



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
COMMONWEALTH KEYSTONE BUILDING
400 NORTH STREET, HARRISBURG, PA 17120

BUREAU OF
INVESTIGATION
&
ENFORCEMENT

June 8, 2021

Via Electronic Filing

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: Pennsylvania Public Utility Commission v.
Philadelphia Gas Works – 1307(f) Proceeding
Docket No. R-2021-3023970
I&E Pre-Served Testimony and Exhibit

Dear Secretary Chiavetta,

Enclosed for electronic filing please find the following **Pre-Served Testimony and Exhibit** of the Bureau of Investigation & Enforcement's (I&E) witness in the above-captioned proceeding, which were admitted into the record by way of Administrative Law Judge Heep's Order on May 17, 2021:

Ethan H. Cline:	I&E Statement No. 1
	I&E Exhibit No. 1
	I&E Statement No. 1-SR
	Signed Verification

Copies of this letter are being served on parties of record per the attached Certificate of Service. *Due to the temporary closing of the PUC's offices, I&E is only providing electronic service.* Should you have any questions, please do not hesitate to contact me.

Sincerely,

Gina L. Miller
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney ID No. 313863
(717) 787-8754
ginmiller@pa.gov

GLM/ac
Enclosures

cc: Honorable Darlene Heep (*Cover Letter and Certificate of Service only – via email*)
Athena Delvillar, Legal Assistant (*Cover Letter and Certificate of Service only – via email*)
Per Certificate of Service (*Cover Letter and Certificate of Service only – via email*)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :
 :
 v. : Docket No.: R-2021-3023970
 :
 Philadelphia Gas Works – 1307(f) Proceeding :

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Letter Regarding Pre-Served Testimony and Exhibit** on June 8, 2021, in the manner and upon the persons listed below:

Served via Electronic Mail Only

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Gina L. Miller
Prosecutor
Bureau of Investigation and Enforcement
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I&E Statement No. 1
Witness: Ethan H. Cline

PENNSYLVANIA PUBLIC UTILITY COMMISSION

V.

PHILADELPHIA GAS WORKS 1307(F)

Docket No. R-2021-3023970

Direct Testimony

of

Ethan H. Cline

Bureau of Investigation and Enforcement

Concerning:

Proposal to Purchase Renewable Natural Gas

1 **Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS**
2 **ADDRESS?**

3 A. My name is Ethan H. Cline. My business address is Pennsylvania Public Utility
4 Commission, Commonwealth Keystone Building, 400 North Street, Harrisburg,
5 PA 17120.

6
7 **Q. IN WHAT CAPACITY ARE YOU EMPLOYED?**

8 A. I am employed as a Fixed Utility Valuation Engineer in the Pennsylvania Public
9 Utility Commission's ("Commission") Bureau of Investigation and Enforcement
10 ("I&E").

11

12 **Q. WHAT IS YOUR EDUCATIONAL AND PROFESSIONAL**
13 **BACKGROUND?**

14 A. Appendix A, which is attached to my testimony, describes my educational
15 background and professional experience.

16

17 **Q. PLEASE DESCRIBE THE ROLE OF I&E IN RATE PROCEEDINGS.**

18 A. I&E is responsible for protecting the public interest in proceedings before the
19 Commission. The I&E analysis in this proceeding is based on its responsibility to
20 represent the public interest. This responsibility requires the balancing of the
21 interests of the ratepayers, the company, and the regulated community.

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

2 A. The purpose of my testimony is to address Philadelphia Gas Works' ("PGW" or
3 "Company") to purchase Renewable Natural Gas.

4

5 **Q. DOES YOUR DIRECT TESTIMONY INCLUDE AN EXHIBIT?**

6 A. Yes. I&E Exhibit No. 1 contains schedules relating to my testimony.

7

8 **PROPOSAL TO PURCHASE RENEWABLE NATURAL GAS**

9 **Q. WHAT IS RENEWABLE NATURAL GAS?**

10 A. Renewable Natural Gas ("RNG"), as described on PGW Statement No. 3, pp. 1-2,
11 is a biogas produced from a biochemical process, such as anaerobic digestion.

12

13 **Q. WHAT IS PGW PROPOSING REGARDING RNG?**

14 A. PGW is proposing to begin a two-year pilot program in which it purchases up to
15 \$500,000, or approximately 0.4% of PGW's total "C" Factor commodity cost, of
16 RNG during fiscal year 2022. Additionally, PGW is proposing that it be permitted
17 to increase the RNG supply it can purchase in FY 2023 above \$500,000, but not
18 more than 2% of the total "C" Factor commodity cost. (PGW St. No. 3, p. 2).

19

20 **Q. DO YOU HAVE CONCERNS REGARDING THE RNG PILOT
21 PROGRAM?**

22 A. Yes. I have several concerns regarding PGW's RNG Pilot program. Generally, I

1 am concerned that the Company's goals and purchasing plan for the program are
2 vague, the acquisition of the RNG itself may not conform to a least cost gas
3 procurement policy, and the cost of the RNG is too high to support at this time.
4

5 **Q. DID THE COMPANY PROVIDE AN EXPLANATION OF THE GOALS**
6 **FOR ITS RNG PILOT PROGRAM?**

7 A. PGW did not provide a clear outline of the parameters for success of its proposed
8 RNG Pilot Program. In its response to I&E-27, attached as I&E Exhibit No. 1,
9 Schedule 1, the Company merely stated that “[a] successful pilot involves PGW
10 being able to support the developing RNG market and PGW gaining experience
11 with RNG purchasing.” The Company did not provide any additional information
12 regarding its goals, how they would be measured, or what level of RNG
13 purchasing PGW would need to attain to determine whether the pilot was
14 successful.
15

16 **Q. IS PGW'S PROPOSED FY 2023 PURCHASING LIMIT OF 2% OF THE**
17 **TOTAL “C” FACTOR COMMODITY COST A REASONABLE GOAL?**

18 A. No. Witness Stunder stated in footnote 7 on page 2 of PGW Statement No. 3 that
19 “[b]ased on 2% of the “C” Factor commodity cost set forth in the March 1, 2021
20 annual filing which is approximately \$2,500,000.” However, using a percentage
21 of commodity costs is not a reasonable goal as the commodity cost is inherently

1 variable because it is based on gas prices. Therefore, my testimony will respond
2 to the \$2,500,000 as discussed in PGW Statement No. 3.

