PROVIDE DATA ON**  
16 **THE NUMBER OF CUSTOMERS, SALES LEVEL AND COSTS IN ITS**  
17 **MARCH 1, 2021 ANNUAL GCR FILING FOR THE TED RIDER, ITS**  
18 **MICRO-CHP INCENTIVE PROGRAM AND RATE BUS. CAN YOU**  
19 **PROVIDE THOSE DATA?**

20 A. Yes. The information pertaining to the number of customers, sales level and costs  
21 as it pertains to customers utilizing the TED Rider and/or the Micro-CHP  
22 Incentive Program is provided below:

23

<b>Tariff Rate</b>	<b>Total Customer Count</b>	<b>Total Annual Sales Volume (MCF)</b>	<b>Total Annual Revenue</b>	<b>Total Customer Capital Cost</b>	<b>Total Micro-CHP Incentive</b>	<b>Comments</b>
TED Rider	2	15,566	38,601	183,250	31,250	There are two TED Rider customers. One of Two was a recipient of Micro-CHP incentive

1           Additionally, information pertaining to the number of customers, sales levels,  
 2           revenues, and the costs incurred to provide service under Rate BUS is provided  
 3           below:

<b>Tariff Rate</b>	<b>Total Customer Count</b>	<b>Total Annual Sales Volume (MCF)</b>	<b>Total Annual Revenue</b>	<b>Total Customer Capital Cost</b>
Back-Up Service – Rate BUS	32	1,231	132,797	907,360

4

**VIII.           REASONABLENESS OF GAS COSTS**

6   **Q.    BASED UPON THE ABOVE SUPPORTING DATA, DO YOU BELIEVE**  
 7   **THAT PGW’S GAS COSTS ARE REASONABLE?**

8   **A.    Yes, PGW’s GCR only contains the direct pass-through of actual costs incurred**  
 9           and projections of the same (for both gas costs and certain non-gas costs that were  
 10          previously approved by the PUC). As stated by Mr. Zuk in his testimony, PGW  
 11          follows a least cost gas procurement strategy.

12 **IX.       CONCLUSION**

13 **Q.    DOES THIS CONCLUDE YOUR TESTIMONY?**

14 **A.    Yes.**

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

DIRECT TESTIMONY OF

**Ryan E. Reeves**

ON BEHALF OF  
PHILADELPHIA GAS WORKS

Docket No. R-2021-3023970

Philadelphia Gas Works  
Proposed 2021-2022 Annual GCR Adjustment

March 1, 2021

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1 **I. INTRODUCTION**

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

3 A. My name is Ryan E. Reeves. My position with Philadelphia Gas Works (“PGW” or  
4 “Company”) is Director of Gas Supply, Transportation and Control.

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

6 A. I received a Bachelor of Science degree in Chemical Engineering from Drexel University  
7 in 2009 and a Master’s degree in Business Administration from Villanova University in  
8 2016. I have held the following positions at PGW: Staff Engineer and Operations  
9 Engineer at Richmond LNG Plant, and Manager of Special Projects.

10 **Q. PLEASE DESCRIBE YOUR DUTIES IN YOUR PRESENT POSITION.**

11 A. I develop and monitor PGW’s long-term Gas Supply Strategic Plan that ensures PGW  
12 has the financial resources and assets to execute its business strategy. I advance policies,  
13 procedures and practices that ensure safe, reliable, competitively priced gas supplies and  
14 other energy resources to meet current and future demands on PGW’s systems, and I  
15 analyze the overall long-term capital and operating budget plans for Gas Supply.

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

18 A. No

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

20 A. My testimony discusses:

- 21 • PGW’s gas purchasing policies and strategies applicable to FY 2022 (September  
22 1, 2021 through August 31, 2022) and those utilized in FY 2021 (September 1,  
23 2020 through August 31, 2021);  
24  
25 • Price analysis and buying advisory service.

26

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

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

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

12 A. Enbridge's Texas Eastern Transmission pipeline and Williams' Transco Gas Pipeline  
13 comprise the two interstate natural gas pipelines that deliver gas to PGW's city gates. In  
14 addition, PGW uses off-system natural gas storage services to meet winter peak  
15 requirements.

16 **II. GAS PURCHASING POLICIES AND SUPPLY STRATEGY**

17 **Q. DOES PGW UTILIZE A LEAST-COST PROCUREMENT POLICY IN ITS GAS**  
18 **PURCHASING POLICIES AND SUPPLY STRATEGY?**

19 A. Yes. PGW pursues a least cost gas procurement policy in a manner consistent with  
20 PGW's obligation to provide safe, adequate and reliable service to its customers.

21 **Q. PLEASE DESCRIBE PGW'S SUPPLY STRATEGY.**

22 A. PGW's supply strategy<sup>1</sup> (which is currently being used during the FY 2021 GCR period  
23 and which the Company intends to use for the FY 2022 GCR period) is a portfolio

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<sup>1</sup> All natural gas supply strategies are presented to the Company's internal Supply Committee for review and approval. The Supply Committee is comprised of senior corporate management as well as Gas Supply, Gas Planning and Regulatory departmental management. The Supply Committee meets monthly.

1 approach in both contract structure and pricing. The portfolio approach of purchasing gas  
2 supply allows PGW to remove some of the volatility in purchasing natural gas supplies  
3 for its ratepayers. Without the use of the portfolio approach, firm ratepayer would be  
4 totally at the mercy of market volatility.

5 The Company's gas supply portfolio is divided into four distinct categories (1)  
6 daily index price swing contracts; (2) physical forward purchased contracts; (3) storage;  
7 and (4) LNG.

8 (1) The advantage of daily index priced swing contracts are their operational  
9 flexibility which allows PGW to increase and decrease the volume in response to changes  
10 in sendout requirements. During certain time periods, these types of contracts also  
11 provide security of supply.

12 (2) The Company enters into physical forward purchased contracts for seasonal  
13 baseload supplies and long-term baseload supplies, including "Pre-Paid natural gas"  
14 arrangements (discussed below). These contracts permit the Company to make  
15 discretionary physical forward purchases on a year-round basis.

16 (3) The Company utilizes storage fields which act as additional sources of  
17 supply. The gas procured under these contracts also acts as a physical fixed price counter  
18 to market conditions.

19 (4) The Company operates its own LNG peak shaving liquefaction, vaporization,  
20 and storage facilities.

21 The Enbridge and Williams Gas Pipelines represent the only interstate pipeline  
22 facilities with physical connections to the PGW service territory. As a result, all of  
23 PGW's supply contracts utilize these pipelines, and the contracts also recognize pipeline

1 receipt and delivery rights. These contracts contain the ability to “lock up” the price for  
2 upcoming months or to have the pricing default to an agreed upon market index if there is  
3 no market advantage in fixing a price before the month begins. As a result, PGW not  
4 only ensures security of supply from the pipelines but also can take advantage of varying  
5 basis differentiated pricing in the market. This differentiated pricing results from the fact  
6 that all shippers of natural gas receive their gas at varying locations along the pipeline.  
7 PGW uses a city-gate delivered price in comparing the various alternatives available.  
8 The city gate delivered price is computed considering the “into the pipe price of gas” plus  
9 all incremental charges levied by the transporting pipeline to deliver the gas to the city  
10 gate. These prices include, but are not limited to, reservation fees, fuel, transportation  
11 charges and FERC Annual Charge Adjustment (“ACA”) charges.

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

20           Once operational requirements are met, these assets are then used in the overall  
21 cost saving strategies. For example, once design winter sendout requirements are  
22 ensured, the Company may utilize bundled storage and LNG as a substitute for higher  
23 priced gas. PGW’s summer gas procurement policy uses a similar approach to address

1 system supply and storage refill. The Gas Supply department also uses forecasted prices  
2 as a benchmark to purchase gas volumes for both system supply and storage refill below  
3 the projected cost (when possible) on a proportional basis, while leaving a portion of its  
4 needs to default to first of the month pricing.

5 **Q. DOES PGW PURCHASE GAS FROM ANY AFFILIATED INTEREST?**

6 A. No. PGW does not have any affiliated gas suppliers or pipelines.

7 **Q. DOES PGW TAKE STEPS TO ENSURE SYSTEM RELIABILITY WHILE**  
8 **SEEKING TO PROCURE GAS AT THE LEAST COST?**

9 A. Yes. PGW physically sources the gas in accordance with its firm pipeline paths. The  
10 pipelines give PGW firm entitlements on their systems for the sourcing of gas for which  
11 PGW pays a demand charge. By sourcing supply in this way, PGW ensures its sole  
12 entitlement to this space on the pipeline and cannot be accused of infringement.  
13 Transporting gas from different locations also mitigates the impact of potential regional  
14 disruptions because not all of the supply enters the pipe at the same location. As a result,  
15 if there is a disruption at one location, not all of PGW's supply will be affected. PGW's  
16 Gas Planning Department also runs a supply status model during the winter operating  
17 season which recognizes normal and design winter conditions and the latest actual  
18 balance of gas in all storage facilities. Gas Management utilizes the output of this model  
19 to make recommendations or changes in its supply operating strategy to ensure that peak  
20 day needs and design winter conditions can be met from that point forward.

21 **Q. DOES PGW PERIODICALLY REVIEW ITS EXISTING CONTRACTS TO**  
22 **DETERMINE IF THEY ARE APPROPRIATE?**

23 A. Yes. PGW reviews each of its existing contracts on a regular basis to ensure that none of  
24 the contracts are adverse to its customers' interests. Whenever appropriate, PGW  
25 initiates renegotiations (if the contract permits) to change the terms.

1 **Q. IN PGW'S LAST GCR, YOU INDICATED THAT PGW HAD BEGUN TO TAKE**  
2 **ADVANTAGE OF A PREPAID GAS PROGRAM MADE POSSIBLE BY**  
3 **PROVISIONS IN THE INTERNAL REVENUE CODE THAT PERMITTED**  
4 **MUNICIPAL GAS COMPANIES TO OBTAIN GAS COST REDUCTIONS, IS**  
5 **THAT CORRECT?**

6 A. Yes. Beginning in FY 2020, PGW has taken advantage of provisions in the Internal  
7 Revenue Code that permits municipal gas companies to use tax exempt bond financed  
8 prepaid gas purchase arrangements to obtain significant discounts on those purchases, the  
9 savings from which are passed on to PGW sales customers.

10 **Q. WHAT IS A PREPAID GAS ARRANGEMENT?**

11 A. A prepaid gas arrangement is an arrangements in which PGW has agreed to purchase gas  
12 from a gas supplier for (typically) 25-30 years. (PGW does not pay for the entire 30 years  
13 of purchases up front but will receive a monthly invoice for gas received by PGW). The  
14 natural gas is purchased from a gas supplier, through an authority. The authority issues a  
15 tax-free long-term bond and uses the proceeds to "prepay" for the natural gas it will  
16 purchase on behalf of various municipal gas utilities, including PGW. The gas supplier  
17 sells the natural gas to the authority (which then, in turn, sells it to PGW) at a discount, in  
18 recognition of the fact that the supplier is able to invest the prepayment at taxable rates.  
19 In order to share some of this investment income, the supplier provides PGW with natural  
20 gas at significant discounts from a market index price. The size of the discount is  
21 determined based on the spread between non-taxable and taxable investments. As noted,  
22 the gas is purchased on index, but PGW receives a discount from the current index price  
23 due to the investment arbitrage.

24 **Q. HOW MANY SUCH ARRANGEMENTS HAS PGW ENTERED INTO?**

25 A. PGW is currently involved in seven (7) prepaid gas arrangements.

1 **Q. WILL THESE ARRANGEMENTS EXIST IN THE 2021-22 GCR PERIOD?**

2 A. Yes. As noted, PGW currently has seven (7) arrangements under signature. Those  
3 contracts will reduce the monthly price of gas paid by PGW compared to the price it  
4 would otherwise pay. In FY 2021, PGW will save approximately \$3.5 million for gas  
5 sales to customers as a result of prepaid gas purchase arrangements. For FY 2022, PGW  
6 is predicting that gas sales to customers will save approximately \$3.7 million from the  
7 seven prepaid deals.

8 **Q. IN YOUR OPINION, ARE THE GAS COSTS INCURRED BY PGW**  
9 **REASONABLE?**

10 A. Yes. The gas costs incurred to date during the 2020-2021 period are the result of the least  
11 cost gas procurement strategy outlined in my testimony and are therefore reasonable.  
12 The gas costs that PGW is projecting for the 2021-2022 period are also the product of a  
13 least cost gas procurement strategy, consistent with PGW's obligation to provide safe,  
14 adequate and reliable service to its customers, and are therefore also reasonable.

15 **III. CAPACITY RELEASE, OFF-SYSTEM SALES MARGIN AND ASSET**  
16 **MANAGEMENT CREDITS/FEES**

17 **Q. HAS PGW BEEN RETAINING A PORTION OF NET PROCEEDS FROM**  
18 **CAPACITY RELEASE CREDITS, OFF-SYSTEM SALES MARGIN AND ASSET**  
19 **MANAGEMENT CREDIT/FEES?**

20 A. Yes. During the 2008-2009 GCR proceeding (Docket No. R-2008-2021348), the parties  
21 agreed that PGW would be permitted to retain 25% of all off-system sales margins and  
22 capacity release credits with the remaining 75% applied as an offset to purchased gas  
23 costs for the retention period of September 1, 2008 to August 31, 2011. Likewise, the  
24 parties agreed that, for the subsequent GCR period, PGW would retain 25% of all off-  
25 system sales margins, capacity release credits and margins or fees arising from asset

1 management arrangements<sup>2</sup> with the remaining 75% applied as an offset to purchased gas  
2 costs. This sharing arrangement was approved by the PUC in all subsequent GCR  
3 proceedings.

