

COMMONWEALTH OF PENNSYLVANIA



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April 7, 2023

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

Re: Pennsylvania Public Utility Commission  
v.  
National Fuel Gas Distribution Corporation  
1307(f) Proceeding  
Docket No. R-2023-3037428

Dear Secretary Chiavetta:

Consistent with 52 Pa. Code Section 5.412a of the Commission's regulations, which requires the electronic submission of pre-served testimony, and per Administrative Law Judge Collins' attached Order Adopting Joint Stipulation for Admission of Evidence and Admitting Evidence dated April 5, 2023, enclosed for electronic filing please find the following "Admitted Evidence" on behalf of the Office of Consumer Advocate ("OCA") in the above-referenced proceeding.

**Office of Consumer Advocate's Direct Testimony**

OCA Statement 1 -- Direct Testimony of Jerome D. Mierzwa and Verification

All testimony is accompanied by a witness verification. The OCA's submission also addresses the requirements of the Commission's January 10, 2013 Implementation Order at Docket M-2012-2331973, which requires electronic access to pre-served testimony.

All parties and the presiding officer have been served previously with the testimony and copies have been served per the attached Certificate of Service.

Respectfully submitted,

/s/ Mackenzie C. Battle  
Mackenzie C. Battle  
Assistant Consumer Advocate  
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Enclosures:

cc: The Honorable Charece Z. Collins (cover letter and Certificate of Service only - **via email only**)  
Certificate of Service

\*344133

CERTIFICATE OF SERVICE

Pennsylvania Public Utility Commission :  
:  
v. : Docket No. R-2023-3037428  
:  
National Fuel Gas Distribution Corporation :  
1307(f) Proceeding :

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate’s Pre-Served Testimony, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 7<sup>th</sup> day of April 2023.

**SERVICE BY E-MAIL ONLY**

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**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2023-3037428
Office of Small Business Advocate	:	C-2023-3037705
Office of Consumer Advocate	:	C-2023-3037866
	:	
v.	:	
	:	
National Fuel Gas Distribution Corporation	:	

**ORDER ADOPTING JOINT STIPULATION FOR ADMISSION OF EVIDENCE AND  
ADMITTING EVIDENCE**

On April 5, 2023, National Fuel Gas Distribution Corporation (Distribution), the Bureau of Investigation and Enforcement (I&E), the Office of Consumer Advocate (OCA), and the Office of Small Business Advocate (OSBA) (hereinafter collectively referred to as “Joint Petitioners” or “Parties”), filed a “Joint Stipulation for Admission of Evidence” (Joint Stipulation or Stipulation) in the above-captioned proceeding. Each of the Parties waived cross-examination of the witnesses and requested that the filings, statements, and exhibits listed in the Stipulation be admitted into the record of this proceeding on the terms and conditions set forth in the Stipulation. The Stipulation is attached to this Order.

In anticipation of the Stipulation by the Parties, the evidentiary hearings scheduled in this matter for April 3, 4, and 5, 2023, were cancelled via notice served on March 31, 2023.

The Parties have requested the admission of the following evidence:

**Testimony and Exhibits of Distribution**

1. Distribution's 30-day Prefiling, filed on December 30, 2022, containing the information submitted pursuant to 52 Pa. Code §§ 53.64(c) and 53.65 of the Commission's regulations and 66 Pa. C.S. 1317(c) in support of 66 Pa. C.S. § 1307(f) Purchased Gas Costs for 2023, including PGC Exhibit Nos 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, and 27.