3
4 **Q. HAS PGW EXPLAINED WHY IT PROPOSED THE RNG PURCHASING**
5 **THRESHOLDS OF \$500,000 FOR FY 2022 AND UP TO \$2.5 MILLION**
6 **FOR FY 2023?**

7 A. Yes, but only very vaguely. Through the discovery process, I&E-37, attached as
8 I&E Exhibit No. 1, Schedule 2, asked PGW why it has established these spending
9 amounts and what factors it had considered in adopting them. PGW simply
10 indicated in its response to I&E-37 that “PGW wants to take a gradual approach to
11 RNG purchasing during the pilot period and these dollar limits are in line with a
12 gradual approach.” Therefore, aside from understanding that PGW determined
13 that its proposed budget comported with a gradual approach, it is unclear why that
14 determination was made. It is also unclear why PGW’s proposal to potentially
15 increase its RNG spending by five times for year 2023 is consistent with a gradual
16 approach.

17
18 **Q. PLEASE ELABORATE ON YOUR SECOND CONCERN REGARDING**
19 **PGW’S PROPOSED RNG PILOT PROGRAM?**

20 A. The second concern I have regarding PGW’s proposed RNG pilot program relates
21 to the cost of the RNG, which is exponentially more expensive than natural gas,
22 and the excessive cost diminishing the buying power of ratepayer funds.

1 **Q. DID PGW ESTIMATE THE DIFFERENCE IN COST BETWEEN RNG**
2 **AND THE NATURAL GAS IT NORMALLY PURCHASES?**

3 A. Yes. On page 3 of PGW Statement No. 3, witness Stunder explained that a
4 supplier responded to a recent PGW request for proposal (“RFP”) with an RNG
5 cost adder ranging from \$13.00 to \$17.50 per Dth over and above the indexed cost
6 of natural gas. I also note that PGW Item 53.54(a) Schedule 15 shows Natural
7 Gas Prices for March 1, 2021. As an example, and assuming that the prices shown
8 on PGW Item 53.54(a) Schedule 15 are in dollars per Dth¹, the TETCO M-1 cost
9 of natural gas for March 2021 is \$2.53 per Dth. Therefore, according to the
10 information provided in the FP, the RNG would cost approximately \$15.53 per
11 Dth to \$20.03 per Dth, making it exponentially more expensive than natural gas.

12
13 **Q. PLEASE PROVIDE A COMPARISON OF RNG TO TRADITIONAL**
14 **NATURAL GAS.**

15 A. The following table shows a comparison of the amount of traditional natural gas
16 that the Company would be able to purchase compared to the amount of RNG
17 based on the same \$500,000 limit provided in the pilot program.

¹ PGW Item 53.54(a) Schedule 15 does not show units.

Table 1. Comparison of RNG to Traditional Natural Gas		
	RNG	TETCO M-1
Cost per Dth	\$15.53	\$2.53
Total spend	\$500,000	\$500,000
Dth purchased	32,196	197,628

1

2

3 **Q. WHAT PRACTICAL EFFECT OF THE RNG PILOT PROGRAM DOES**
 4 **THE ABOVE TABLE ILLUSTRATE?**

5 A. The above table shows that, under the proposed RNG pilot, if PGW were to
 6 replace \$500,000 of TETCO M-1 natural gas with the same dollar amount of
 7 RNG, the Company would need to also purchase approximately 165,432 Dth of
 8 traditional natural gas in order have the same amount of supply. Assuming a
 9 \$2.53 per Dth price, this extra gas would cost an additional approximately
 10 \$418,543 (165,432 Dth x \$2.53 per Dth). This extra gas cost will increase when
 11 the amount of RNG that the Company purchases increases as it proposed in year 2
 12 of the Pilot program.

13

14 **Q. DID THE COMPANY ADDRESS THE INCREASED COST OF THE RNG**
 15 **IN ITS DIRECT TESTIMONY?**

16 A. Yes. On page 4 of PGW Statement No. 3, witness Stunder addressed the least cost
 17 gas procurement policy required by Sections 1317 and 1318 of the Public Utility
 18 Code. Specifically, witness Stunder explained that PGW believes that its RNG

1 Pilot program is consistent with these requirements due to the anticipated
2 environmental benefits and the diversification of PGW's supply portfolio.

3
4 **Q. IS PGW'S RNG PILOT PROGRAM CONSISTENT WITH SECTIONS 1317**
5 **AND 1318 OF THE PUBLIC UTILITY CODE?**

6 A. While I am not an attorney and I am not offering a legal opinion, I am advised by
7 counsel that the RNG Pilot program may not be consistent with the least cost gas
8 procurement policy of Sections 1317 and 1318 of the Public Utility Code.
9 However, I will defer to counsel to address the legal analysis in brief.