4 **Q. DOES PGW HAVE A RETENTION PROPOSAL FOR THE PERIODS**  
5 **BEGINNING ON SEPTEMBER 1, 2021?**

6 A. Yes. PGW proposes to continue the retention of 25% of capacity release credits, off  
7 system sales margin and asset management margin/credit/fees and apply the remaining  
8 75% to the Gas Cost Rate.

9 **Q. DO OTHER PENNSYLVANIA NATURAL GAS DISTRIBUTION COMPANIES**  
10 **(“NGDCS”) HAVE SHARING MECHANISMS FOR CAPACITY OFF SYSTEM**  
11 **SALES CREDITS?**

12 A. Yes. All of the largest NGDCs have sharing mechanisms similar to PGW’s and the  
13 sharing percentage for all of the NGDCs is 25%.

14 **Q. HOW ARE SHARING MECHANISMS BENEFICIAL TO BOTH RATEPAYERS**  
15 **AND UTILITIES?**

16 A. The ratepayers and the utility benefit from the policy because it creates an incentive to  
17 maximize efforts to fully utilize gas supply assets by making off-system sales and  
18 capacity release transactions, thereby reducing the overall cost of gas supply and the  
19 resulting gas cost rate. For PGW, the lesser portion retained by the Company is used to  
20 offset the overall cost of service that must be recovered in base rates.

21 **Q. DID PGW ENGAGE IN ANY CAPACITY RELEASE OR OFF-SYSTEM SALES**  
22 **IN FY 2021?**

23 A. Yes. PGW contracted for several off-system sales and several capacity releases. For  
24 each of these arrangements, the margin in excess of the incremental costs was split 75-

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<sup>2</sup> Asset management margins/credits/fees are received when PGW enters into a contract with a third party to manage all or part of a storage contract or firm pipeline transportation contract.

1 25%, with 75% being credited to the GCR. PGW retained the remaining 25% in base  
2 rates and used it to offset other costs of operation.

3 **Q. DID PGW ENGAGE IN AN ASSET MANAGEMENT ARRANGEMENT IN FY**  
4 **2021?**

5 A. Yes. PGW entered into an AMA arrangement with a counterparty for the winter season  
6 of FY 2021. The revenue from the AMA arrangement will be split 75-25%, with 75%  
7 being credited to the GCR. PGW retained the remaining 25% in base rates and used it to  
8 offset other costs of operation.

9 **Q. IN ITS LAST GCR PROCEEDING, DID PGW AGREE TO SHARE THE**  
10 **MARGIN FOR NATURAL GAS SALES ASSOCIATED WITH LNG?**

11 A. Yes. In that proceeding, PGW agreed with the parties that, for the FY 2020 GCR period,  
12 upstream sales of PGW-owned natural gas, that would not have occurred but for the  
13 availability of excess LNG, that use interstate pipeline capacity for delivery/displacement  
14 would be removed from the weighted average cost of gas (“WACOG”) per DTH and the  
15 Sales Service demand charge. An additional 25% of the margin above that was to be  
16 credited to the GCR and 75% was to be retained by PGW and reflected in base rates.

17 **Q. HAS PGW HAD ANY SUCH SALES IN FY 2021?**

18 A. No.

19 **Q. HAS PGW HAD ANY OTHER SALES OF LNG IN FY 2021?**

20 A. Yes. PGW entered into an arrangement with a counterparty for the sale of LNG in FY  
21 2021. Under the contract, the counterparty purchased LNG before the 2020-2021 winter  
22 heating season. The counterparty had the right to either offload the LNG by truck or use  
23 displacement to have the LNG delivered to them or another end user. Under this  
24 arrangement, the counterparty purchased the LNG for a predetermined price. When the

1 LNG was resold to an end user, PGW received part of the revenue generated from the  
2 resale.

3 **Q. DO YOU BELIEVE THAT THE MARGINS FROM SUCH SALES SHOULD BE**  
4 **SHARED UNDER THE PUC’S SHARING POLICY APPLICABLE TO OFF-**  
5 **SYSTEM SALES, CAPACITY RELEASE OR ASSET MANAGMENT?**

6 A. No. This arrangement is the sale of LNG, not an off-system sale, a capacity release or  
7 asset management of natural gas. The PUC’s sharing policy was designed to give natural  
8 gas distribution companies an incentive to maximize the revenues produced by assets  
9 paid for through the gas utility’s GCR. The costs of PGW’s LNG facilities are not  
10 recovered through PGW’s GCR, but instead are recovered through base rates. Because  
11 these sales were the sale of LNG (and not the sale of PGW-owned natural gas) PGW  
12 retained the margin from these LNG sales, over and above those costs. These amounts  
13 will be used to offset other costs of operation for PGW.

#### 14 IV. **PRICE ANALYSIS AND BUYING ADVISORY SERVICE**

15 **Q. DOES PGW CURRENTLY USE A PRICE ANALYSIS AND BUYING**  
16 **ADVISORY SERVICE AS PART OF ITS EFFORTS TO OBTAIN GAS AT**  
17 **LEAST COST?**

18 A. Yes, it does. PGW utilizes a firm called Planalytics to provide such services.

19 **Q. WHAT TYPES OF SERVICES DOES PLANALYTICS PROVIDE TO PGW?**

20 A. Planalytics provides the following services:

- 21 ● Price feed from Nymex and Globex for natural gas, crude oil, heating oil and  
22 RBOB (reformulated gasoline);
- 23 ● Buying suggestions up to 18 months in the future;
- 24 ● A charting tool for technical analysis;
- 25 ● Short and medium range weather forecasts;
- 26 ● Weather alerts (issued in advance of significant weather events);

- 1           ●     Planalytics’ pre-season hurricane forecast and in-season updates; and
- 2           ●     Additional energy buyer features include reporting (i.e., market-to-market,
- 3                     transaction history, etc.) and portfolio/hedging parameters.

4   **Q.     WHAT WAS INCORPORATED INTO PGW’S 2020-2021 GCR PROCEEDING**  
5   **SETTLEMENT AGREEMENT WITH REGARD TO THE PLANALYTICS**  
6   **ENERGY BUYER SERVICES?**

7   A.     PGW agreed to the following:

- 8           a)     PGW is permitted to continue to recover the Planalytics fee for
- 9                     price analysis and buying advisory services (not to exceed \$125,000) for
- 10                    the 2020-2021 GCR period. Continued recovery of the fee beyond the
- 11                    2020-2021 GCR period must be addressed in next year’s Purchased Gas
- 12                    Cost proceeding.

13

14   **Q.     DOES PGW WISH TO CONTINUE THE PLANALYTICS BUYING ADVISORY**  
15   **SERVICES?**

16   A.     Yes. The Planalytics’ service provides a comprehensive amount of information that the

17             Company finds useful in the procurement of all gas supply. Nonetheless, PGW

18             understands that it must reach a new agreement as to the continuing recovery of the

19             Planalytics fee. It again proposes that these fees be included in the 2021-22 GCR; PGW

20             looks forward to discussing this issue with the parties involved in this year’s proceeding.

21   **V.     GAS SUPPLY PURCHASES**

22   **Q.     WHERE DID PGW PURCHASE NATURAL GAS SUPPLY ON THE TEXAS**  
23   **EASTERN TRANSMISSION CORPORATION (“TETCO”) PIPELINE IN FY**  
24   **2020?**

25   A.     100% of all baseload and swing supply purchases on the TETCO pipeline were from

26             Market Zone M-2 in FY 2019. In FY 2020, PGW bought 82% of their winter baseload

27             out of M-2 and 18% of their winter baseload out of the East Texas Production Zone

28             (“ETX”). PGW bought 100% of their swing contracts out of M-2.

1           Due to the growth of PGW's Choice program, PGW has experienced a limitation  
2           on the amount of gas that can be purchased at the M-2 30" receipt point. PGW was  
3           hoping to purchase baseload gas on M-2 24" receipt point and M-2 Crayne receipt point;  
4           however, PGW did not receive any offers during its RFP process for gas at those  
5           locations. PGW opted to purchase gas from the ETX Zone to flow on the 24" side of the  
6           TETCO pipeline to secure that baseload and to ensure that swing supplies would not be  
7           limited.

8           Additionally, as it agreed to do in its last GCR Settlement, since PGW was unable  
9           to contract for baseload supply prior to the release of capacity on TETCO pursuant to  
10          current capacity release procedures, PGW moved the capacity release on the 24" pipe  
11          starting in the South Texas TETCO Supply zone ("STX") for November 2020.

12 **VI.       CONCLUSION**

13 **Q.       DOES THIS CONCLUDE YOUR TESTIMONY?**

14 **A.       Yes it does.**

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

DIRECT TESTIMONY OF

**Gregory Stunder**

ON BEHALF OF  
PHILADELPHIA GAS WORKS

Docket No. R-2021-3023970

Philadelphia Gas Works  
Proposed 2021-22 Annual GCR Adjustment

Proposal to Purchase Renewable Natural Gas

March 1, 2021

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

2 A. My name is Gregory Stunder. My position with PGW is Vice President, Regulatory and  
3 Legislative Affairs.

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

5 A. I have been employed with PGW since 2001. I became Vice President, Regulatory and  
6 Legislative Affairs in January 2015. My current areas of responsibility include  
7 Legislative and Regulatory Affairs, Environmental Sustainability, Environmental  
8 Services, Technical Compliance and Business Continuity Planning. Prior to that, I was a  
9 Senior Attorney from 2003 to 2015 and a Staff Attorney from 2001 to 2003. I received  
10 my Juris Doctor (J.D.) from Temple University - James E. Beasley School of Law in  
11 1995, and my Bachelor's Degree, Accounting, from La Salle University in 1985.

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

13 A. Yes. I testified before the Pennsylvania Public Utility Commission (“PUC” or  
14 “Commission”) in Philadelphia Gas Works’ two most recent base rate proceedings at  
15 Docket Nos. R-2017-2586783 and R-2020-3017206.

16 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

17 The purpose of my testimony is to discuss PGW’s Renewable Natural Gas (“RNG”) pilot  
18 program. PGW proposes to initiate a pilot program in which it would procure a limited  
19 amount of RNG as part of the gas supply used to meet the needs of PGW’s sales  
20 customers, and to include the costs of these limited purchases in its GCR.

21 **Q. WHAT IS RNG?**

22 A. RNG is a biogas produced from a biochemical process, such as anaerobic digestion.  
23 Conditioned biogas (removing water, carbon dioxide, hydrogen sulfide, and other trace  
24 elements) results in RNG, or biomethane, which has a methane content comparable to

1 conventional natural gas and can be a suitable energy source in applications that require  
2 pipeline-quality gas.<sup>1</sup>

3 **Q. WHAT ARE POTENTIAL RNG SOURCES?**

4 A. RNG can be sourced through a variety of processes, typically involving the breakdown of  
5 organic matter. This includes biogas produced by landfills, wastewater treatment  
6 facilities, livestock operations and food waste.<sup>2</sup>

7 **Q. HOW DOES RNG REDUCE GREENHOUSE GAS EMISSIONS?**

8 A. RNG is considered a carbon-neutral fuel because it comes from organic sources that once  
9 absorbed carbon dioxide from the atmosphere during photosynthesis.<sup>3</sup> RNG has even  
10 greater benefits when it's produced from organic waste that would otherwise decay and  
11 emit methane into the atmosphere – RNG production captures this methane release.<sup>4</sup>

12 **Q. PLEASE DESCRIBE THE COMPANY'S PROPOSED RNG PILOT PROGRAM?**

13 A. PGW is proposing a pilot program to purchase RNG during FY 2022 and FY 2023.<sup>5</sup>  
14 During FY 2022, PGW is proposing to purchase up to \$500,000<sup>6</sup> of RNG which is  
15 approximately 0.4% of its total "C" Factor commodity cost. During FY 2023, PGW may  
16 increase its RNG purchases above \$500,000 but not more than 2% of the total "C" Factor  
17 commodity cost.<sup>7</sup> This RNG would be included in PGW's gas supply portfolio and the  
18 costs included in the GCR.

19 **Q. HOW MUCH RNG WOULD PGW PURCHASE?**

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<sup>1</sup> [https://afdc.energy.gov/fuels/natural\\_gas\\_renewable.html](https://afdc.energy.gov/fuels/natural_gas_renewable.html).

<sup>2</sup> *Id.*

<sup>3</sup> <https://www.socalgas.com/clean-energy/renewable-gas/understanding-renewable-natural-gas>

<sup>4</sup> *Id.*

<sup>5</sup> FY 2022 begins on September 1, 2021 and ends August 31, 2022. FY 2023 begins on September 1, 2022 and ends on August 31, 2023.

<sup>6</sup> PGW added \$500,000 to the cost of gas in Schedule 1 of the March 1, 2021 Annual Filing.

<sup>7</sup> Based on 2% of the "C" Factor commodity costs set forth in the March 1, 2021 annual filing which is approximately \$2,500,000.