2. Distribution's January 31, 2023 Main Filing containing the computation of the annual purchased gas cost filing submitted pursuant to 52 Pa. Code §§ 53.61, et. seq., of the Commission's regulations and 66 Pa. C.S. § 1317(c) in support of 66 Pa. C.S. § 1307(f) Purchased Gas Costs for 2022. The January 31, 2023 Main Filing includes the following direct testimony and exhibits:

- Distribution PGC Statement No. 1 – Direct Testimony of Christopher A. Cej.
- Distribution PGC Statement No. 2 – Direct Testimony of Marc T. Cuthbertson and Exhibit MTC-1.
- Distribution PGC Statement No. 3 – Direct Testimony of Caitlin DiGiore
- Distribution PGC Statement No. 4 – Direct Testimony of Gregory D. Harts
- Distribution PGC Statement No. 5 – Direct Testimony of Nicholas J. Hewa
- Distribution PGC Statement No. 6 – Direct Testimony of Donald N. Koch
- Distribution PGC Statement No. 7 – Direct Testimony of Lisa A. Petko and Exhibit Nos. LAP-1, LAP-2, LAP-3, LAP-4, and LAP-5.
- Distribution PGC Exhibit Nos. 28, 29, 30, 31, 32, 33, and 34.

3. Distribution PGC Statement No. 2R – Rebuttal Testimony of Marc T. Cuthbertson, including Attachment A.

4. Distribution PGC Statement No. 5R – Rebuttal Testimony of Nicholas J. Hewa.

**Testimony and Exhibit of I&E**

1. I&E Statement No. 1 – Direct Testimony of Vanessa Okum and I&E Exhibit No. 1

**Testimony of OCA**

1. OCA Statement No. 1 – Direct Testimony of Jerome D. Mierzwa.

As the request to admit the evidence via Joint Stipulation is reasonable, the request is granted.

THEREFORE,

IT IS ORDERED:

1. That the Joint Stipulation, filed on April 5, 2023, is hereby adopted.
2. That the testimony and exhibits listed in the Joint Stipulation (and also above for ease of reference) are admitted into the record of this proceeding on the terms and conditions set forth in the Joint Stipulation as if the same were fully set forth in this ordering paragraph.
3. That, by **4:00 p.m. on April 7, 2023**, the parties shall file the admitted evidence, with appropriate verifications, with the Commission’s Secretary’s Bureau pursuant to 52 Pa. Code § 5.412a.
4. That the Parties shall, when filing their evidence pursuant to Ordering Paragraph 3, include in each filing: (a) a copy of this Order, and (b) a cover letter referencing the caption and Docket Number of this proceeding, the specific evidence included in the filing, and the fact that the evidence included in the filing is “admitted evidence.”

5. That all filings, statements, and exhibits designated as “**Confidential**” be placed in non-public folders by the Secretary’s Bureau of the Commission.

Date: April 5, 2023

\_\_\_\_\_/s/\_\_\_\_\_  
\_\_\_\_\_

Charece Z. Collins

Administrative Law Judge

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC :  
UTILITY COMMISSION :  
 :  
v. : DOCKET NO. R-2023-3037428  
 :  
NATIONAL FUEL GAS :  
DISTRIBUTION CORPORATION :

DIRECT TESTIMONY

OF

JEROME D. MIERZWA

ON BEHALF OF THE

PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

MARCH 9, 2023

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**DIRECT TESTIMONY OF JEROME D. MIERZWA**

**I. INTRODUCTION**

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Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Jerome D. Mierzwa. I am a Principal with and Vice President of Exeter Associates, Inc. (“Exeter”). My business address is 10480 Little Patuxent Parkway, Suite 300, Columbia, Maryland 21044. Exeter specializes in providing public utility-related consulting services.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I graduated from Canisius College in Buffalo, New York, in 1981 with a Bachelor of Science Degree in Marketing. In 1985, I received a Master’s Degree in Business Administration with a concentration in finance, also from Canisius College. In July 1986, I joined National Fuel Gas Distribution Corporation (“NFGD”) as a Management Trainee in the Research and Statistical Services Department (“RSS”). I was promoted to Supervisor RSS in January 1987. While employed with NFGD, I conducted various financial and statistical analysis related to the Company’s market research activity and state regulatory affairs. In April 1987, as part of a corporate reorganization, I was transferred to National Fuel Gas Supply Corporation’s (“NFG Supply”) rate department where my responsibilities included utility cost of service and rate design analysis, expense and revenue requirement forecasting, and activities related to federal regulation. I was also responsible for preparing NFG Supply’s Federal Energy Regulatory Commission (“FERC”) Purchased Gas Adjustment (“PGA”) filings and developing interstate pipeline and spot market supply gas price projections. These forecasts were utilized for internal planning purposes as well as in NFGD’s 1307(f) proceedings.