10
11 **Q. OUTSIDE OF THE "LEAST COST GAS" PROCUREMENT POLICY, DO**
12 **YOU HAVE OTHER CONCERNS REGARDING THE HIGH COST OF**
13 **RNG?**

14 A. Yes. PGW's customer base includes a large section of low-income ratepayers. I
15 believe that the Company's proposed RNG Pilot program will have an excessive
16 negative effect not only on those low-income customers, but that it will also dilute
17 the purchasing power of all PGW ratepayers' dollars because they will be paying
18 more money for less gas. I also note that while paying more money for less gas
19 would be a burden for ratepayers at any time, it is particularly concerning at a time
20 when ratepayers are struggling to recover from the COVID-19 pandemic.
21 Additionally, the full financial impact of the financial crisis upon regulated
22 utilities like PGW, which has only lifted its termination moratorium on April 1,

1 2021, remains uncertain. It is also uncertain whether and how the COVID-19
2 pandemic may impact gas prices.

3
4 **Q. TO YOUR KNOWLEDGE, HAS PGW CONDUCTED ANY RESEARCH**
5 **ON WHETHER AND HOW THE COVID-19 PANDEMIC MAY IMPACT**
6 **THE COST OF EITHER NATURAL GAS OR RENEWABLE NATURAL**
7 **GAS?**

8 A. It is unclear. I&E did ask PGW about whether it performed such research,
9 however, PGW did not answer the question in its response to I&E-38, attached as
10 I&E Exhibit No. 1, Schedule 3. Instead, PGW simply responded that “PGW is
11 unaware of any factors related to COVID-19 that would impact natural gas and
12 RNG costs in FY 2022 and/or FY 2023.”

13
14 **Q. DID THE COMPANY ATTEMPT TO MITIGATE ANY CONCERNS**
15 **ABOUT THE COVID-19 PANDEMIC’S IMPACT AND THE POTENTIAL**
16 **COST IMPACT OF THE RNG PILOT PROGRAM ON CUSTOMERS?**

17 A. Yes. In its response to I&E-38, the Company claimed that the improvement in the
18 unemployment level from 14.8% in April 2020 to 6.2% in February 2021, as well
19 as the \$1.9 trillion federal COVID relief package, which doubles LIHEAP
20 funding, as justification for customers to be able to withstand higher gas costs.
21 (I&E Ex. No. 1, Sch. 3).

1 **Q. WERE PGW'S CLAIMS REGARDING THE EMPLOYMENT**
2 **STATISTICS AND AVAILABILITY OF RELIEF FUNDING SPECIFIC TO**
3 **THE CUSTOMERS IN ITS SERVICE TERRITORY?**

4 A, No. PGW pointed to the US Bureau of Labor Statistics for its employment
5 figures, and that is a national source that does not necessarily translate to the
6 figures in PGW's service territory. Also, the \$1.9 trillion COVID relief package is
7 not tied directly to funds that will be available for PGW ratepayers to pay their gas
8 bills.

9
10 **Q. DO YOU AGREE WITH THE COMPANY THAT THE RECOVERING**
11 **ECONOMY AND ADDITIONAL FEDERAL ASSISTANCE ENABLES**
12 **THE COMPANY TO PURCHASE HIGHER COST RNG?**

13 A. No. While the economy appears to be recovering and the federal unemployment
14 rate is dropping, the recovery process is in its early stages. While I acknowledge
15 that the federal unemployment rate has decreased significantly since April 2020, it
16 is still higher than the pre-COVID level of 3.5% (I&E Ex. No. 1, Sch. 3).

17
18 **Q. HAS PGW PROVIDED THE COMMISSION ANY INFORMATION**
19 **REGARDING THE IMPACT OF COVID-19 ON ITS PAYMENT**
20 **TROUBLED CUSTOMERS?**

21 A. Yes. In a letter submitted by PGW to the Commission on February 16, 2021,
22 PGW submitted comments to the Commission intended to address its position on

1 the termination moratorium.² As part of its Comments, PGW indicated that “since
2 implementation of the PUC Order, and even with call volumes low, approximately
3 35,000 customers have identified as having income at or below 300% FPL as of
4 today’s date. The impact of the pandemic on the percentages is not yet clear, but it
5 is clear that a sizeable percentage of PGW customers have income at or below
6 300% FPL.”³ Additionally, in a letter to the Commission on March 15, 2021
7 regarding customer arrearages, PGW revealed that the level of aggregate customer
8 arrearage dollars increased by \$22,928,362 from \$83,584,040 as of February 29,
9 2020 to \$106,512,402 as of February 28, 2021.⁴ This data shows that, while the
10 federal unemployment numbers may be recovering, a large number of PGW’s
11 customers remain at risk, and PGW and its customers are now grappling with
12 significant arrearage amounts.

13
14 **Q. DO YOU BELIEVE THAT IMPROVEMENT IN EMPLOYMENT, THE**
15 **STIMULUS PAYMENTS, AND LIHEAP CHANGES ARE SUFFICIENT**
16 **TO OFFSET THE COST OF PGW’S RNG PILOT PROGRAM?**

17 A. No. Increasing gas costs with a voluntary and costly, highly experimental pilot
18 program only serves to absorb a portion of the federal assistance funds and thus

² Philadelphia Gas Works’ Comments Addressing Expiring Termination Moratorium, Docket No. M-2020-3019244 (February 16, 2021), available at <https://www.puc.pa.gov/pcdocs/1693505.pdf>

³ PGW Comments at p. 6.