1 A. PGW has not determined a set amount of RNG to purchase; rather, it would purchase  
2 RNG volumes that do not exceed the expenditure limits set forth above. Structuring the  
3 program in this manner allows PGW to limit costs while beginning the process of  
4 incorporating RNG into its system.

5 **Q. WHERE WOULD THE COMPANY ACQUIRE SUPPLIES FOR THE RNG**  
6 **PROGRAM?**

7 A. PGW would prioritize sourcing RNG from Pennsylvania suppliers. If PGW is unable to  
8 find Pennsylvania suppliers, PGW would then look to suppliers outside of Pennsylvania.  
9 This focus on geographic proximity is intended to ensure that the environmental benefits  
10 of RNG stay as close to PGW's service territory as possible, and to help further the  
11 development of RNG production in PGW's immediate vicinity. Local or regional  
12 sourcing could also provide supply adequacy benefits, as explained below.

13 **Q. HOW MUCH DOES RNG COST COMPARED TO CONVENTIONAL NATURAL**  
14 **GAS?**

15 A. While RNG is considered an alternative that produces less greenhouse gas than  
16 conventional natural gas, it is more expensive; in response to a recent RFP, a supplier  
17 responded with an RNG cost adder ranging from \$13.00 to \$17.50 per Dth over and  
18 above the indexed cost of natural gas.

19 **Q. WHY IS PGW PROPOSING TO PURCHASE RNG AT A PRICE LIKELY**  
20 **HIGHER THAN CONVENTIONAL NATURAL GAS SUPPLIES?**

21 A. PGW is committed to providing safe, adequate, and reliable service to its customers, and  
22 PGW believes that incorporating RNG into its gas supply portfolio would help to further  
23 these goals. National, state, and local elected officials support the reduction of emissions  
24 and RNG does reduce emissions. Additionally, by purchasing limited amounts of RNG  
25 on a pilot basis over the course of two years, PGW would gain necessary experience in

1 the RNG supply market which could become an increasing source of gas supply in the  
2 years ahead.

3 **Q. SECTIONS 1317 AND 1318 OF THE PUBLIC UTILITY CODE REQUIRE THAT**  
4 **A NATURAL GAS DISTRIBUTION COMPANY PURSUE “A LEAST COST**  
5 **FUEL PROCUREMENT POLICY, CONSISTENT WITH THE UTILITY’S**  
6 **OBLIGATION TO PROVIDE SAFE, ADEQUATE AND RELIABLE SERVICE**  
7 **TO ITS CUSTOMERS.” IS PGW’S PROPOSED RNG PILOT PROGRAM**  
8 **CONSISTENT WITH THESE REQUIREMENTS?**

9 A. I believe that it is. Separate and apart from its environmental benefits, including RNG in  
10 PGW’s gas mix is a prudent step that will diversify its supply portfolio. This could have  
11 benefits if there are supply shortages or disruptions that reduce the ability of PGW’s  
12 traditional gas supply sources to deliver adequate supply. Sourcing the RNG from local  
13 or regional producers provides a diversity of geographic supply and diversity of supply  
14 supports reliability. Moreover, if there is a future change in federal or state law that  
15 addresses carbon emissions associated with the energy delivered to customers, PGW will  
16 be in a better position to respond and continue to provide adequate supply to customers.  
17 Becoming familiar with RNG and developing sources of RNG supply is a prudent step to  
18 take now so that PGW will be better prepared to respond in the future.

19 Given these considerations, I believe that the RNG pilot is a reasonable part of  
20 PGW’s overall least cost procurement strategy because it is consistent with PGW’s  
21 concomitant obligation to provide “safe, adequate and reliable service” to its customers.

22 **Q. WILL PGW SEEK TO CONTINUE PURCHASING RNG IN FUTURE FILINGS?**

23 A. PGW proposes that the pilot program span two GCR periods in order to provide  
24 meaningful information and data.<sup>8</sup> PGW would then consider whether to propose the  
25 continuation of RNG purchases on a permanent basis. If so, PGW would then submit

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<sup>8</sup> *i.e.* September 1, 2021 to August 31, 2023.

1 testimony and data in its March 1, 2023 annual GCR filing which includes information  
2 about PGW's RNG purchasing (to date) and sets forth the Company's proposal for the  
3 continuation of an RNG purchasing program.

4 **Q. DOES THAT COMPLETE YOUR DIRECT TESTIMONY?**

5 A. Yes.

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

REBUTTAL TESTIMONY OF

**Florian Teme**

ON BEHALF OF  
PHILADELPHIA GAS WORKS

Docket No. R-2021-3023970

Philadelphia Gas Works  
Proposed 2021-22 Annual GCR Adjustment

May 4, 2021

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1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND POSITION WITH THE COMPANY.**

3 A. My name is Florian Teme. My position is Vice President, Marketing, Sales and  
4 Energy Planning at the Philadelphia Gas Works (“PGW”).

5 **Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THIS**  
6 **PROCEEDING?**

7 A. Yes, I provided Direct Testimony (“PGW St. 1”) on March 1, 2021.

8 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

9 A. The purpose of my Rebuttal is to respond to portions of the Direct Testimony of  
10 the Office of Small Business Advocate (“OSBA”) witness Robert Knecht  
11 (“OSBA St. No. 1”) and the Office of Consumer Advocate (“OCA”) witness Jerry  
12 Mierzwa (“OCA Set. No. 1”), both served on April 16, 2021. Specifically, I will  
13 respond to Mr. Knecht’s testimony pertaining to PGW’s calculation of its  
14 Universal Service and Energy Conservation (“USC”) surcharge and PGW’s  
15 funding for its COVID-19 relief plan. Additionally, I will respond to Mr.  
16 Mierzwa’s testimony pertaining to PGW’s Load Balancing Charge (“LBC”).

17 **Q. ARE YOU SPONSORING ANY EXHIBITS?**

18 A. Yes. I am sponsoring Exhibit FT-1, which is a copy of the Statement of  
19 Reconciliation of USC from September 2019 through May 2020 that was filed in  
20 PGW’s 1307(f) quarterly update on May 29, 2020. I am also sponsoring Exhibit  
21 FT-2, which is a revised FY 2020 LBC Reconciliation.

22 **II. USC CALCULATION**

23 **Q. HOW DO YOU RESPOND TO MR. KNECHT’S TESTIMONY THAT IN**  
24 **PGW’S 2020 GCR PROCEEDING, PGW FORECASTED THAT IT**  
25 **WOULD END THE 2020 FISCAL YEAR (AUGUST 31, 2020) WITH A**  
26 **USC OVER-COLLECTION OF \$0.9 MILLION, AND IN THE CURRENT**

1 **FILING, THE COMPANY NOW INDICATES THAT ITS ACTUAL**  
2 **BALANCE AT THE END OF FY 2020 WAS AN UNDER-COLLECTION**  
3 **OF \$9.4 MILLION?**

4 A. Mr. Knecht is correct that there is a difference between PGW's forecasted  
5 Universal Service and Energy Conservation Surcharge ("USC") projection in its  
6 2020 GCR proceeding ("the USC Projection") and the actual USC balance at the  
7 end of 2020. The USC projection calculation is a complex calculation, based on a  
8 number of factors and variables. The specific differences are explained in more  
9 detail in my responses below.

10 **Q. MR. KNECHT POINTS OUT THAT SOME \$1.7 MILLION OF THE**  
11 **DIFFERENCE BETWEEN THE MARCH 2020 USC PROJECTION AND**  
12 **THE ACTUAL RESULTS IS ATTRIBUTABLE TO A DIFFERENCE IN**  
13 **PRO FORMA SALES USED IN THE PROJECTION AND ACTUAL**  
14 **SALES. CAN YOU COMMENT?**

15 A. We have reviewed that calculation and it appears to be correct.

16 **Q. PLEASE EXPLAIN \$2.8 MILLION VARIANCE FLAGGED BY MR.**  
17 **KNECHT RESULTING FROM A NEW LINE ITEM ADDED IN THIS**  
18 **FILING ("CRP ADJUSTMENT FOR FY18 AND 19")?**

19 A. In PGW's 2017-2022 Universal Service and Energy Conservation Plan  
20 proceeding, the Commission directed PGW to allow eligible low-income  
21 customers to enroll in PGW's Customer Responsibility Program ("CRP") at the  
22 Percent of Income Payment ("PIP") or the budget bill amount, whichever is  
23 lower, within six months of the final approval of the 2017-2020 Plan.<sup>1</sup> These  
24 budget bill customers became (or remained) CRP customers, however, which  
25 meant that they were now eligible for arrearage forgiveness. PGW, however,

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<sup>1</sup> *Philadelphia Gas Works Universal Service and Energy Conservation Plan for 2017-2022*, Docket Nos. M-2016-2542415, Order at 19 (Aug. 3, 2017).

1 inadvertently failed to incorporate the arrearage forgiveness for these average bill  
2 customers, in an amount totaling \$2,829,211, into its net cost of fuel projections.  
3 In other words, while PGW provided arrearage forgiveness to its average bill  
4 customers starting in mid-2018, it inadvertently failed to collect those amounts  
5 (\$2,829,211) in the USC. When PGW identified this oversight PGW included  
6 these amounts in its USC. This recovery of prior arrearage forgiveness was not  
7 included in the USC Projection.

8 **Q. DOES THIS EXPLANATION ALSO APPLY TO THE \$2.5 MILLION**  
9 **“UNFAVORABLE VARIANCE” THAT MR. KNECHT POINTS OUT IS**  
10 **RELATED TO COST OVERRUNS IN THE CRP FORGIVENESS**  
11 **ACCOUNT?**

12 A. This amount reflects arrearage forgiveness for average bill CRP customers for FY  
13 2020. Much like the \$2.8 million variance for CRP adjustments for FY 2018 and  
14 2019 discussed above, PGW inadvertently did not include a CRP adjustment in  
15 the amount of \$3,032,421 for FY 2020 in its USC Projection. Again, subsequent  
16 to making its USC Projection PGW corrected this error and added these amounts  
17 to the USC as soon as it identified the oversight. This, along with lower sales,  
18 caused the \$2.5 million under-collection.

19 **Q. MR. KNECHT ALSO POINTED OUT THAT THE COMPANY’S ACTUAL**  
20 **HISTORICAL VALUES FOR COST OVERRUNS AS REPORETD IN**  
21 **RESPONSE TO OSBA SET I-3 ARE INCONSISTENT WITH WHAT THE**  
22 **COMPANY REPORTED IN ITS LAST GCR FILING. HAVE YOU**  
23 **IDENTIFIED THE REASON FOR THOSE DIFFERENCES?**

24 A. Yes. Again this relates to the inadvertent failure to include arrearage forgiveness  
25 associated with average bill CRP customers in the actual data.

26 **Q. WITH RESPECT TO SENIOR CITIZEN DISCOUNT (“SCD”), MR.**  
27 **KNECHT IDENTIFIED A SMALL (\$0.1 MILLION) VARIANCE**  
28 **BETWEEN THE USC PROJECTION AND ACTUAL LEVEL OF SCD,**  
29 **WHICH HE QUESTIONS BECAUSE USAGE LEVELS WERE LOWER**

1 **IN THE ACTUALS COMPARED TO THE PROJECTION. HAVE YOU**  
 2 **LOOKED INTO THIS DIFFERENCE?**

3 A. Yes. This variance is a result of the fact that PGW billed 2,213 more seniors than  
 4 forecasted over the 8 months from January through August 2020. This slight  
 5 variance is a perfect example of how changing factors can impact PGW's actuals  
 6 verses projections.

7 **Q. DO YOU AGREE WITH MR. KNECHT THAT WARMER-THAN-**  
 8 **NORMAL WEATHER SHOULD RESULT IN REDUCED SCD COSTS?**

9 A. All else being equal, I would agree with this statement. However, as explained,  
 10 PGW billed more seniors than it had forecasted in January through August 2020.

11 **Q. HOW DO YOU RESPOND TO MR. KNECHT'S CLAIMS THAT PGW**  
 12 **EXPERIENCED A \$2.1 MILLION FAVORABLE VARIANCE IN ITS**  
 13 **ENHANCED LOW INCOME RETROFIT PROGRAM ("ELIRP") COSTS?**

14 A. He is correct about the variance and also about the reason. The COVID-19  
 15 Pandemic significantly impacted PGW's Home Comfort program spending.  
 16 PGW contractors halted non-emergency field work in mid-March and slowly  
 17 ramped back up in mid-July 2020. The impact of this can be seen when  
 18 comparing Mr. Knecht's Schedule 9(b), where PGW estimate a monthly amount  
 19 of \$753,384 for months January through August. Due to the shutdown, the actual  
 20 average spend, as seen in Schedule 8(b) is much lower at \$497,000 per month.

21 PGW's Home Comfort, as part of its mandated Low Income Usage  
 22 Reduction Program ("LIURP"), is managed on a calendar year basis and not a  
 23 fiscal basis. Total LIURP spending in CY 2020 was \$6,790,185, though that  
 24 amount is still below the \$8,031,177 initially projected in the Schedule 9(b)  
 25 report. Home Comfort contractors were able to complete work and spend at a  
 26 faster pace in the late summer and fall to bring PGW closer to the annual

1 budgeted amount. In the PGW's last rate case, PGW agreed to roll unspent CY  
2 2020 LIURP funds into its CY 2021 program budget, and PGW is on pace to meet  
3 that spending target.