1           In April 1990, I accepted a position as a Utility Analyst with Exeter. In December  
2           1992, I was promoted to Senior Regulatory Analyst. Effective April 1, 1996, I became a  
3           Principal of Exeter. Since joining Exeter, I have specialized in evaluating the gas  
4           purchasing practices and policies of natural gas distribution companies (“NGDCs”), utility  
5           class cost of service and rate design analysis, sales and rate forecasting, performance-based  
6           incentive regulation, revenue requirement analysis, the unbundling of utility services and  
7           the evaluation of customer choice natural gas transportation programs.

8    Q.           HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY PROCEEDINGS  
9           ON UTILITY RATES?

10   A.       Yes. I have provided testimony on over 400 occasions in proceedings before FERC, and  
11       state utility regulatory commissions in Arkansas, Connecticut, Delaware, Georgia, Illinois,  
12       Indiana, Louisiana, Maine, Massachusetts, Montana, Nevada, New Hampshire, New  
13       Jersey, Ohio, Rhode Island, South Carolina, Texas, Utah, and Virginia, as well as before  
14       the Pennsylvania Public Utility Commission (“PaPUC” or “Commission”).

15   Q.           WHAT IS THE PURPOSE OF YOUR TESTIMONY?

16   A.       Exeter Associates, Inc. was retained by the Pennsylvania Office of Consumer Advocate  
17       (“OCA”) to review the 2023 annual 1307(f) Purchased Gas Cost (“PGC”) rate filing of  
18       National Fuel Gas Distribution Corporation (“NFGD” or “the Company”). The purpose of  
19       my testimony is to address NFGD’s compliance with the provision of the partial settlement  
20       approved in the Company’s 2022 PGC proceeding in Docket No. R-2022-3030235 which  
21       required the Company to investigate modifications to its current Gas Cost Management  
22       Plan (“Plan”).

1 Q. HAVE YOU PREVIOUSLY ASSISTED THE OCA IN REVIEWING NFGD'S  
2 ANNUAL PGC FILINGS?

3 A. Yes. I have assisted the OCA in the review of NFGD's annual PGC filings each year since  
4 1991, with the exception of the Company's 1995 filing.

5 Q. PLEASE SUMMARIZE YOUR FINDINGS AND RECOMMENDATIONS.

6 A. My findings and recommendations are as follows:

- 7 • NFGD's Gas Cost Management Plan currently provides for price  
8 diversification of 52% of the Company's winter period gas supply  
9 purchases. The Plan currently provides for no price diversification for  
10 the Company's summer gas supply purchases. To provide for price  
11 diversification for the Company's summer gas supply purchases, I  
12 recommend that the Company consider locking in 25 to 50% of its  
13 summer purchases at fixed prices one year prior to the month of  
14 delivery.

15  
16

## II. BACKGROUND

17 Q. HOW OFTEN DOES NFGD REVISE OR UPDATE ITS PGC RATE?

18 A. On or about February 1 of each year NFGD submits its annual 1307(f) PGC rate filing to  
19 the Commission. This annual filing reflects a PGC rate to be effective August 1. However,  
20 the PGC rate included in NFGD's annual PGC proceeding does not go typically into effect  
21 on August 1. On or about July 31 of each year, NFGD will update, in a compliance filing,  
22 the PGC rate initially included in its annual PGC filing to reflect its most recent purchase  
23 gas cost projections, and this rate then goes into effect on August 1. NFGD updates its PGC  
24 rate on a quarterly basis effective each November 1, February 1, and May 1 to reflect its  
25 most recent purchased gas cost projections. These quarterly filings are typically made a  
26 day or two prior to the effective date.