⁴ PGW’s COVID-19 Customer Reporting Requirements: At-Risk Accounts, Docket No. M-2020-3019244, p. 2, March 15, 2021, available at <https://www.puc.pa.gov/pcdocs/1696551.pdf>

1 reduces the effectiveness of the federal assistance being provided to aid low-
2 income or payment troubled ratepayers. I believe the additional federal assistance
3 funds would be better served to allow customers to pay base costs as well as
4 potentially paying for any outstanding payments that they may have missed over
5 the last year. As such, I do not believe it is reasonable for PGW to increase its gas
6 costs to include an RNG pilot at this time.

7
8 **Q. WHAT DO YOU RECOMMEND REGARDING PGW'S RNG PILOT**
9 **PROGRAM?**

10 A. I recommend that PGW's RNG Pilot program be denied in the present proceeding.
11 As explained above, Company's goals and purchasing plan for the program are
12 vague, the acquisition of the RNG itself may not conform to a least cost gas
13 procurement policy, and the cost of the RNG is too high to support the RNG Pilot
14 Program at this time.

15
16 **Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?**

17 A. Yes.

ETHAN H. CLINE

PROFESSIONAL EXPERIENCE AND EDUCATION

EXPERIENCE:

03/2009 - Present

Bureau of Investigation and Enforcement, Pennsylvania Public Utility Commission - Harrisburg, Pennsylvania

Fixed Utility Valuation Engineer – Assists in the performance of studies and analyses of the engineering-related areas including valuation, depreciation, cost of service, quality and reliability of service as they apply to fixed utilities. Assists in reviewing, comparing and performing analyses in specific areas of valuation engineering and rate structure including valuation concepts, original cost, rate base, fixed capital costs, inventory processing, excess capacity, cost of service, and rate design.

06/2008 – 09/2008

Akens Engineering, Inc. - Shiremanstown, Pennsylvania

Civil Engineer – Responsible, primarily, for assisting engineers and surveyors in the planning and design of residential development projects

10/2007 – 05/2008

J. Michael Brill and Associates - Mechanicsburg, Pennsylvania

Design Technician – Responsible, primarily, for assisting engineers in the permit application process for commercial development projects.

01/2006 – 10/2007

CABE Associates, Inc. - Dover, Delaware

Civil Engineer – Responsible, primarily, for assisting engineers in performing technical reviews of the sewer and sanitary sewer systems of Sussex County, Delaware residential development projects.

EDUCATION:

Pennsylvania State University, State College, Pennsylvania
Bachelor of Science; Major in Civil Engineering, 2005

- Attended NARUC Rate School, Clearwater, FL
- Attended Society of Depreciation Professionals Annual Conference and Training

TESTIMONY SUBMITTED:

I have testified and/or submitted testimony in the following proceedings:

1. Clean Treatment Sewage Company, Docket No. R-2009-2121928
2. Pennsylvania Utility Company – Water Division, Docket No. R-2009-2103937
3. Pennsylvania Utility Company – Sewer Division, Docket No. R-2009-2103980
4. UGI Central Penn Gas, Inc., 1307(f) proceeding, Docket No. R-2010-2172922
5. PAWC Clarion Wastewater Operations, Docket No. R-2010-2166208
6. PAWC Claysville Wastewater Operations, Docket No. R-2010-2166210
7. Citizens’ Electric Company of Lewisburg, Pa, Docket No. R-2010-2172665
8. City of Lancaster – Bureau of Water, Docket No. R-2010-2179103
9. Peoples Natural Gas Company LLC, Docket No. R-2010-2201702
10. UGI Central Penn Gas, Inc., Docket No. R-2010-2214415
11. Pennsylvania-American Water Company, Docket No. R-2011-2232243
12. Pentex Pipeline Company, Docket No. A-2011-2230314
13. Peregrine Keystone Gas Pipeline, LLC, Docket No. A-2010-2200201
14. Philadelphia Gas Works 1307(f), Docket No. R-2012-2286447
15. Peoples Natural Gas Company LLC, Docket No. R-2012-2285985
16. Equitable Gas Company, Docket Nos. R-2012-2312577, G-2012-2312597
17. City of Lancaster – Sewer Fund, Docket No. R-2012-2310366
18. Peoples TWP, LLC 1307(f), Docket No. R-2013-2341604
19. UGI Penn Natural Gas, Inc. 1307(f), Docket No. R-2013-2361763
20. UGI Central Penn Gas, Inc. 1307(f), Docket No. R-2013-2361764
21. Joint Application, Docket Nos. A-2013-2353647, A-2013-2353649, A-2013-2353651
22. City of Dubois – Bureau of Water, Docket No. R-2013-2350509
23. The Columbia Water Company, Docket No. R-2013-2360798
24. Pennsylvania American Water Company, Docket No. R-2013-2355276
25. Generic Investigation Regarding Gas-on-Gas Competition, Docket Nos. P-2011-227868, I-2012-2320323
26. Philadelphia Gas Works 1307(f), Docket No. R-2014-2404355
27. Pike County Light and Power Company (Gas), Docket No. R-2013-2397353
28. Pike County Light and Power Company (Electric), Docket No. R-2013-2397237
29. Peoples Natural Gas Company LLC 1307(f), Docket No. R-2014-2403939
30. UGI Penn Natural Gas, Inc. 1307(f), Docket No. R-2014-2420273
31. UGI Utilities, Inc. – Gas Division 1307(f), Docket No. R-2014-2420276
32. UGI Central Penn Gas, Inc. 1307(f), Docket No. R-2014-2420279
33. Emporium Water Company, Docket No. R-2014-2402324
34. Borough of Hanover – Hanover Municipal Water, Docket No. R-2014-2428304
35. Philadelphia Gas Works 1307(f), Docket No. R-2015-2465656
36. Peoples Natural Gas Company LLC 1307(f), Docket No. R-2015-2465172
37. Peoples Natural Gas Company – Equitable Division 1307(f), Docket No. R-2015-2465181
38. PPL Electric Utilities Corporation, Docket No. R-2015-2469275
39. UGI Penn Natural Gas, Inc. 1307(f), Docket No. R-2015-2480934