4 **Q. HOW DO YOU RESPOND TO MR. KNECHT'S CLAIM THAT \$5.0**  
5 **MILLION OF THE UNFAVORABLE VARIANCE IS RELATED TO**  
6 **COST OVERRUNS IN CRP DISCOUNT COSTS?**

7 A. There is a remaining amount of discrepancy of around \$5 million between the  
8 USC Projection we filed in March, 2020 (and which was prepared in February,  
9 2020) and the actual results. I would note that as early as June 2020, PGW's  
10 actual results for the USC was showing a substantial under collection.<sup>2</sup> Attached  
11 hereto as Exhibit FT-1 is a copy of the Statement of Reconciliation of USC from  
12 September 2019 through May 2020 that was filed in PGW's 1307(f) quarterly  
13 update on May 29, 2020.

14 The projection of the CRP Discount initially requires a projection of  
15 revenue at full rates and the amounts the CRP will be asked to pay. The  
16 difference is the CRP discount. Because of the complex nature of these  
17 calculations, and the very limited time that we have had to investigate this issue,  
18 PGW has been thus far unable to identify the precise reason for this discrepancy  
19 and PGW is still working to pinpoint the exact nature of and cause for this  
20 difference. PGW will submit a report to the parties no later than at the time that it  
21 makes its June, 2021 quarterly update to provide the results of its further  
22 investigation. If any party has a continued concern and wishes to assert that PGW

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<sup>2</sup> *Pa. PUC v. Philadelphia Gas Works* (3rd Quarter 2019-2020 GCR Filing), Docket No. R-2019-3007636.

1 should refund USC dollars that it has billed customers, they can do so at that  
2 time.<sup>3</sup>

3 It is also worth noting that PGW's projections are always going to be short  
4 of the actual numbers because of the "discount on discount effect." By this, I  
5 mean that PGW determines the amount that it will collect in the USC by looking  
6 at the regular rate versus the discounted rate for CRP customers. When the  
7 charge for CRP customers goes up, the discount goes up too. PGW does not take  
8 into consideration in its projection the difference between the discounted rate on  
9 the regular amount and the discounted rate on an increased amount when making  
10 its projections (the "discount on discount effect"). As such, PGW's projections  
11 are always going to be short of the actual figures. With respect to the March,  
12 2020 USC Projection, the "discount on discount" effect accounts for around  
13 \$260,000 of the actual under collection.

14 **Q. HOW DO YOU RESPOND TO MR. KNECHT'S RECOMMENDATION**  
15 **THAT IF THE COMPANY CANNOT PROVIDE A REASONABLE**  
16 **EXPLANATION FOR THESE VARIANCES, THE COST OVERRUNS**  
17 **SHOULD BE REFUNDED TO RATEPAYERS?**

18 A. I am advised by counsel that PGW is entitled to recover its actual costs, regardless  
19 of its prior projections, in the absence of evidence that the amounts are not  
20 reasonably and prudently incurred. There has been no evidence presented  
21 suggesting that the amounts billed in the USC were not reflective of the discounts  
22 actually provided to CRP participants. Nor has there been any evidence presented  
23 indicating that PGW was not adhering to its Tariff or PUC orders in providing the

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<sup>3</sup> PGW is willing to stipulate that it will not raise a claim of waiver or timeliness if, at some future time, a party raises an objection to PGW's continued collection of the under collection.

1 levels of discounted service and arrearage forgiveness to low income customers.  
 2 Counsel advises me that Mr. Knecht’s recommendation is not supported by the  
 3 Public Utility Code, Commission regulations, or Commission orders. There is no  
 4 precedent for “punishing” PGW for inaccurate projections. Therefore, PGW  
 5 should continue to be permitted to fully recover its actual CRP costs.

6 **III. FUNDING FOR COVID-19 RELIEF PLAN**

7 **Q. PLEASE RESPOND TO MR. KNECHT’S CLAIM THAT, PURSUANT TO**  
 8 **THE SETTLEMENT IN PGW’S 2020 BASE RATE CASE, PGW IS**  
 9 **OBLIGATED TO ESTABLISH SEPARATE GCR CHARGES FOR**  
 10 **RESIDENTIAL AND NON-RESIDENTIAL CUSTOMERS, IN WHICH**  
 11 **THE NON-RESIDENTIAL GCR REFLECTS THOSE CLASSES’ FULL**  
 12 **SHARE OF PIPELINE CREDITS.**

13 A. The \$2 million COVID-19 Relief Plan established by the Settlement of PGW’s  
 14 last rate case provided for grants of \$300 to 6660 PGW customers to assist them  
 15 with the financial consequences of the Pandemic. The COVID Relief grants were  
 16 funded by repurposing a portion of a large pipeline refund (\$18.7 million) to  
 17 finance the plan. To obtain the \$2 million funding source, PGW slightly reduced  
 18 the total refunds to all firm customers.

19 **Q. PLEASE EXPLAIN WHY PGW DID NOT REDUCE ONLY THE**  
 20 **PIPELINE REFUNDS OTHERWISE FLOWING TO THE RESIDENTIAL**  
 21 **CLASS**

22 A. Traditionally, all costs and revenues associated with the GCR are allocated  
 23 uniformly to all firm customers without class differentiation. The absence of  
 24 specific language in the settlement to the contrary is evidence that the COVID  
 25 Relief Fund was to be derived the same way: from all firm ratepayers. This is  
 26 also the way that PGW’s Universal Service Charge is funded.

27 While the Settlement expresses the sentiment of the Parties that the use of

1 the pipeline refunds for other purposes is a “one time use of residential refunds,”<sup>4</sup>  
 2 PGW read that provision as expressing the strong view of some the parties that  
 3 that this use of residential refunds for this other salutary purposes should not be  
 4 repeated in the future, not as a direction as to how these refunds were to be  
 5 funded. PGW did use a portion of the residential refunds to create this fund, but  
 6 that’s not all it used.

7 **Q. WHAT WOULD HAVE BEEN NECESSARY TO FUND THE COVID**  
 8 **RELIEF GRANTS ONLY FROM RESIDENTIAL CUSTOMERS WHO**  
 9 **ARE CHARGED THE GCR?**

10 A. PGW would have had to create separate GCR charges for Residential sales and  
 11 non-residential firm sales customers who are charged the GCR.

12 **Q. WOULD PGW HAVE CONCERNS ABOUT CREATING**  
 13 **DIFFERENTIATED GCR CHARGES?**

14 A. Yes. As noted, PGW has never billed a different GCR charge for different classes  
 15 of customer. PGW would have to incur the cost of implementing such  
 16 differentiated rates, including the cost of training customer service representatives  
 17 and modifying our accounting processes to account for separate GCR rates.

18 **Q. DO YOU BELIEVE THAT IT WAS FAIR TO FUND THE COVID RELIEF**  
 19 **GRANTS FROM THE PIPELINE REFUNDS FLOWING TO ALL FIRM**  
 20 **CUSTOMERS?**

21 A. Yes, I do. The COVID Relief grants benefited PGW customers who were in  
 22 arrears on their gas bills (Settlement, ¶ B.18.(a)). Those grants helped customers  
 23 free up other funds that could have been used to contribute to the economy in the

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<sup>4</sup> The Base Rate Settlement states only that “[t]his \$2.0 million is a single-issue usage one-time only use of residential pipeline refunds and does not permit future use of pipeline refunds for this purpose.” *PA PUC, et. al. v. Philadelphia Gas Works*, Docket No. R-2020- 3017206, *et. al.*, Joint Petition for Partial Settlement, Section B.18(d). PGW’ understanding of that statement is that it was an expression of position by the parties that the Settlement did not constitute a precedent for the use of pipeline refunds and, in particular, residential pipeline refunds.

1 Philadelphia area, thereby benefitting PGW's commercial customers.  
 2 Further, most of the \$2 million actually did come from foregone refunds by  
 3 residential customers; the amount of pipeline refunds that were foregone by non-  
 4 residential customers was small. Of the total \$2 million, some \$1,604 million  
 5 would have gone to Residential or CRP customers. Just \$333,000 would have  
 6 flowed to commercial customers and \$22,680 would have been returned to Firm  
 7 Industrial customers.

8 Finally, having all firm customers fund this program to assist customers  
 9 who were having trouble paying their gas bill is consistent with the way in which  
 10 PGW's Universal Service Charge is funded: all firm customer classes are charged  
 11 the USC.

#### 12 **IV. LBC CALCULATIONS**

13 **Q. PLEASE RESPOND TO MR. MIERZWA'S TESTIMONY THAT, AS**  
 14 **PART OF THE LOAD BALANCING CHARGE ("LBC")**  
 15 **CALCULATIONS, ONLY 50 PERCENT OF THE WSS DAILY STORAGE**  
 16 **DELIVERABILITY SHOULD BE SHIFTED FROM THE "FULFILLED**  
 17 **FROM FT CAPACITY" TO "FULFILLED FROM STORAGE AND**  
 18 **PEAKING ASSETS" TO ALIGN WITH THE SETTLEMENT APPROVED**  
 19 **IN THE COMPANY'S 2020 PROCEEDING.**

20 A. Mr. Mierzwa is correct. As noted by OSBA Witness Knecht, the Settlement  
 21 Agreement to PGW's GCR 2020-2021 is "less than clear" concerning the  
 22 inclusion of the full deliverability amounts for the Transco WSS service in the  
 23 demand basis for the LBC. I agree with Mr. Mierzwa that only 50% of the WSS  
 24 daily storage deliverability, 17,557.5 Mcf, should be shifted from the "Fulfilled  
 25 from FT Capacity" to the "Fulfilled from Storage and Peaking Assets." This  
 26 change aligns with the inclusion of only 50% of the transportation costs  
 27 associated with WSS in the LBC under the Settlement Agreement. This change is

1 reflected in the revised FY 2020 LBC Reconciliation in the attached Schedule  
2 marked Exhibit FT-2.

3 **Q. HOW DO YOU RESPOND TO MR. KNECHT'S TESTIMONY THAT, IN**  
4 **MAKING THE UPDATED LBC RECONCILIATION CALCULATIONS**  
5 **(PER THE SETTLEMENT IN PGW'S LAST GCR PROCEEDING), IT**  
6 **APPEARS THAT PGW DEDUCTED THE WSS DEMAND VALUE,**  
7 **RATHER THAN ADDING IT INTO THE EXCESS DEMAND**  
8 **DETERMINANT AS IT DOES IN THE OTHER LBC CALCULATIONS?**

9 A. Mr. Knecht is correct. The transcription error is corrected in the revised FY 2020  
10 LBC Reconciliation in the attached Exhibit FT-2, to reflect the addition of the  
11 WSS demand value into the excess demand determinant.

12 **Q. MR. KNECHT ALSO RECOMMENDS THAT PGW SHOULD EITHER**  
13 **MODIFY ITS CALCULATIONS FOR THE FY 2020 VARIANCE TO**  
14 **CORRECT THE ERROR, OR EXPLAIN WHY A DIFFERENT METHOD**  
15 **THAN THAT USED IN THE OTHER LBC CALCULATIONS IS**  
16 **APPROPRIATE FOR THE CY 2020 RECONCILIATION. CAN YOU**  
17 **COMMENT?**

18 A. Yes. The CY 2020 LBC Reconciliation as revised in the attached Exhibit PGW-  
19 FT-2, implements the Settlement Agreement from PGW's GCR 2020-2021  
20 proceeding as of September 1, 2020. This means that the reconciliation must  
21 implement the Settlement Agreements terms for only four (4) months of calendar  
22 year 2020. This necessitated two changes to the LBC calculations to account for  
23 the Settlement Agreement. First, the reconciliation uses 4/12<sup>th</sup> of 50% of the WSS  
24 transportation volume to calculate the cost components of the LBC. Second, the  
25 reconciliation recognizes 4/12<sup>th</sup> of 50% of the daily storage deliverability at WSS  
26 to calculate the design day requirements fulfilled from storage and peaking assets.