1 Q. PLEASE DESCRIBE THE TIME PERIODS RELEVANT TO YOUR  
2 INVESTIGATION IN THIS PROCEEDING.

3 A. In this proceeding, the 2022 annual PGC period extends from August 1, 2022 through July  
4 31, 2023. Actual and projected purchased gas costs and revenues experienced by NFGD  
5 during the 2022 PGC period are reconciled, and any under-collections or over-collections  
6 are reflected in determining the PGC rates applicable during the 2023 annual PGC period.  
7 The 2023 annual PGC period extends from August 1, 2023 through July 31, 2024. PGC  
8 rates during the 2023 annual PGC period will reflect, through quarterly PGC rate  
9 adjustments, estimated purchased gas costs for that period, adjusted for 2022 PGC period  
10 purchased gas cost net under-collections or over-collections.

11 In its annual PGC rate proceedings, NFGD's actual gas procurement activity during  
12 the historic annual review period is examined for consistency with least-cost gas  
13 procurement standards. The historic review period extends from the December two years  
14 prior to the annual PGC filing date through November of the year prior to the annual filing.  
15 For this proceeding, the historic review period is December 2021 through November 2022.

16 Q. BRIEFLY DESCRIBE NFGD'S CURRENT GAS SUPPLY AND INTERSTATE  
17 PIPELINE TRANSPORTATION ARRANGEMENTS.

18 A. Gas supplies are delivered almost exclusively to NFGD under the various firm  
19 transportation arrangements the Company maintains with its interstate pipeline affiliate,  
20 National Fuel Gas Supply Corporation ("NFG Supply"). NFGD purchases small quantities  
21 of gas which are delivered directly to its system (local production). NFG Supply's facilities  
22 are located in the western portions of Pennsylvania and New York. Significant quantities  
23 of Marcellus Shale production region gas supplies are purchased by NFGD which are  
24 delivered directly to NFG Supply and then, subsequently redelivered to NFGD.<sup>1</sup> Marcellus

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<sup>1</sup> The Marcellus Shale production region extends across western Pennsylvania, West Virginia, and southeast Ohio, and is the largest source of natural gas in the United States.

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1 Shale gas supplies are also purchased and delivered to NFG Supply by upstream interstate  
2 pipelines from Marcellus Shale production regions that NFG Supply's transmission  
3 facilities do not access. Gas supplies may also be purchased and delivered to NFG Supply  
4 by upstream pipelines from other producing regions such as the Gulf Coast region of the  
5 United States. The primary upstream interstate pipeline delivering gas to NFG Supply on  
6 NFGD's behalf is Tennessee Gas Pipeline ("Tennessee"). Other upstream interstate  
7 pipelines that deliver gas to NFG Supply on NFGD's behalf are Texas Eastern Gas  
8 Transmission ("Texas Eastern") and Columbia Gas Transmission ("Columbia"). NFGD's  
9 current capacity resources are summarized in greater detail in PGC Exhibit No. 4-A.

10 Gas delivered to NFG Supply on NFGD's behalf may be delivered to NFGD on a  
11 current basis or injected into NFG Supply's storage facilities and redelivered at a later time.  
12 NFGD purchases storage service from NFG Supply under two rate schedules.<sup>2</sup> NFGD also  
13 purchases a relatively small quantity of storage service from Columbia.

14 Q. PLEASE IDENTIFY THE VARIOUS SERVICES PROVIDED BY NFGD AND  
15 THE CUSTOMERS IT SERVES.

16 A. NFGD provides retail sales service and several different transportation services. The  
17 transportation services provided by NFGD are Small Aggregation Transportation  
18 Customer ("SATC") service, Monthly Metered Transportation ("MMT") service, and  
19 Daily Metered Transportation ("DMT") service. Customers subscribing to SATC service  
20 are commonly referred to as a "Choice" customers and are predominantly Residential and  
21 Small Commercial customers. MMT and DMT customers are predominantly larger  
22 Commercial and Industrial customers. SATC and MMT service customer usage is  
23 measured on a monthly basis while DMT customer usage is measured on a daily basis.

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<sup>2</sup> NFGD purchases storage service from NFG Supply under the Enhanced Storage Service ("ESS") and Firm Storage Service ("FSS") rate schedules.