40. UGI Central Penn Gas, Inc. 1307(f), Docket No. R-2015-2480937
41. UGI Utilities, Inc. – Gas Division 1307(f), Docket No. R-2015-2480950
42. UGI Utilities, Inc. – Gas Division, Docket No. R-2015-2518438
43. Joint Application of Pennsylvania American Water, et al.,
Docket No. A-2016-2537209
44. UGI Utilities, Inc. – Gas Division 1307(f), Docket No. R-2016-2543309
45. UGI Central Penn Gas, Inc. 1307(f), Docket No. R-2016-2543311
46. City of Dubois – Company, Docket No. R-2016-2554150
47. UGI Penn Natural Gas, Inc., Docket No. R-2016-2580030
48. UGI Central Penn Gas, Inc. 1307(f), Docket No. R-2017-2602627
49. UGI Penn Natural Gas, Inc. 1307(f), Docket No. R-2017-2602633
50. UGI Utilities, Inc. – Gas Division 1307(f), Docket No. R-2017-2602638
51. Application of Pennsylvania American Water Company Acquisition of the
Municipal Authority of the City of McKeesport, Docket No. A-2017-2606103
52. Pennsylvania American Water Company, Docket No. R-2017-2595853
53. Pennsylvania American Water Company Lead Line Petition,
Docket No. P-2017-2606100
54. UGI Utilities, Inc. – Electric Division, Docket No. R-2017-2640058
55. Peoples Natural Gas Company, LLC – Peoples and Equitable Division 1307(f),
Docket Nos. R-2018-2645278 & R-2018-3000236
56. Peoples Gas Company, LLC 1307(f), Docket No. R-2018-2645296
57. Columbia Gas of Pennsylvania, Inc., Docket No. R-2018-2647577
58. Duquesne Light Company, Docket No. R-2018-3000124
59. Suez Water Pennsylvania, Inc., Docket No. R-2018-3000834
60. Application of Pennsylvania American Water Company Acquisition of the
Municipal Authority of the Township of Sadsbury, Docket No. A-2018-3002437
61. The York Water Company, Docket No. R-2018-3000006
62. Application of SUEZ Water Pennsylvania, Inc. Acquisition of the Water and
Wastewater Assets of Mahoning Township, Docket Nos. A-2018-3003517 and
A-2018-3003519
63. Pittsburgh Water and Sewer Authority, Docket Nos. R-2018-3002645 and
R-2018-3002647
64. Joint Application of Aqua America, Inc. et al., Acquisition of Peoples Natural Gas
Company LLC, et al., Docket Nos. A-2018-3006061, A-2018-3006062, and
A-2018-3006063
65. Implementation of Chapter 32 of the Public Utility Code Regarding Pittsburgh
Water and Sewer Authority, Docket Nos. M-2018-2640802 and M-2018-2640803
66. Philadelphia Gas Works 1307(f), Docket No. R-2019-3007636
67. People Natural Gas Company, LLC, Docket No. R-2018-3006818
68. Application of Pennsylvania American Water Company Acquisition of the
Steelton Borough Authority, Docket No. A-2019-3006880
69. Application of Aqua America, Inc. et al., Acquisition of the Wastewater System
Assets of the Township of Cheltenham, Docket No. A-2019-3006880
70. Philadelphia Gas Works, Docket No. R-2019-3009016
71. Wellsboro Electric Company, Docket No. R-2019-3008208
72. Valley Energy, Inc., Docket No. R-2019-3008209

73. Citizens' Electric Company of Lewisburg, Pa, Docket Non. R-2019-3008212
74. Application of Aqua America, Inc. et al., Acquisition of the Wastewater System Assets of the East Norriton Township, Docket No. A-2019-3009052
75. Peoples Natural Gas Company, LLC 1307(f), Docket No. R-2020-3017850
76. Peoples Gas Company, LLC 1307(f), Docket No. R-2020-3017846
77. Philadelphia Gas Works, Docket No. R-2020-3017206
78. Pittsburgh Water and Sewer Authority, Docket Nos. R-2020-3017951 et al.
79. Columbia Gas of Pennsylvania, Docket No. R-2020-3018835
80. Pennsylvania America Water Company, Docket Nos. R-2020-3019369 and R-2020-3019371

I&E Exhibit No. 1
Witness: Ethan H. Cline

PENNSYLVANIA PUBLIC UTILITY COMMISSION

V.

PHILADELPHIA GAS WORKS 1307(F)

Docket No. R-2021-3023970

Exhibit to Accompany

the

Direct Testimony

of

Ethan H. Cline

Bureau of Investigation and Enforcement

Concerning:

Proposal to Purchase Renewable Natural Gas

Philadelphia Gas Works
Case Name: R-2021-3023970
Docket No(s): GCR 21

Response to Discovery Request: IE-27
Date of Response: 3/23/2021
Response Provided By: Gregory Stunder

Question:

Reference PGW Statement No. 3 regarding the RNG pilot. Provide a description of how the success of the pilot program will be determined.

Attachments: 0

Response:

A successful pilot involves PGW being able to support the developing RNG market and PGW gaining experience with RNG purchasing.