27 **V. CONCLUSION**

28 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

29 A. Yes. I reserve the right to supplement this testimony.

# Exhibit FT-1

**STATEMENT OF RECONCILIATION  
UNIVERSAL SERVICES & ENERGY CONSERVATION SURCHARGE  
SEPTEMBER 2019 THROUGH MAY 2020**

Month	USC Applicable Volumes	USC Charge	USC Revenue Billed	USC Expenses	Monthly Over/(Under) Recovery	Cumulative Over/(Under) Recovery
<b>FY 19 Reconciliation</b>						(\$1,259,707)
FY 17 & FY 18 Conservation Incentive Credit						(\$561,650)
						(\$1,821,357)
September 2019	Actual 1,138,871	\$ 1,2605	\$ 1,435,490	\$ (1,582,662)	\$ 3,018,152	\$1,196,795
October	Actual 1,358,986	\$ 1,2195	\$ 1,657,283	\$ (21,738)	\$ 1,679,021	\$2,875,816
November	Actual 3,752,873	\$ 1,2195	\$ 4,576,629	\$ 4,144,212	\$ 432,417	\$3,308,233
December	Actual 7,048,852	\$ 1,1010	\$ 7,761,111	\$ 9,196,747	\$ (1,435,636)	\$1,872,597
January 2020	Actual 8,154,457	\$ 0,9826	\$ 8,012,507	\$ 12,086,123	\$ (4,073,616)	(\$2,201,020)
February	Actual 7,509,470	\$ 0,9826	\$ 7,378,747	\$ 12,712,591	\$ (5,333,844)	(\$7,534,863)
March	Actual 5,575,763	\$ 1,0768	\$ 6,004,239	\$ 8,308,265	\$ (2,304,026)	(\$9,838,889)
April	Actual 4,026,854	\$ 1,1711	\$ 4,715,849	\$ 4,629,684	\$ 86,165	(\$9,752,724)
May	Estimated 2,149,772	\$ 1,1711	\$ 2,517,598	\$ 1,059,013	\$ 1,458,585	(\$8,294,139)

USC Expenses	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	FY2020 Total
ELIRP Expense	\$ (5,610)	\$ 593,111	\$ 775,900	\$ 640,702	\$ 40,960	\$ 1,207,567	\$ 669,221	\$ 319,392	\$ 565,764	\$ 4,807,007
ELIRP Labor	\$ 22,492	\$ 10,117	\$ 23,353	\$ 14,485	\$ 15,485	\$ 16,569	\$ 14,372	\$ 14,311	\$ 19,113	\$ 150,297
Conservation Incentive Credit	\$ -	\$ 227,500	\$ 100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 227,600
CRP Discount	\$ (2,403,563)	\$ (1,749,547)	\$ 2,348,336	\$ 7,501,644	\$ 10,903,197	\$ 10,457,560	\$ 6,628,267	\$ 3,525,469	\$ (681,447)	\$36,529,916
CRP Forgiveness	\$ 732,550	\$ 803,371	\$ 766,558	\$ 653,112	\$ 653,527	\$ 582,602	\$ 671,480	\$ 537,175	\$ 1,035,120	\$ 6,435,496
Senior Citizen Discount	\$ 71,469	\$ 93,710	\$ 229,965	\$ 386,805	\$ 472,954	\$ 448,293	\$ 324,925	\$ 233,337	\$ 120,463	\$ 2,381,920
Bad Debt Expense Offset*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ (1,582,662)</b>	<b>\$ (21,738)</b>	<b>\$ 4,144,212</b>	<b>\$ 9,196,747</b>	<b>\$ 12,086,123</b>	<b>\$ 12,712,591</b>	<b>\$ 8,308,265</b>	<b>\$ 4,629,684</b>	<b>\$ 1,059,013</b>	<b>\$50,532,236</b>

<b>CRP Participation</b>										
Rate Case Participation Rate	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	
Actual Participation Rate*	52,717	53,395	53,177	54,040	55,069	53,843	54,250	54,885	54,885	
CRP Under/(Over) Participation	7,283	6,605	6,823	5,960	4,931	6,157	5,750	5,115	5,115	
<b>Average Shortfall Per CRP Participant</b>										
CRP Discount	\$ (2,403,563)	\$ (1,749,547)	\$ 2,348,336	\$ 7,501,644	\$ 10,903,197	\$ 10,457,560	\$ 6,628,267	\$ 3,525,469		
Actual Participation Rate	52,717	53,395	53,177	54,040	55,069	53,843	54,250	54,885		
Average Shortfall per CRP Participant	\$ (46)	\$ (33)	\$ 44	\$ 139	\$ 198	\$ 194	\$ 122	\$ 64		
Shortfall*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bad Debt Expense Offset* 7.5%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

\*Bad Debt Expense Offset Applicable When Actual CRP Participation Exceeds 60,000

# Exhibit FT-2

**PHILADELPHIA GAS WORKS  
LOAD BALANCING CHARGE RECONCILIATION  
CALENDAR YEAR 2020**

		<u>2020</u>
Actual Storage and Peaking Cost		\$ 17,537,995
WSS Volumes MDQ	<b>17,558</b>	
Daily Demand Charge	<b>0.45902</b>	
Total Storage and Peaking Cost *		<b>983,227.73</b>
Prior Year Carryover		<u>\$ (297,813)</u>
		\$ 18,223,410
Design Day Requirements	Annual Mcf	698,361
Fulfilled from FT Capacity	Annual Mcf	(298,152)
WSS Storage Withdrawal Volumes MCF *		<b>5,853</b>
Fulfilled from Storage and Peaking Assets	Annual Mcf	406,061
Annual Load Balancing Cost per Excess Mcf	Annual \$ / Mcf	\$ 44.8785
BTU Conversion		1.031
	Annual \$ / Dth	<u>\$ 43.5291</u>
Monthly Charge /Dth		\$ 3.6274
Over/(Under) Recovery		<b>\$ 163,143</b>
Interest		<b>\$ 10,273</b>
Carryover		\$ 173,417

\* Revised based on the Fiscal Year 2021 1307f PUC Settlement dated June 5, 2020 and effective I

### LOAD BALANCING CHARGE

#### 2020 EXPENSE

	<u>Jan-20</u>	<u>Feb-20</u>	<u>Mar-20</u>	<u>Apr-20</u>	<u>May-20</u>	<u>Jun-20</u>	<u>Jul-20</u>	<u>Aug-20</u>	<u>Sep-20</u>	<u>Oct-20</u>	<u>Nov-20</u>	<u>Dec-20</u>	<u>Total</u>
Transco	\$ 500,333	\$ 487,810	\$ 480,914	\$ 464,665	\$ 456,593	\$ 391,541	\$ 409,336	\$ 412,172	\$ 400,709	\$ 400,486	\$ 388,899	\$ 418,134	\$ 5,211,592
Tetco	\$ 1,096,629	\$ 1,079,244	\$ 1,078,519	\$ 815,824	\$ 778,661	\$ 774,745	\$ 778,851	\$ 769,032	\$ 762,284	\$ 788,572	\$ 828,726	\$ 810,181	\$ 10,361,267
Dominion	\$ 130,954	\$ 131,214	\$ 126,293	\$ 127,715	\$ 128,371	\$ 128,402	\$ 124,835	\$ 130,115	\$ 129,805	\$ 129,434	\$ 128,653	\$ 133,867	\$ 1,549,658
WSS /Transportation	\$ 3,096	\$ 2,541	\$ 194	\$ 315	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45	\$ 415	\$ 6,605
Purchased Electric	\$ 63,603	\$ 54,721	\$ 46,420	\$ 37,538	\$ 37,538	\$ 34,779	\$ 22,519	\$ 60,746	\$ (4,231)	\$ 23,358	\$ 31,882	\$ -	\$ 408,873
<b>Total</b>	<b>\$ 1,794,616</b>	<b>\$ 1,755,529</b>	<b>\$ 1,732,340</b>	<b>\$ 1,446,058</b>	<b>\$ 1,401,162</b>	<b>\$ 1,329,467</b>	<b>\$ 1,335,540</b>	<b>\$ 1,372,065</b>	<b>\$ 1,288,566</b>	<b>\$ 1,341,850</b>	<b>\$ 1,378,205</b>	<b>\$ 1,362,596</b>	<b>\$ 17,537,995</b>

#### 2020 INTEREST CALCULATION

<u>MONTH *</u>	<u>LOAD BALANCING VOLUME (1) (DTH)</u>	<u>RATE* (2) (\$)</u>	<u>LOAD BALANCING CHARGE (3)=(1)*(2) (\$)</u>	<u>CHARGES BILLED (4) (\$)</u>	<u>OVER/(UNDER) RECOVERY (5)=(4)-(3) (\$)</u>	<u>TIME FACTOR (6)</u>	<u>INTEREST RATE (7)</u>	<u>INTEREST EXPENSE (8)=(5)*(6)*(7) (\$)</u>
Jan-20	48,897	3.6274	177,369	217,993	40,624	18/12	4.50%	2,742
Feb-20	48,474	3.6274	175,835	216,107	40,272	17/12	4.50%	2,567
Mar-20	49,230	3.6274	178,577	218,025	39,448	16/12	4.50%	2,367
Apr-20	50,147	3.6274	181,903	222,086	40,183	15/12	4.25%	2,135
May-20	50,001	3.6274	181,374	221,439	40,066	14/12	3.75%	1,753
Jun-20	51,757	3.6274	187,743	176,662	(11,081)	13/12	3.50%	(420)
Jul-20	53,029	3.6274	192,357	181,004	(11,354)	12/12	3.50%	(397)
Aug-20	54,075	3.6274	196,152	184,574	(11,577)	11/12	3.75%	(398)
Sep-20	55,708	3.6274	202,075	202,086	11	10/12	3.50%	0
Oct-20	59,564	3.6274	216,062	216,074	12	9/12	3.50%	0
Nov-20	57,352	3.6274	208,039	208,050	12	8/12	3.50%	0
Dec-20	53,657	3.6274	194,635	191,164	(3,472)	7/12	3.75%	(76)
<b>Total</b>	<b>631,891</b>		<b>2,292,121</b>	<b>2,455,265</b>	<b>163,143</b>			<b>10,273</b>

\* The rate has been revised based on a change in Schedule 13 (a).

**PHILADELPHIA GAS WORKS  
LOAD BALANCING CHARGE  
SEPTEMBER 1, 2021**

Storage and Peaking Cost	<u>Units</u>		
	\$	\$	16,879,880
WSS Volumes MDQ		<b>17,558</b>	2,941,624
Daily Demand Charge		0.45902	
Total Storage and Peaking Cost			19,821,504
Design Day Requirements	Annual mcf		698,361
Fulfilled from FT Capacity (Mcf)			(298,152)
WSS Storage Withdrawal Volumes MCF			<u>17,558</u>
Fulfilled from Storage and Peaking Assets	Annual mcf		417,766
<hr/>			
Annual Storage and Peaking Cost per Excess	Annual \$ / mcf	\$	47.4464
Per Mcf Over / (Under) Adjustment		\$	<u>0.2732</u>
Load Balancing Charge		\$	47.1732

Over / (Under) Recovery	\$	<b>163,143</b>
Interest	\$	<u>10,273</u>
Total Over/(Under) Recovery	\$	173,417
Forecasted SSPC Volumes		634,734
Per Mcf Over / (Under) Adjustment	\$	0.2732

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

SUPPLEMENTAL REBUTTAL TESTIMONY OF

**Florian Teme**

ON BEHALF OF  
PHILADELPHIA GAS WORKS

Docket No. R-2021-3023970

Philadelphia Gas Works  
Proposed 2021-22 Annual GCR Adjustment

May 11, 2021

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1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND POSITION WITH THE COMPANY.**

3 A. My name is Florian Teme. My position is Vice President, Marketing, Sales and  
4 Energy Planning at the Philadelphia Gas Works (“PGW”).

5 **Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THIS**  
6 **PROCEEDING?**

7 A. Yes, I provided Direct Testimony (“PGW St. 1”) on March 1, 2021 and Rebuttal  
8 Testimony (PGW St. No. 1-R”) on May 4, 2021.

9 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL REBUTTAL**  
10 **TESTIMONY?**

11 A. The purpose of my Supplemental Rebuttal Testimony is to provide additional  
12 information related to PGW’s calculation of its Universal Service and Energy  
13 Conservation (“USC”) surcharge.

14 **Q. EXHIBITS?**

15 A. Yes. I am sponsoring Exhibit FT-3, which is a Revised Statement of  
16 Reconciliation of PGW’s USC from September 2019 through August 2020.

17 **II. USC CALCULATION**

18 **Q. WHAT ADDITIONAL INFORMATION WOULD YOU LIKE TO**  
19 **PROVIDE PERTAINING TO PGW’S USC CALCULATION?**

20 A. In my Rebuttal Testimony, I acknowledged that there was a difference between  
21 PGW’s forecasted USC projection in its 2020 GCR proceeding (“the USC  
22 Projection”) of a \$.9 million over collection and the actual USC balance at the end  
23 of FY 2020 which had been calculated as a \$9.4 million undercollection. While I  
24 explained a large portion of the difference in my Rebuttal Testimony, I noted that  
25 there was a remaining discrepancy of around \$5 million for which PGW had been

1 unable to identify. I indicated that PGW was still working to pinpoint the exact  
2 numbers and cause for this difference.

3 Subsequent to the submission of my Rebuttal testimony, PGW continued  
4 to conduct an analysis of the difference between the USC Projection and the USC  
5 actual undercollection. As part of that analysis, PGW discovered that it had  
6 inadvertently included twice an amount for arrearage forgiveness associated with  
7 average bill CRP customers for the years FY 2018 and FY 2019 in the amount of  
8 \$2.8 million.

9 **Q. WHAT IS THE EFFECT OF THIS DOUBLECOUNT?**

10 A. The actual USC balance at the end of 2020 should have been an under-collection  
11 of \$6.6 million (as opposed to the \$9.4 million that PGW identified in its filing),  
12 as shown in Exhibit FT-3. Accordingly, the net change between PGW's USC  
13 Projection and the actual USC balance at the end of 2020 is approximately \$7.5  
14 million.

15 **Q. DO THE REASONS FOR THE VARIANCE BETWEEN THE USC**  
16 **PROJECTION AND THE \$6.6 MILLION UNDERCOLLECTION THAT**  
17 **YOU SET OUT IN YOUR REBUTTAL CONTINUE TO APPLY?**

18 A. Generally yes, but we will provide a more fulsome report of the various reasons  
19 for the difference in our report that we will be submitting in June.