1 **III. GAS COST MANAGEMENT PLAN**

2 Q. PLEASE DESCRIBE NFGD’S GAS COST MANAGEMENT PLAN.

3 A. NFGD’S Gas Cost Management Plan, which has been in place for a number of years, is  
4 designed to reduce the volatility of its PGC rates through diversification of the prices the  
5 Company pays for the gas supplies which are delivered and sold to PGC sales customers.  
6 Details of that Plan are presented in Exhibit 8-E. Under the Plan, NFGD purchases 12% of  
7 its forecasted PGC requirements prior to the upcoming winter (November through March)  
8 at fixed or capped prices during the prior summer (April through October). In addition,  
9 40% of the winter requirements of NFGD’s PGC customers are served with gas withdrawn  
10 from storage. The gas supplies withdrawn from storage are purchased and injected into  
11 storage during the prior summer.

12 Q. WHAT DID YOU RECOMMEND IN YOUR DIRECT TESTIMONY IN  
13 NFGD’S 2022 PGC PROCEEDING CONCERNING THE GAS COST  
14 MANAGEMENT PLAN?

15 A. In my direct testimony in NFGD’s 2022 PGC proceeding, I noted that there was a  
16 significant recent increase in natural gas commodity prices and in the volatility of those  
17 prices. I recommended that NFGD should consider modifications to its Plan that could  
18 better position the Company to address recent price increases and future potential volatility.  
19 More specifically, I recommended that the Company study its 12% purchasing target for  
20 upcoming winter supplies, and that the Company also review its timing and layering of  
21 purchases as part of a comprehensive hedging plan that could benefit customers by  
22 distributing cost changes over multiple quarters. For example, the Company could extend  
23 the time horizon for fixed and capped price purchases for the upcoming winter period  
24 beyond the prior summer period.

1 Q. WHAT DID THE PARTIAL SETTLEMENT IN NFGD’S 2022 PROCEEDING  
2 PROVIDE WITH RESPECT TO NFGD’S GAS COST MANAGEMENT  
3 PLAN?

4 A. The partial settlement in NFGD’s 2022 proceeding provided that:

5  
6 Distribution will investigate modifications to its Gas Cost Management Plan that  
7 may mitigate future potential rate volatility. The Company will evaluate whether  
8 its current 12% purchasing target for winter supplies remains appropriate. The  
9 Company will also review its timing and layering of purchases as part of a hedging  
10 plan that could benefit customers by distributing cost changes over multiple  
11 quarters. The Company will provide a copy of its review and present its findings to  
12 the parties in its 2023 PGC pre-filing. The Company will not be required to propose  
13 any changes to its Gas Cost Management Plan as a result of this review. (Section  
14 F, item 57, page 13).

15  
16 Q. IN YOUR TESTIMONY IN LAST YEAR’S PROCEEDING, YOU  
17 INDICATED THAT THERE HAD BEEN A SIGNIFICANT RECENT  
18 INCREASE IN NATURAL GAS COMMODITY PRICES AND IN THE  
19 VOLATILITY OF THOSE PRICES. WHAT EVIDENCE OF THE INCREASE  
20 IN GAS PRICES AND THE VOLATILITY OF THOSE PRICES DID YOU  
21 PRESENT?

22 A. In the United States, natural gas is traded in the financial (“futures”) markets and physical  
23 markets. The Henry Hub in Louisiana serves as the natural gas benchmark for natural gas  
24 prices, and is the centralized point for New York Mercantile Exchange (“NYMEX”) natural gas  
25 futures trading in the United States. In my direct testimony in NFGD’s 2022  
26 proceeding, I presented Table 2 which provided a two-year history of NYMEX settlement  
27 prices and currently traded prices (as of March 4, 2022) through the conclusion of NFGD’s  
28 2022 PGC period. Table 2 from last year’s proceeding is presented below.