Philadelphia Gas Works
Case Name: R-2021-3023970
Docket No(s): GCR 21

Response to Discovery Request: IE-37
Date of Response: 3/23/2021
Response Provided By: Gregory Stunder

Question:

Reference PGW Statement No. 3, page 2 whereby witness Stunder identifies PGW's proposal to purchase up to \$500,000 of RNG for FY 2022 and up to 2% of the total "C" Factor commodity cost (no more than approximately \$2.5 million) for FY 2023. Provide the following information:

- a. Explain why PGW established \$500,000 as the proposed amount for FY 2022, and identify each factor that PGW considered in proposing this amount.
- b. Explain why PGW established up to 2% of the total "C" Factor as the proposed amount for FY 2023, and identify each factor that PGW considered in proposing this amount.

Attachments: 0

Response:

a./b.: PGW wants to take a gradual approach to RNG purchasing during the pilot period and these dollar limits are in line with a gradual approach.

Philadelphia Gas Works
Case Name: R-2021-3023970
Docket No(s): GCR 21

Response to Discovery Request: IE-38
Date of Response: 3/23/2021
Response Provided By: Gregory Stunder

Question:

Has PGW conducted any research regarding how the economic impact of the COVID-19 pandemic may impact its gas costs for FY 2022 and/or FY 2023? If so, please identify the research PGW has conducted and provide any materials in PGW's possession that contain any results of the research.

Attachments: 0

Response:

PGW purchases natural gas on an index market that is impacted by many factors. Generally, the most impactful factor is weather. PGW is unaware of any factors related to COVID-19 that would impact gas costs in FY 2022 and/or FY 2023.

As for other more general economic conditions, the economy is improving based the following improvement in unemployment levels: 1) most recent - 6.2% in February 2021; 2) highest during COVID - 14.8% in April 2020; and 3) pre-COVID - 3.5% in February 2020 (Source: US Bureau of Labor Statistics). Additionally, a \$1.9 trillion dollar COVID relief package was signed into law by President Biden in March 2021 which doubles LIHEAP funding. The COVID relief package also increases funding for a rental assistance program and provides initial funding for a homeowners assistance program, both of which provide assistance for utility payments.

**I&E Statement No. 1-SR
Witness: Ethan H. Cline**

PENNSYLVANIA PUBLIC UTILITY COMMISSION

V.

PHILADELPHIA GAS WORKS 1307(F)

Docket No. R-2021-3023970

Surrebuttal Testimony

of

Ethan H. Cline

Bureau of Investigation and Enforcement

Concerning:

Proposal to Purchase Renewable Natural Gas

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1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Ethan H. Cline. My business address is Pennsylvania Public Utility
4 Commission, 400 North Street, Harrisburg, PA 17120.

5

6 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

7 A. I am employed by the Pennsylvania Public Utility Commission in the Bureau of
8 Investigation and Enforcement (“I&E”) as a Fixed Utility Valuation Engineer.

9

10 **Q. ARE YOU THE SAME ETHAN H. CLINE THAT SUBMITTED I&E**
11 **STATEMENT NO. 1 AND I&E EXHIBIT NO. 1 ON APRIL 16, 2021?**

12 A. Yes.

13

14 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

15 A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony
16 submitted by Philadelphia Gas Works (“PGW” or “Company”) witness Gregory
17 Stunder (PGW St. No. 3-R.)

18

19 **Q. DOES YOUR SURREBUTTAL TESTIMONY INCLUDE AN EXHIBIT?**

20 A. No.

1 **PROPOSAL TO PURCHASE RENEWABLE NATURAL GAS**

2 **Q. WHAT DID YOU RECOMMEND REGARDING PGW’S PROPOSAL FOR**
3 **A RENEWABLE NATURAL GAS PILOT PROGRAM?**

4 A. I recommended that PGW’s Renewable Natural Gas (“RNG”) Pilot program be
5 denied in the present proceeding. As explained in I&E Statement No. 1, the
6 Company’s goals and purchasing plan for the program are vague, the acquisition
7 of the RNG itself may not conform to a least cost gas procurement policy, and the
8 cost of the RNG is too high to support the RNG Pilot Program at this time. (I&E
9 St. No. 1, p. 11).

10

11 **Q. DID THE COMPANY AGREE WITH YOUR RECOMMENDATION?**

12 A. No. Specifically, Mr. Stunder attempted to dismiss my concerns regarding the
13 Company’s goals for the RNG Pilot program, the program’s compliance with the
14 Commission’s least cost gas procurement policy, the gradualness of the RNG Pilot
15 program, and economic uncertainty that I discussed in I&E Statement No. 1.

16

17 **Q. HOW DID MR. STUNDER RESPOND TO YOUR CONCERNS**
18 **REGARDING THE VAGUENESS OF THE COMPANY’S GOALS FOR**
19 **THE RNG PILOT PROGRAM?**

20 A. Mr. Stunder attempted to brush off my concerns when he stated that “it is not clear
21 what specifics Mr. Cline believes are needed at this stage.” (PGW St. No. 3-R, p.

1 2). He further stated that it is not prudent for the Company to have signed a
2 contract for RNG prior to approval by the Commission.

3
4 **Q. DID MR. STUNDER’S STATEMENTS REGARDING THE COMPANY’S**
5 **GOALS FOR THE RNG PILOT PROGRAM CAUSE YOU TO CHANGE**
6 **YOUR RECOMMENDATION?**

7 A. Not at all. While I agree with Mr. Stunder that it is not prudent for the Company
8 to sign a contract for RNG prior to approval by the Commission, his statement
9 merely attempted to diminish the concerns I expressed. I believe more details
10 about the program are needed before a contract is contemplated. PGW should
11 address the lack of specificity surrounding the RNG Pilot program’s goals,
12 identify how the goals would be measured, and identify and explain what level of
13 RNG purchasing PGW would need to attain to determine whether the pilot was
14 successful.