20 **Q. HOW DO YOU PROPOSE RECTIFYING THIS ERROR IN THE**  
21 **CALCULATION OF PGW'S ACTUAL USC BALANCE?**

22 A. As part of its compliance filing in this case, PGW proposes to refund the  
23 \$2,829,211 that was included twice in PGW's calculation by crediting the USC  
24 rate in this amount on a going forward basis.

1 **III.        CONCLUSION**

2    **Q.        DOES THIS CONCLUDE YOUR TESTIMONY?**

3    **A.        Yes. I reserve the right to supplement this testimony.**

# Exhibit FT-3

**STATEMENT OF RECONCILIATION  
UNIVERSAL SERVICES & ENERGY CONSERVATION SURCHARGE  
SEPTEMBER 2019 THROUGH AUGUST 2020**

Month		USC Applicable Volumes	USC Charge	USC Revenue Billed	USC Expenses	Monthly Over/(Under) Recovery	Cumulative Over/(Under) Recovery
<b>FY 19 Reconciliation</b>							
FY 17 & FY 18 Conservation Incentive Credit							(\$1,259,707) (\$561,650) (\$1,821,357)
September 2019	Actual	1,138,871	\$ 1.2605	\$ 1,435,490	\$ (1,326,316)	\$ 2,761,806	\$940,449
October	Actual	1,358,986	\$ 1.2195	\$ 1,657,283	\$ 296,127	\$ 1,361,156	\$2,301,605
November	Actual	3,752,873	\$ 1.2195	\$ 4,576,629	\$ 4,409,569	\$ 167,060	\$2,468,665
December	Actual	7,048,852	\$ 1.1010	\$ 7,761,111	\$ 9,424,042	\$ (1,662,931)	\$805,734
January 2020	Actual	8,154,457	\$ 0.9826	\$ 8,012,507	\$ 12,323,589	\$ (4,311,082)	(\$3,505,349)
February	Actual	7,509,470	\$ 0.9826	\$ 7,378,747	\$ 12,918,550	\$ (5,539,803)	(\$9,045,151)
March	Actual	5,575,763	\$ 1.0768	\$ 6,004,239	\$ 8,583,702	\$ (2,579,463)	(\$11,624,614)
April *	Actual	4,026,660	\$ 1.1711	\$ 4,715,622	\$ 4,851,043	\$ (135,421)	(\$11,760,035)
May	Actual	2,857,151	\$ 1.1711	\$ 3,346,010	\$ 2,059,642	\$ 1,286,367	(\$10,473,668)
June	Actual	1,405,930	\$ 1.1742	\$ 1,650,858	\$ (600,645)	\$ 2,251,503	(\$8,222,165)
July	Actual	1,028,875	\$ 1.1773	\$ 1,211,316	\$ (1,528,632)	\$ 2,739,948	(\$5,482,218)
August	Actual	949,950	\$ 1.1773	\$ 1,118,396	\$ 2,255,154	\$ (1,136,758)	(\$6,618,975)

USC Expenses	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	FY2020 Total
ELIRP Expense	\$ (5,610)	\$ 593,111	\$ 775,900	\$ 640,702	\$ 40,960	\$ 1,207,567	\$ 669,221	\$ 319,392	\$ 258,903	\$ 132,158	\$ 66,448	\$ 1,278,944	\$ 5,977,696
ELIRP Labor	\$ 22,492	\$ 10,117	\$ 23,353	\$ 14,486	\$ 15,486	\$ 16,569	\$ 14,373	\$ 14,312	\$ 21,452	\$ 13,229	\$ 16,554	\$ 15,509	\$ 197,932
Conservation Incentive Credit	\$ -	\$ 227,500	\$ 100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 212,300	\$ -	\$ -	\$ 439,900
CRP Discount	\$ (2,403,563)	\$ (1,749,547)	\$ 2,348,336	\$ 7,501,644	\$ 10,903,197	\$ 10,457,560	\$ 6,628,267	\$ 3,525,469	\$ 749,769	\$(1,829,089)	\$(2,596,908)	\$(2,774,156)	\$30,760,979
CRP Forgiveness	\$ 988,896	\$ 1,121,236	\$ 1,031,915	\$ 880,406	\$ 890,992	\$ 788,561	\$ 946,916	\$ 758,533	\$ 877,485	\$ 791,483	\$ 921,875	\$ 3,677,656	\$13,675,954
Senior Citizen Discount	\$ 71,469	\$ 93,710	\$ 229,965	\$ 386,805	\$ 472,954	\$ 448,293	\$ 324,925	\$ 233,337	\$ 152,033	\$ 79,274	\$ 63,400	\$ 57,201	\$ 2,613,365
Bad Debt Expense Offset*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ (1,326,316)</b>	<b>\$ 296,127</b>	<b>\$ 4,409,569</b>	<b>\$ 9,424,042</b>	<b>\$ 12,323,589</b>	<b>\$ 12,918,550</b>	<b>\$ 8,583,702</b>	<b>\$ 4,851,043</b>	<b>\$ 2,059,642</b>	<b>\$ (600,645)</b>	<b>\$(1,528,632)</b>	<b>\$ 2,255,154</b>	<b>\$53,665,827</b>

<b>CRP Participation</b>													
Rate Case Participation Rate	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Actual Participation Rate*	52,717	53,395	53,177	54,040	55,069	53,843	54,250	54,885	55,324	55,638	55,750	55,845	
CRP Under/(Over) Participation	7,283	6,605	6,823	5,960	4,931	6,157	5,750	5,115	4,676	4,362	4,250	4,155	
<b>Average Shortfall Per CRP Participant</b>													
CRP Discount	\$ (2,403,563)	\$ (1,749,547)	\$ 2,348,336	\$ 7,501,644	\$ 10,903,197	\$ 10,457,560	\$ 6,628,267	\$ 3,525,469	\$ 749,769	\$(1,829,089)	\$(2,596,908)	\$(2,774,156)	
Actual Participation Rate	52,717	53,395	53,177	54,040	55,069	53,843	54,250	54,885	55,324	55,638	55,750	55,845	
Average Shortfall per CRP Participant	\$ (46)	\$ (33)	\$ 44	\$ 139	\$ 198	\$ 194	\$ 122	\$ 64	\$ 14	\$ (33)	\$ (47)	\$ (50)	
Shortfall**	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bad Debt Expense Offset**	7.5%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

\*REVISED

\*\*Bad Debt Expense Offset Applicable When Actual CRP Participation Exceeds 60,000

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

REBUTTAL TESTIMONY OF

**Ryan E. Reeves**

ON BEHALF OF  
PHILADELPHIA GAS WORKS

Docket No. R-2021-3023970

Philadelphia Gas Works  
Proposed 2021-22 Annual GCR Adjustment

May 4, 2021

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<b>I.</b>	<b>INTRODUCTION.....</b>	<b>1</b>
<b>II.</b>	<b>FT PIPELINE CAPACITY.....</b>	<b>1</b>
<b>III.</b>	<b>CONCLUSION.....</b>	<b>7</b>

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND POSITION WITH THE COMPANY.**

3 A. My name is Ryan E. Reeves. My position with Philadelphia Gas Works (“PGW”  
4 or “Company”) is Director of Gas Supply, Transportation and Control.

5 **Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THIS**  
6 **PROCEEDING?**

7 A. Yes, I provided Direct Testimony (“PGW St. 2”) on March 1, 2021.

8 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

9 A. The purpose of my Rebuttal testimony is to respond to portions of the Direct  
10 Testimony of the Office of Consumer Advocate (“OCA”) witness Jerry Mierzwa  
11 (“OCA St. No. 1”), served on April 16, 2021. Specifically, I will respond to Mr.  
12 Mierzwa’s testimony related to the assignment of firm transportation (“FT”)  
13 pipeline capacity.

14 **II. FT PIPELINE CAPACITY**

15 **Q. PLEASE RESPOND TO MR. MIERZWA’S TESTIMONY THAT IT IS**  
16 **UNREASONABLE FOR PGW TO ADJUST THE MONTHLY**  
17 **QUANTITIES OF FT PIPELINE CAPACITY ASSIGNED TO CHOICE**  
18 **SUPPLIERS TO REFLECT THE MONTHLY NEEDS OF CHOICE**  
19 **SUPPLIERS.**

20 A. Mr. Mierzwa states that PGW improperly adjusts the monthly quantities of FT  
21 pipeline capacity assigned to Choice suppliers to reflect the monthly needs of  
22 Choice suppliers for FT pipeline capacity. To support this contention, Mr.  
23 Mierzwa presented data showing the amount of FT capacity assigned to Choice  
24 suppliers, and the amount of Load Balancing Service provided to and paid for by  
25 Choice suppliers for Calendar Year 2020. Based on these data, Mr. Mierzwa  
26 opined that the variations in the amount of FT capacity assigned to Choice

1 suppliers was “unreasonable,” because “entitlements do not change on a monthly  
2 basis,” and, because PGW maintains FT capacity to meet the load requirements of  
3 both GCR and Choice customers, the amount of monthly capacity assigned should  
4 be maintained throughout the year and be set at the Company’s system-wide FT  
5 capacity to design day demand ratio. (OCA St. No. 1 at 4-7.)

6 **Q. DO YOU AGREE WITH MR. MIERZWA ON THIS POINT?**

7 A. No I do not. I believe Mr. Mierzwa may not have sufficiently considered the flow  
8 of capacity releases resulting from Choice supplier over and under deliveries. As  
9 part of the Choice Program during the winter months (November through March),  
10 Choice suppliers receive capacity based on the amount of gas that their customers  
11 are projected to use. In the summer months (April through October), Choice  
12 suppliers receive capacity based on the amount of gas that their customers are  
13 projected to use and the amount of payback that is required to eliminate any  
14 delivery imbalances that accrued during the winter months. This payback amount  
15 can vary depending on whether a supplier provided more in the winter than its  
16 customers used (i.e. an over-supply) or if a supplier provided less in the winter  
17 than its customers used (i.e. an under-supply). If suppliers over-supplied in the  
18 winter, their capacity release will be reduced in the summer months to allow  
19 PGW to payback gas that they have over-supplied. If supplier under-supplied in  
20 the winter, their capacity release will be increased to allow the suppliers to  
21 payback the gas they owe PGW.

22 Mr. Mierzwa’s analysis is, therefore, incomplete for at least two reasons.  
23 First, it does not recognize that the monthly capacity releases he shows in his  
24 testimony are net of these imbalances and paybacks. Second the only data he

1 examined is for calendar year 2020; for obvious reasons, 2020 is not  
 2 representative of PGW's longer term experience. I display the monthly levels of  
 3 capacity assigned to Choice suppliers since September, 2018, broken down by  
 4 capacity assigned, imbalances and paybacks, on Table 1, below.

TABLE 1

Month	Dths	Cumulative	Payback	Net	Customers
	Capacity	Imbalance		Capacity	
9/1/2018	27,478	(212,650)	3,486	30,964	13,642
10/1/2018	27,561	(140,044)	4,518	32,079	15,306
11/1/2018	30,917	-	-	30,917	16,905
12/1/2018	30,462	-	-	30,462	17,886
1/1/2019	30,483	-	-	30,483	19,841
2/1/2019	31,312	-	-	31,312	20,038
3/1/2019	31,141	-	-	31,141	21,134
4/1/2019	31,965	(60,939)	284	32,249	21,482
5/1/2019	32,725	(60,086)	327	33,052	21,831
6/1/2019	31,900	(60,625)	398	32,298	22,055
7/1/2019	32,102	(33,099)	270	32,372	22,596
8/1/2019	32,627	8,649	(95)	32,532	23,145
9/1/2019	33,150	37,114	(609)	32,541	23,734
10/1/2019	33,143	72,182	(2,329)	30,814	24,142
11/1/2019	33,540	-	-	33,540	24,567
12/1/2019	34,070	-	-	34,070	25,457
1/1/2020	34,567	-	-	34,567	25,955
2/1/2020	34,273	-	-	34,273	26,085
3/1/2020	34,792	-	-	34,792	26,868
4/1/2020	35,445	37,674	(175)	35,270	27,365
5/1/2020	34,753	141,210	(769)	33,984	26,926
6/1/2020	34,385	336,736	(2,200)	32,185	26,659
7/1/2020	34,166	463,722	(3,773)	30,393	26,366
8/1/2020	34,059	457,868	(4,976)	29,083	26,174
9/1/2020	34,042	403,786	(6,620)	27,422	26,091
10/1/2020	34,102	323,213	(10,425)	23,677	26,100
11/1/2020	35,324	-	-	35,324	25,913
12/1/2020	32,936	-	-	32,936	25,184
1/1/2021	32,718	-	-	32,718	25,122
2/1/2021	32,409	-	-	32,409	25,097
3/1/2021	32,497	-	-	32,497	25,197
4/1/2021	32,412	(36,306)	170	32,582	24,994

6

1 The “Dths Capacity” column of this table shows the daily capacity initially  
 2 assigned. The next two columns show the imbalances and paybacks of the  
 3 imbalances. The Cumulative Imbalance are the total amounts that PGW tries to  
 4 clear by November 1. The Payback are the daily amounts that the supplier either  
 5 pays or receives by November 1 to clear the imbalance. The Table shown in Mr.  
 6 Mierzwa’s testimony does not reflect assigned capacity, but rather assigned  
 7 capacity plus or minus the payback or receipt of cumulative imbalances that occur  
 8 during the non-winter months.