<b>Table 2. NYMEX Settlement and Currently Traded Gas Prices (Dth)</b>	
<b>Settlement Price</b>	
January 2020	\$2.158
February	\$1.877
March	\$1.821
April	\$1.634
May	\$1.794
June	\$1.722
July	\$1.495
August	\$1.854
September	\$2.579
October	\$2.101
November	\$2.996
December	\$2.896
January 2021	\$2.467
February	\$2.760
March	\$2.854
April	\$2.586
May	\$2.925
June	\$2.984
July	\$3.617
August	\$4.044
September	\$4.370
October	\$5.841
November	\$6.202
December	\$5.447
January 2022	\$4.024
February	\$6.265
March	\$4.568
<b>Current Price (as of March 4, 2022)</b>	
April 2022	\$4.917
May	\$4.939
June	\$4.982
July	\$5.025
August	\$5.027
September	\$5.014
October	\$5.043
November	\$5.086
December	\$5.256
January 2023	\$5.350
February	\$5.165
March	\$4.670

April	\$3.577
May	\$3.475
June	\$3.513
July	\$3.545
August	\$3.570

1 As shown in Table 2, natural gas prices began to increase in the latter months of the summer  
2 of 2021, and but were projected to decline from those levels in the summer of 2023.

3 Q. HAVE YOU UPDATED TABLE 2 TO REFLECT ADDITIONAL ACTUAL  
4 NYMEX SETTLEMENT PRICES AND CURRENTLY TRADED PRICES?

5 A. Yes. Table 2-Updated reflects actual NYMEX settlement prices through March 2023, and  
6 currently traded prices through August 2024.

7

<b>Table 2-Updated. NYMEX Settlement and Currently Traded Gas Prices (Dth)</b>	
<b>Settlement Price</b>	
January 2020	\$2.158
February	\$1.877
March	\$1.821
April	\$1.634
May	\$1.794
June	\$1.722
July	\$1.495
August	\$1.854
September	\$2.579
October	\$2.101
November	\$2.996
December	\$2.896
January 2021	\$2.467
February	\$2.760
March	\$2.854
April	\$2.586
May	\$2.925
June	\$2.984
July	\$3.617
August	\$4.044
September	\$4.370
October	\$5.841
November	\$6.202

December	\$5.447
January 2022	\$4.024
February	\$6.265
March	\$4.568
April	\$5.336
May	\$7.267
June	\$8.908
July	\$6.551
August	\$8.687
September	\$9.353
October	\$6.868
November	\$5.186
December	\$6.712
January 2023	\$4.709
February	\$3.109
March	\$2.308
<b>Current Price (as of March 7, 2023)</b>	
April 2023	\$2.687
May	\$2.840
June	\$3.060
July	\$3.2510
August	\$3.293
September	\$3.256
October	\$3.332
November	\$3.697
December	\$4.082
January 2024	\$4.261
February	\$4.147
March	\$3.820
April	\$3.400
May	\$3.462
June	\$3.616
July	\$3.76
August	\$3.799

1 As shown in Table 2 and Table 2-Updated, natural gas commodity prices increased during  
2 2022 significantly more than was expected at this time last year. Thus far prices for 2023  
3 are lower than expected at this time last year. For 2024, prices are expected to increase to  
4 levels slightly higher than what is expected for 2023.

1 Q. HOW HAVE NFGD'S PGC RATES CHANGED SINCE THE SUMMER 2021?

2 A. NFGD's PGC rates have changed as follows:

3 August 2021 - \$5.0214/Mcf  
4 November 2021 - \$6.3617/Mcf  
5 February 2022 - \$6.0807/Mcf  
6 May 2022 - \$6.4713/Mcf  
7 August 2022 - \$9.0436/Mcf  
8 November 2022 - \$8.7905/Mcf  
9 February 2023 - \$7.5890/Mcf

10 Residential customers have seen tremendous volatility in their PGC rates. For  
11 example, the August to October 2022 PGC rate was 80 percent higher than the August to  
12 October 2021 PGC rate. The purpose of hedging purchases, as recommended below, is to  
13 reduce this level of volatility.

14 In this proceeding, NFGD has initially proposed a PGC rate of \$5.9705/Mcf;  
15 however, the rate initially proposed by NFGD in this proceeding will be updated to reflect  
16 current projected gas prices prior to the August 1, 2023 effective date of its PGC rate.