15
16 **Q. DID MR. STUNDER ADDRESS YOUR SPECIFIC CONCERNS**
17 **SURROUNDING THE LACK OF DETAIL OF THE RNG PROPOSAL?**

18 A. No, Mr. Stunder did not specifically address my concerns. However, Mr. Stunder
19 did agree that PGW would be willing to report on certain metrics that Office of
20 Consumer Advocate witness Mierzwa recommended, the metrics do nothing to
21 resolve the fact that there is no clear target to gauge the pilot’s success. On the
22 other hand, there is a clear cost to the RNG pilot, and as I explained on page 7 of

1 my direct testimony, that cost results in the significant reduction of the purchasing
2 power of all PGW ratepayers' dollars because they will be paying more money for
3 less gas.

4
5 **LEAST COST GAS PROCUREMENT POLICY**

6 **Q. HOW DID MR. STUNDER ATTEMPT TO ADDRESS I&E'S CONCERNS**
7 **REGARDING THE LEAST COST GAS PROCUREMENT POLICY?**

8 A. Mr. Stunder, on page 3 of PGW Statement No. 3-R, offered that it is PGW's
9 opinion that equating satisfaction of the least cost standard solely with whether the
10 price of the RNG exceeds the price of other alternatives is too narrow a view.

11
12 **Q. PLEASE ADDRESS MR. STUNDER'S CLAIMS REGARDING THE**
13 **LEAST COST GAS PROCUREMENT POLICY.**

14 A. First, as I explained on page 5 of I&E Statement No. 1, the information provided
15 by PGW revealed that PGW anticipates that RNG may raise gas costs by a
16 minimum of \$13 per Dth. Although Mr. Stunder attempted to minimize the
17 significant cost increase for RNG by characterizing it as "too narrow" he fails to
18 acknowledge how dramatically use of RNG would raise gas costs. However, as I
19 stated on page 7 of I&E Statement No. 1, I am not an attorney and am not offering
20 a legal opinion and, therefore, will defer to counsel to address the legal analysis of
21 "least cost gas" in brief.

1 **Q. HOW DOES MR. STUNDER CLAIM THE GRADUALNESS OF PGW'S**
2 **RNG PILOT PROGRAM SHOULD BE VIEWED?**

3 A. Mr. Stunder stated on page 4 of PGW Statement No. 3-R that the “gradualness of
4 PGW’s program should not exclusively be viewed as relationally between the two
5 years, but rather in the context of its entire gas supply portfolio.” He further stated
6 that “[i]n this regard, PGW believes that a program that has a first year cap of
7 approximately 0.4 percent and a second year cap of 2 percent within the context of
8 PGW’s entire gas supply portfolio is certainly consistent with a gradual, limited
9 approach.”

10

11 **Q. DO YOU AGREE THAT PGW’S APPROACH TO THE RNG PILOT**
12 **PROGRAM IS GRADUAL AND LIMITED?**

13 A. No. As I described on pages 4-6 of I&E Statement No. 1, the excessive cost of the
14 RNG, which is exponentially more expensive than traditional natural gas, has the
15 effect of diminishing the buying power of ratepayer funds. Therefore, while 0.4
16 percent and 2 percent of PGW’s entire gas supply portfolio are relatively small
17 amounts, these percentages correlate with actual ratepayer dollars. Specifically,
18 the year one limit of \$500,000 and year two limit of approximately \$2,500,000
19 cannot be viewed in the vacuum of percentage of the entire gas supply portfolio.
20 Because the Company would be purchasing less gas at a higher cost, the supply
21 portfolio may need to be supplemented with additional traditional natural gas
22 sources, which would lead to hidden costs not accounted for in the Company’s

1 proposal. These higher, hidden, and undefined costs do not appear to have been
2 considered by the PGW, but when considered, they may add an additional layer of
3 contradiction to its claim that its approach to the RNG Pilot program is gradual
4 and limited.

5
6 **Q. HOW DID MR. STUNDER ADDRESS YOUR CONCERNS REGARDING**
7 **THE ECONOMIC UNCERTAINTY CAUSED BY THE COVID-19**
8 **PANDEMIC AND ITS EFFECTS ON CUSTOMERS IN PGW'S SERVICE**
9 **TERRITORY?**

10 A. Mr. Stunder stated on page 5 of PGW Statement No. 3-R that PGW's "requested
11 reasons for the pilot program exist regardless of the state of the economy or the
12 Pandemic." He also claimed that the City of Philadelphia is moving in a positive
13 direction economically, in terms of employment rate, and number of vaccinated
14 city residents. Finally, Mr. Stunder claimed that I incorrectly assert that the
15 federal COVID relief packages are not directly tied to funds that will be available
16 to PGW ratepayers. (PGW St. No. 3-R, p. 6).

17
18 **Q. DO YOU AGREE THAT PGW'S REQUESTED REASONS FOR THE RNG**
19 **PILOT PROGRAM EXIST REGARDLESS OF THE STATE OF THE**
20 **ECONOMY OR THE PANDEMIC?**

21 A. Yes, but this is a gas cost proceeding, and the reasons for the RNG proposal still
22 must be viewed in the context of gas costs. When evaluating gas cost, it is not

1 reasonable to simply ignore the state of the economy or the effects of the COVID-
2 19 pandemic in order to explore an expensive natural gas source that, presumably,
3 will be available in future years when the economic recovery from the COVID-19
4 pandemic is farther along.