9 Thus, variations in the monthly net capacity assignments occur mainly for  
 10 two reasons. First, the amount of capacity varies depending on the number of  
 11 customers that the supplier is serving in the month together with the level of  
 12 demand associated with each customer. With the supplier’s customer load as a  
 13 starting point, FT capacity is assigned in accordance with a formula that was  
 14 created and approved by the PUC in 2003 as part of its Restructuring Proceeding.<sup>1</sup>  
 15 That methodology was proposed by the OSBA and joined in, after some  
 16 modification, by the OCA.<sup>2</sup> The formula established for this calculation is as  
 17 follows:

18 
$$\text{Capacity} = \text{Average Day Load} + ((\text{Design Day Load} - \text{Average Day Load})$$
  
 19 
$$\text{X } 23.17\%) + \text{Payback Quantity}$$

20 As can be seen, the amount of capacity is going to vary as the Choice supplier’s  
 21 customer load (*i.e.*, usage from the prior year) varies.

---

<sup>1</sup> *PA PUC v. Philadelphia Gas Works*, Docket Nos. M-00021612, *et. al.*, Opinion and Order at 14-15 (March 31, 2003).

<sup>2</sup> *Id.*

1           The second reason for the variability, as noted, is the effect of the  
 2           “cumulative imbalance” and “payback” calculations. These imbalances are  
 3           caused by a variety of factors including actual versus design weather. In 2020,  
 4           these imbalances were also strongly affected by the unprecedented drop-off in  
 5           usage experienced by commercial customers due to the Pandemic, as well as very  
 6           warm weather.

7           Therefore, PGW *does* in fact set its initial FT capacity assignments based  
 8           on the Company’s system-wide FT capacity to design day demand ratio (as  
 9           recommended by Mr. Mierzwa). But it then applies the imbalances and payback  
 10          necessitated by the terms of the Choice Program, as set out in PGW’s Supplier  
 11          Tariff.<sup>3</sup> Mr. Mierzwa’s recommendation, however, does not take into account the  
 12          payback of these imbalances.

13   **Q.    IN YOUR OPINION SHOULD THE CAPACITY ASSIGNMENT**  
 14   **METHODOLOGY BE MODIFIED TO SEEK TO MAKE THE**  
 15   **ASSIGNMENTS UNIFORM FROM MONTH TO MONTH?**

16   **A.    No.** First, because of imbalances and paybacks, it would be virtually impossible  
 17          for the capacity assignments to be established so that they were uniform each

---

<sup>3</sup> Philadelphia Gas Works Gas Supplier Tariff at Section 9.5. Section 9.5 provides:

9.5. UPSTREAM CAPACITY. 9.5.A. Each Supplier shall receive an assignment of the Company’s pipeline FT capacity at the applicable maximum rate charged by the pipeline. The amount of pipeline FT capacity assigned to a Supplier shall be based on the Supplier’s Daily Contract Quantity (“DCQ”) in Dth/day. The DCQ shall be determined each quarter in accordance with the allocation methodology approved by the Commission’s Order at M-00021612 (entered March 31, 2003). The DCQ shall be adjusted, at the Company’s discretion, to reflect increases or decreases in a Supplier’s Firm Transportation Customer group. Pipeline FT capacity will be assigned by the Company in proportions equal to the amount of pipeline FT capacity held by the Company on each interstate. The pipeline FT capacity shall be the existing total capacity obligation as modified from time to time in accordance with applicable law.

1 month. The imbalances and paybacks are, by definition, going to result in the  
2 assignments varying from month to month.

3 Second, even though the capacity assignments vary from month to month,  
4 I do not agree that this is somehow unreasonable. Capacity assignment begins  
5 with a calculation (using the formula approved by the PUC in 2003) of the  
6 amount of capacity associated with the Choice supplier's customer demand.

7 Allocating the amount of capacity needed to serve customers is consistent with  
8 the directives for capacity assignment set forth in the Gas Choice Act which states  
9 that "[t]he amount so released, assigned or transferred shall be sufficient to serve  
10 the level of the customers' requirements for which the natural gas distribution  
11 company has procured such capacity, determined in accordance with the natural  
12 gas distribution company's tariff or procedures approved in its restructuring  
13 proceedings."<sup>4</sup> As the approved formula calculates the "customer requirements"  
14 for those customers choosing to be served by the Choice supplier, I believe that  
15 the current method is more consistent with this statutory requirement. In  
16 summary, FT capacity is not and should not be assigned based on PGW's total  
17 "entitlement," to pipeline capacity, but based on Choice customer requirements,  
18 as per the statute.

19 **Q. DO YOU BELIEVE THAT THE CURRENT ALLOCATION METHOD IS**  
20 **FAIR?**

21 A. Yes. The current methodology is fair to both GCR customers and Choice  
22 suppliers. If a Choice supplier is allocated too little or too much capacity  
23 compared to its customers' actual usage then the over or under assignment is

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<sup>4</sup> 66 Pa. C. S. 2204(d)(3).

1 “trued up” in future months. Any overallocation is treated as a credit on the  
2 supplier’s account in future months; similarly any under allocation is “paid back”  
3 by an additional allocation (that the supplier must pay for). PGW’s payback  
4 formula attempts to reduce the gas imbalance to zero by November 1 of each  
5 year. This assures that Choice suppliers are assigned, and pay for, the capacity  
6 that they need to serve their customers – no more or less.

7 **III. CONCLUSION**

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

9 **A.** Yes. I reserve the right to supplement this testimony.

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

REBUTTAL TESTIMONY OF

**Gregory Stunder**

ON BEHALF OF  
PHILADELPHIA GAS WORKS

Docket No. R-2021-3023970

Philadelphia Gas Works  
Proposed 2021-22 Annual GCR Adjustment

May 4, 2021

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1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND POSITION WITH THE COMPANY.**

3 A. My name is Gregory Stunder. My position with PGW is Vice President,  
4 Regulatory and Legislative Affairs.

5 **Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THIS**  
6 **PROCEEDING?**

7 A. Yes, I provided Direct Testimony (“PGW St. 3”) on March 1, 2021.

8 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

9 A. The purpose of my Rebuttal Testimony is to respond to the Direct Testimony of  
10 the Commission’s Bureau of Investigation and Enforcement (“I&E”) witness  
11 Ethan Cline (“I&E St. No. 1”) and portions of the Direct Testimonies of the  
12 Office of Consumer Advocate (“OCA”) witness Jerry Mierzwa (“OCA St. No.  
13 1”) and Office of Small Business Advocate (“OSBA”) witnesses Robert Knecht  
14 (“OSBA St. No. 1”) related to PGW’s proposed renewable natural gas (“RNG”)  
15 pilot program.

16 **Q. ARE YOU SPONSORING ANY EXHIBITS?**

17 A. No I am not.

18 **II. RESPONSES TO ETHAN CLINE TESTIMONY**

19 **Q. MR. STUNDER, PLEASE SUMMARIZE YOUR UNDERSTANDING OF**  
20 **THE REASONS WHY MR. CLINE IS RECOMMENDING REJECTION**  
21 **OF PGW’S PROPOSED PILOT PROGRAM TO PURCHASE A SMALL**  
22 **AMOUNT OF RNG THIS YEAR AND NEXT?**

23 A. Mr. Cline expressed several reservations including that PGW’s goals and  
24 purchasing plan related to its RNG proposal are vague, that the cost of RNG is too  
25 high to support at this time, that PGW’s proposal to purchase RNG in year two is  
26 too high, that the additional cost would be unreasonable to impose on low-income

1 customers generally and especially while the effects of the COVID-19 Pandemic  
2 are still being felt and that the proposed program is not consistent with the “least  
3 cost” fuel procurement requirements of the Public Utility Code. For all these  
4 reasons, Mr. Cline recommends that PGW’s RNG pilot be denied.

5 **Q. PLEASE RESPOND TO MR. CLINE’S RECOMMENDATION THAT**  
6 **PGW’S RNG PILOT PROGRAM BE DENIED BECAUSE THE**  
7 **SPECIFICS ARE VAGUE, IN HIS VIEW?**

8 A. First, I appreciate and understand Mr. Cline’s concerns regarding the detailed  
9 specifics of PGW’s plan to purchase RNG. It is not clear what specifics Mr.  
10 Cline believes are needed at this stage, but if he is concerned that there is no  
11 signed contract or other detailed procedure for obtaining the RNG, this I submit is  
12 both understandable and prudent. To have more detail at this point would have  
13 required PGW to actually have engaged in the process of negotiating and  
14 finalizing an agreement or agreements with an RNG provider. That would have  
15 caused PGW to contractually commit to purchases, incur legal expenses and use  
16 its resources which PGW would prefer not to have to do until the PUC authorizes  
17 the project. Since PGW is proposing to cap the expenditures for RNG in each  
18 year of the two-year pilot, ratepayers will be protected which, I assume is Mr.  
19 Cline’s main concern about the alleged “vagueness” of the proposal.

20 **Q. MR. CLINE TESTIFIES THAT THE PILOT CANNOT BE JUSTIFIED**  
21 **UNDER THE LEAST COST FUEL PROCUREMENT REQUIREMENT**  
22 **OF THE PUBLIC UTILITY CODE AND MR. KNECHT CLAIMS THAT**  
23 **PGW’S PROPOSED PILOT FAILS THAT STANDARD BECAUSE IT**  
24 **HAS LITTLE OR NO VALUE RELATED TO SUPPLY DIVERSITY AND**  
25 **SECURITY OF SUPPLY. CAN YOU RESPOND?**

26 A. Mr. Cline’s testimony appears to equate satisfaction of the least cost standard  
27 solely with whether the price of the RNG exceeds the price of other alternatives.

1 In PGW's view, this is too narrow a view. The statutory language states that a  
2 natural gas utility must show that it "is pursuing a least cost fuel procurement  
3 policy, consistent with the utility's obligation to provide safe, adequate and  
4 reliable service to its customers." PGW asserts that a purchasing strategy may be  
5 reasonable even if it produces higher than the "least cost" if that strategy  
6 improves or maintains the safety, adequacy and reasonableness of the utility's gas  
7 supply. OCA witness Mierzwa appears to accept that PGW's proposal is  
8 consistent with this gas procurement standard.<sup>1</sup> OSBA witness Knecht as well  
9 appears to acknowledge this element of the standard when he claims that PGW's  
10 RNG pilot cannot be considered consistent with the least cost fuel procurement  
11 standard because it has not been shown that the proposed pilot is related to supply  
12 diversity or security of supply.

13 **Q. IN YOUR VIEW IS PGW'S RNG PILOT RELATED TO PROVIDING**  
14 **SUPPLY DIVERSITY AND SECURITY BENEFITS?**

15 A. Yes it is. Mr. Knecht claims otherwise but relies on a PGW discovery response  
16 that states that the pilot would not have any diversity or security of supply  
17 benefits, but that answer was focused on the periods in which PGW is proposing  
18 to purchase RNG – the FY 2021-22 and FY 2022-23 periods. That is because the  
19 amount of RNG that PGW is proposing to purchase right now is just too small to  
20 have any meaningful impact in those years. PGW, however, is focusing on the  
21 longer term potential benefit of adding RNG into its supply portfolio. It is not  
22 hard to envision circumstances in the future in which having the ability to  
23 purchase RNG as opposed to gas sourced from the Gulf region of the U.S. or the

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<sup>1</sup> OCA St. No. 1 at 11-12.

1 Marcellus Shale regions could be an important alternative to maintain security  
2 and adequacy of supply. To be in a position to utilize this supply alternative in  
3 the future, PGW needs to gain experience with RNG suppliers today. This will  
4 permit PGW to identify and begin to address any contracting, delivery or approval  
5 issues that might exist.

6 **Q. MR. CLINE ASSERTS THAT PGW'S PROPOSAL TO PURCHASE UP**  
7 **TO \$500,000 OF RNG IN THE FIRST YEAR OF THE PILOT PROGRAM**  
8 **AND UP TO 2% OF ITS "C" FACTOR COMMODITY COST IN THE**  
9 **SECOND YEAR OF THE PILOT PROGRAM IS NOT CONSISTENT**  
10 **WITH A GRADUAL APPROACH. DO YOU AGREE?**

11 A. No. PGW is proposing to purchase very limited amounts of RNG in both years of  
12 its pilot program. Mr. Cline specifically raises the point that the second year's  
13 purchase amount of RNG is up to five times greater than the first year's, however  
14 this is largely due to the fact that the initial purchase amounts are so small. The  
15 gradualness of PGW's program should not exclusively be viewed as relationally  
16 between the two years, but rather in the context of its entire gas supply portfolio.  
17 For example, a program that went from 5 percent in year one and 10 percent in  
18 year two is relationally only doubling, but is much less gradual than what PGW  
19 has proposed. In this regard, PGW believes that a program that has a first year  
20 cap of approximately 0.4 percent and a second year cap of 2 percent within the  
21 context of PGW's entire gas supply portfolio is certainly consistent with a  
22 gradual, limited approach.