5
6 **Q. IS MR. STUNDER CORRECT THAT THE UNEMPLOYMENT RATE**
7 **FOR THE CITY OF PHILADELPHIA HAS FALLEN FROM THE COVID-**
8 **19 PEAK OF 15.0%?**

9 A. Yes. However, what Mr. Stunder did not mention is that the February 2021
10 unemployment rate of 7.8 percent remains significantly higher than the pre-
11 COVID-19 unemployment rate of 4.9 percent in March 2020¹. This further
12 illustrates my position that, while the economy is recovering and more residents
13 are getting vaccinated, as explained by witness Stunder on page 6 of PGW St. No.
14 3-R, there remains a long way to go to get back to pre-COVID-19 conditions and a
15 not-insignificant number of PGW customers remain impacted.

16
17 **Q. DID MR. STUNDER ADDRESS THE INFORMATION YOU**
18 **REFERENCED IN YOUR DIRECT TESTIMONY DESCRIBING THE**
19 **IMPACT OF PGW'S PAYMENT TROUBLED CUSTOMERS?**

20 A. No. Mr. Stunder failed to address the statistics, referenced on pages 9-10 of I&E

¹ US Bureau of Labor Statistics, [Philadelphia-Camden-Wilmington, PA-NJ-DE-MD: Nonfarm employment and labor force data : Mid-Atlantic Information Office : U.S. Bureau of Labor Statistics \(bls.gov\)](https://www.bls.gov/midatlantic/information-office/)

1 Statement No, 1, submitted by PGW to the Commission on February 26, 2021. In
2 its submission, PGW reported that approximately 35,000 customers have
3 identified as having income at or below 300 percent of the Federal Poverty Level.
4 Mr. Stunder also ignored the fact that PGW's level of aggregate customer
5 arrearage dollars increased by \$22,928,362 from February 2020 to February 2021.
6 Although Mr. Stunder ignored these statistics, they are specific to the COVID-19
7 impact upon PGW and its operations and they should be considered when PGW
8 proposes to purchase expensive RNG.

9
10 **Q. WHAT IS THE RELEVANCE OF THE UNEMPLOYMENT RATE, THE**
11 **NUMBER OF CUSTOMERS WITH INCOME UNDER 300 PERCENT OF**
12 **THE FEDERAL POVERTY LEVEL, AND THE INCREASE IN THE**
13 **LEVEL OF AGGREGATE CUSTOMER ARREARAGE DOLLARS?**

14 A. The data regarding the unemployment rate, the number of customers with income
15 under 300 percent of the Federal Poverty Level, and the increase in the level of
16 aggregate customer arrearage dollars are relevant because they illustrate just how
17 much PGW's customers were impacted by the COVID-19 pandemic and how far
18 the recovery has yet to go before it can be considered back to pre-COVID-19
19 levels. Importantly, the data illustrates that requiring ratepayers to pay
20 exponentially higher rates for RNG than they would pay for traditional natural gas
21 is not a prudent course of action.

1 **Q. DID MR STUNDER ADDRESS YOUR POSITION ON I&E STATEMENT**
2 **NO. 1, P. 11 THAT “ADDITIONAL FEDERAL ASSISTANCE FUNDS**
3 **WOULD BE BETTER SERVED TO ALLOW CUSTOMERS TO PAY**
4 **BASE COSTS AS WELL AS POTENTIALLY PAYING FOR ANY**
5 **OUTSTANDING PAYMENTS THAT THEY MAY HAVE MISSED OVER**
6 **THE LAST YEAR”?**

7 A. No. On page 6 of PGW Statement No 3-R, Mr. Stunder incorrectly characterized
8 my position and instead stated that “Mr. Cline incorrectly asserts that the federal
9 COVID relief packages are not directly tied to funds that will be available to PGW
10 ratepayers.” He then cited to additional relief dollars being provided by the
11 American Rescue Plan Act. Despite his reference to relief dollars, Mr. Stunder’s
12 rebuttal testimony failed to address, in any meaningful way, my position that these
13 additional federal assistance funds would be better served to allow customers to
14 pay base costs and any outstanding payments that they may have missed over the
15 last year. Use of those dollars would be best spent in remediating the significant
16 dollars of arrearage that PGW has self-reported instead being spent to buy
17 exponentially more expensive gas to “gain experience.” As I stated on pages 10-
18 11 of I&E Statement No, 1, “[i]ncreasing gas costs with a voluntary and costly,
19 highly experimental pilot program only serves to absorb a portion of the federal
20 assistance funds and thus reduces the effectiveness of the federal assistance being
21 provided to aid low-income or payment troubled ratepayers.”

1 **Q. DO YOU WISH TO CHANGE YOUR RECOMMENDATION?**

2 A. No. PGW's response, as described above, did not adequately address or alleviate
3 any of the concerns I raised in my direct testimony regarding the Company's
4 proposed RNG Pilot program. Therefore, I continue to recommend the program
5 be denied.

6

7 **Q. DOES THIS COMPLETE YOUR SURREBUTTAL TESTIMONY?**

8 A. Yes.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2021- 3023970
	:	
Philadelphia Gas Works 1307(f)	:	

**VERIFICATION OF THE
BUREAU OF INVESTIGATION AND ENFORCEMENT**

I, Ethan H. Cline, on behalf of the Bureau of Investigation and Enforcement, hereby verify that the documents preliminarily identified as I&E Statement No. 1, I&E Exhibit No. 1, and I&E Statement No. 1-SR were prepared by me or under my direct supervision and control. Furthermore, the facts contained therein are true and correct to the best of my knowledge, information and belief and I expect to be able to prove the same at an Evidentiary Hearing in this matter. This Verification is made subject to the penalties of 18 Pa. C.S. § 4904 relating to unsworn falsification to authorities.

/s/ Ethan H. Cline _____
Ethan H. Cline
Fixed Utility Valuation Engineer
Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement

Dated: 5/11/21