1 **Q. MR. CLINE POINTS TO ECONOMIC UNCERTAINTY CAUSED BY**  
2 **THE ONGOING COVID-19 PANDEMIC AS AN ADDITIONAL REASON**  
3 **NOT TO APPROVE THE PILOT AT THE PRESENT TIME. DO YOU**  
4 **AGREE?**

5 A. No. Mr. Cline makes several assertions surrounding this point, but in essence  
6 argues that now is not the time to grant a pilot program because of concerns over  
7 the economic uncertainty created by the COVID-19 pandemic.

8 Initially, PGW notes that its requested reasons for the pilot program exist  
9 regardless of the state of the economy or the Pandemic. Furthering national, state,  
10 and local climate goals, securing diversity of supply, and gaining experience with  
11 a potentially important source of gas supply in PGW's future are all  
12 considerations that PGW must evaluate regardless of whether the economy is in a  
13 good state at this very moment, or the pandemic response is at a certain level.  
14 These issues and concerns will likely impact PGW beyond any individual  
15 recession, so PGW does not believe that the present state of the economy should  
16 be a significant factor in the Commission's determination.

17 Even if one considers the state of the economy, there are many indicators  
18 that the City of Philadelphia is moving in a positive direction economically. As  
19 of February of 2021, the latest period available, the federal Bureau of Labor  
20 Statistics reported that the Philadelphia metropolitan area's unemployment rate  
21 was estimated at 7.8 percent,<sup>2</sup> down from a pandemic-high of 15.0 percent in  
22 April of 2020. Additionally, the City of Philadelphia reported as of April 27,  
23 2021, it had fully vaccinated 349,129 city residents with another 186,987  
24 residents partially vaccinated. This is in addition to the 59,672 Philadelphia

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<sup>2</sup> The preliminary March 2021 unemployment rate is 7.3%.

1 residents fully vaccinated by the Commonwealth of Pennsylvania and 33,866  
2 partially vaccinated. Presently, every adult in Pennsylvania is eligible for the  
3 COVID-19 vaccine. This data is particularly encouraging for the economy, as  
4 more people are fully vaccinated, some of the sectors hardest-hit by the pandemic,  
5 such as dining and hospitality will improve as evidenced by the City of  
6 Philadelphia Health Commissioner's April 26, 2021 announcement that indoor  
7 dining capacity will increase on May 7, 2021 and indoor catered events such as  
8 weddings will also be permitted starting on the same date. The Health  
9 Commissioner also plans to ease restrictions as COVID-19 cases decline.

10           Additionally, Mr. Cline incorrectly asserts that the federal COVID relief  
11 packages are not directly tied to funds that will be available to PGW ratepayers.  
12 The American Rescue Plan Act, signed by President Biden on March 11, 2021  
13 provides an additional \$4.5 billion in LIHEAP for FY 21, which shall remain  
14 available until September of 2022. This amount is in addition to the initial \$3.75  
15 billion provided in the FY 21 budget, bringing the potential LIHEAP funding  
16 available for FY 21 to \$8.5 billion. There are many factors that influence the  
17 amount of dollars that actually flow to PGW from the LIHEAP program in any  
18 given year, but as a reference, in FY 20, PGW received \$24.4 million (between its  
19 cash and crisis programs) out of the total \$4.6 billion in LIHEAP allocated  
20 between the initial FY 20 appropriation of \$3.74 billion and the \$900 million  
21 available from the CARES Act. The American Rescue Plan Act also provided an  
22 additional \$21.6 billion for rental assistance that covers both rent and utility bills  
23 and this funding will be added to the initial \$25 billion in rental assistance that

1 came from the 2020 federal COVID relief package. This rental assistance  
2 program will directly benefit PGW customers because PGW is currently working  
3 with a community development organization on how the funds will be distributed.  
4 Additionally, the American Rescue Plan Act included \$10 billion for homeowner  
5 assistance that provides both mortgage and utility relief.

6 **III. RESPONSES TO JERRY MIERZWA TESTIMONY**

7 **Q. OCA WITNESS MIERZWA RECOMMENDS THAT PGW NOT**  
8 **INCREASE ITS PURCHASES OF RNG ABOVE \$500,000 UNTIL**  
9 **PARTIES HAVE HAD THE OPPORTUNITY TO EVALUATE THE**  
10 **PILOT PROGRAM IN NEXT YEAR’S GCR PROCEEDING. HOW DO**  
11 **YOU RESPOND?**

12 A. PGW agrees with Mr. Mierzwa that the reporting data will be important in  
13 determining the success and viability of the RNG pilot program, which is why  
14 PGW believes that a two-year initial program is necessary. If the Commission  
15 approves PGW’s RNG pilot program, PGW would be able to begin purchasing  
16 RNG in September 2021 at the earliest. PGW submits its annual 1307(f) filing at  
17 the beginning of March each year, and begins preparing and evaluating its filing  
18 in the months before that. PGW’s concern is that if the Commission allows the  
19 pilot program for only one year PGW—and consequently the parties and the  
20 Commission—would be required to make evaluations about the RNG pilot  
21 program with very limited data. By providing PGW with two years of data and  
22 up to 2 percent of its “C” factor commodity cost in the second year, the  
23 Commission will ensure that the RNG pilot program evaluation is based upon a  
24 more robust and thorough experience in the RNG purchasing market.

1 **Q. HOW DO YOU RESPOND TO MR. MIERZWA’S RECOMMENDED**  
2 **REPORTING REQUIREMENTS IN PGW’S NEXT GCR PROCEEDING**  
3 **PERTAINING TO PGW’S RNG PROPOSAL?**

4 A. PGW finds Mr. Mierzwa’s reporting suggestions to be generally acceptable  
5 except for identifying the BTU content. The source(s) of RNG will be off-  
6 system, and the RNG will be subject to specifications set forth by the pipeline that  
7 will be transporting the RNG. Additionally, RNG purchases could potentially be  
8 bundled from more than one RNG source, therefore, PGW is uncertain if the BTU  
9 content will be available. Nonetheless, should PGW be able to identify the BTU  
10 content, PGW will provide it. We suggest that, if the PUC approves PGW’s  
11 proposal, PGW will submit in a compliance plan a specific set of reporting  
12 requirements that follow Mr. Mierzwa’s recommendations as modified above.

13 **IV. RESPONSES TO ROBERT KNECHT TESTIMONY**

14 **Q. PLEASE RESPOND TO MR. KNECHT’S TESTIMONY THAT THE**  
15 **COMPANY’S RNG PROPOSAL IS NOT CONSISTENT WITH ITS**  
16 **REQUIREMENT TO PURSUE A LEAST COST FUEL PROCUREMENT**  
17 **POLICY.**

18 A. I discussed this issue in my responses to the testimony of I&E witness Ethan  
19 Cline, and I incorporate that response herein.

20 **Q. PLEASE RESPOND TO MR. KNECHT’S ASSERTION THAT THE**  
21 **COMPANY CANNOT GUARANTEE THAT THERE ARE**  
22 **ENVIRONMENTAL BENEFITS ASSOCIATED WITH ITS RNG PILOT**  
23 **PROPOSAL.**

24 A. PGW is not claiming a specific amount of “environmental benefit” at this time  
25 resulting from future RNG purchases, as PGW does not know with which  
26 suppliers it will contract, what feedstocks they use to produce RNG, and the  
27 producer’s reporting lifecycle emissions reductions. The reasons for the proposal  
28 have been discussed in my direct testimony and in this rebuttal. However the

1 environmental benefit of using what would otherwise be emitted into the  
2 atmosphere is used as a replacement for natural gas that is supplied from the  
3 current value chain (i.e. conventional natural gas) and should be self-explanatory.

4 **Q. PLEASE RESPOND TO MR. KNECTH'S TESTIMONY THAT THERE IS**  
5 **LITTLE REASON FOR PGW TO BECOME AN "EXPERT" IN THE**  
6 **PURCHASE AND USE OF RNG.**

7 A. PGW disagrees. The process of procuring resources to provide the energy that  
8 our customers need to heat their homes and businesses is not simple. PGW is  
9 heavily regulated and there are a host of regulations, laws and requirements that  
10 could come into play when bringing a new resource onto its system. Identifying  
11 reputable suppliers with the capacity and wherewithal to supply the RNG also  
12 requires effort, and we have found that it is not an exercise that can be done in the  
13 abstract or on an aspirational basis. Finally, understanding the contractual terms  
14 and conditions that are unique to RNG suppliers also will not occur until an actual  
15 contract is negotiated. Acquiring this knowledge and information will take time.  
16 PGW is simply attempting to be proactive in beginning the knowledge acquisition  
17 process now, rather than when it is in the throes of a supply emergency.

18 **V. CONCLUSION**

19 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

20 A. Yes. I reserve the right to supplement this testimony.

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

REJOINDER TESTIMONY OF

**Gregory Stunder**

ON BEHALF OF  
PHILADELPHIA GAS WORKS

Docket No. R-2021-3023970

Philadelphia Gas Works  
Proposed 2021-22 Annual GCR Adjustment

May 12, 2021

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1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND POSITION WITH THE COMPANY.**

3 A. My name is Gregory Stunder. My position with Philadelphia Gas Works  
4 (“PGW”) is Vice President, Regulatory and Legislative Affairs.

5 **Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THIS**  
6 **PROCEEDING?**

7 A. Yes, I provided Direct Testimony (“PGW St. 3”) on March 1, 2021 and Rebuttal  
8 Testimony (“PGW St. 3-R”) on May 4, 2021.

9 **Q. WHAT IS THE PURPOSE OF YOUR REJOINDER TESTIMONY?**

10 A. The purpose of my Rejoinder Testimony is to respond to portions of the  
11 Surrebuttal Testimonies of the Commission’s Bureau of Investigation and  
12 Enforcement (“I&E”) witness Ethan Cline (“I&E St. 1-SR”) and the Office of  
13 Small Business Advocate (“OSBA”) witness Robert Knecht (“OSBA St. 1-S”) related to PGW’s proposed renewable natural gas (“RNG”) pilot program.

15 **Q. ARE YOU SPONSORING ANY EXHIBITS?**

16 A. No I am not.

17 **II. RESPONSES TO ETHAN CLINE TESTIMONY**

18 **Q. MR. STUNDER, PLEASE DESCRIBE THE TESTIMONY OF MR. CLINE**  
19 **TO WHICH YOU WISH TO RESPOND.**

20 A. Mr. Cline asserts that federal assistance funds would be better served to allow  
21 customers to pay base costs and any outstanding payments, rather than being  
22 spent on “more expensive gas” in order for PGW to “gain experience.” I&E St.  
23 1-SR at 9.

1 **Q. DO YOU AGREE?**

2 A. No. As I explained in my Direct Testimony, PGW believes that incorporating  
3 RNG into its gas supply portfolio will help PGW achieve its goals of providing  
4 safe, adequate, and reliable service to its customers. Especially due to the  
5 national, state, and local support for the reduction of emissions, PGW believes  
6 that the RNG supply market which could become an increasing source of gas  
7 supply in the years ahead. PGW St. 3 at 3-4. As explained in my Rebuttal  
8 Testimony, acquiring the knowledge and information pertaining to RNG  
9 procurement can take time, and PGW has found that it is not an exercise that can  
10 be done in the abstract or on an aspirational basis. PGW is attempting to be  
11 proactive in beginning and gain knowledge of the acquisition process now, rather  
12 than when it is in the throes of a supply emergency. PGW St. 3-R at 9. For these  
13 reasons, I disagree with Mr. Cline. It is my position that federal assistance funds  
14 are well-spent on enabling PGW to gain this necessary knowledge and  
15 experience.

16 Certainly, PGW is mindful of the current state of the economy and the  
17 impacts of COVID-19. For this reason, PGW is proposing to purchase very  
18 limited amounts of RNG in both years of its pilot program, and I maintain that  
19 PGW's proposal considers the current state of the economy and is consistent with  
20 a gradual approach. *See* PGW St. 3-R at 4.

1 **III.        RESPONSES TO ROBERT KNECHT TESTIMONY**

2 **Q.        PLEASE SUMMARIZE THE TESTIMONY OF MR. KNECHT TO**  
3 **WHICH YOU WISH TO RESPOND.**

4 A.        Mr. Knecht asserts that for PGW “must demonstrate at a minimum that there is  
5            some reasonable probability that RNG will become a significant future supply  
6            source at a competitive price” and that PGW has failed to meet this standard.  
7            OSBA St. 1-S at 6.

8 **Q.        DO YOU AGREE?**

9 A.        No. As far as I can tell, this standard was completely invented by Mr. Knecht,  
10           and I am advised by counsel that there is no legal basis or Commission precedent  
11           to support this “reasonably probability” standard. As discussed, the legal standard  
12           requires that a natural gas utility must show that it “is pursuing a least cost fuel  
13           procurement policy, consistent with the utility's obligation to provide safe,  
14           adequate and reliable service to its customers.” As such, PGW asserts that a  
15           purchasing strategy may be reasonable even if it produces higher than the “least  
16           cost” if that strategy improves or maintains the safety, adequacy and  
17           reasonableness of the utility’s gas supply. As I have discussed, PGW reasonably  
18           believes that purchasing RNG now will help PGW to maintain the safety,  
19           adequacy and reasonableness of the utility’s gas supply in the future.

20 **IV.       CONCLUSION**

21 **Q.        DOES THIS CONCLUDE YOUR TESTIMONY?**

22 A.        Yes, it does. I reserve the right to supplement this testimony.