17 Q. DID NFGD INVESTIGATE AND ANALYZE MODIFICATIONS TO ITS GAS  
18 COST MANAGEMENT PLAN AS REQUIRED BY THE SETTLEMENT IN  
19 THE 2022 PGC PROCEEDING?

20 A. Yes. The Company evaluated whether its current 12% purchasing target for winter supplies  
21 remains appropriate, and reviewed its timing and layering of purchases to assess whether  
22 distributing cost changes over multiple quarters may benefit customers. The Company's  
23 analysis of its Plan is described in detail in PGC Exhibit No. 8, pages 17 through 24.

24 Q. PLEASE SUMMARIZE THE COMPANY'S ANALYSIS AND EVALUATION  
25 OF ITS 12% PURCHASING TARGET FOR WINTER SUPPLIES.

26 A. Currently under the Plan, the Company locks in 12% of its winter gas supply purchases at  
27 fixed prices during the previous summer. The Company's analysis evaluated the cost  
28 impact of increasing the 12% to 18% for the three previous winter seasons and the current

1 2022-2023 winter season. The Company's analysis found that for the three previous winter  
2 seasons, increasing the price predetermined purchase quantity from 12% to 18% would  
3 have resulted in a net increase of approximately \$160,000 to customers. For the current  
4 winter season, the Company's analysis indicated that increasing the price predetermined  
5 purchase quantity would have resulted in a net increase of approximately \$1,100,000 to  
6 customers. This significant increase in costs to customers was attributable to the decline in  
7 gas prices which occurred during the winter of 2022-2023 after the summer 2022. This  
8 decline is reflected in Table 2-Updated.

9 Q. PLEASE SUMMARIZE THE COMPANY'S ANALYSIS AND EVALUATION  
10 OF ITS TIMING AND LAYERING OF PURCHASES TO ASSESS WHETHER  
11 DISTRIBUTING COST CHANGES OVER MULTIPLE QUARTERS MAY  
12 BENEFIT CUSTOMERS.

13 A. To evaluate the impact of modifying the current layering of purchases to assess whether  
14 distributing cost changes over multiple quarters would benefit customers, for each of the  
15 two previous and the current winter season, the Company reallocated 25% of its  
16 predetermined price summer purchases to the previous winter period. For the winter of  
17 2020-2021 the reallocation would have resulted in savings of approximately \$200,000 to  
18 customers. For the winter of 2021-2022, the savings would have been approximately  
19 \$540,000, and for the winter of 2022-2023, the savings would have been approximately  
20 \$1,600,000. The savings for the winter of 2022-2023 is attributable the avoidance of a  
21 portion of the Company's predetermined price summer purchases for the winter of 2022-  
22 2023 at the high prices which existed during the summer of 2022.

1 Q. AS A RESULT OF ITS INVESTIGATION AND ANALYSIS, IS THE  
2 COMPANY PROPOSING ANY CHANGES TO ITS CURRENT GAS COST  
3 MANAGEMENT PLAN?

4 A. No. The Company expects the recent volatility in gas prices to flatten over the long-term.  
5 The Company believes its current Plan which fixes the price of 52% of its winter gas  
6 supplies provides for sufficient price diversification and remains appropriate.

7 Q. WHAT IS YOUR RESPONSE TO THE COMPANY'S PROPOSAL TO  
8 MAINTAIN ITS CURRENT PLAN?

9 A. The objective of the Plan is to mitigate the Company's sales customers' exposure to the  
10 market's price volatility through supply portfolio price diversification. The Plan currently  
11 provides for price diversification for 52% of the Company's winter period gas supply  
12 purchases. The Plan currently provides for no price diversification for the Company's  
13 summer gas supply purchases. As shown on Table 2-Updated, during the summer of 2022,  
14 natural gas prices and volatility increased significantly. While historically it is unusual for  
15 gas prices and volatility to increase as it did during the summer of 2022, such increases are  
16 not unprecedented. During the summer of 2008, NYMEX settlement prices averaged  
17 \$10.14/Dth, and declined to \$3.63/Dth by the start of the summer of 2009. During the  
18 summer of 2022, NYMEX settlement prices averaged \$7.57/Dth, and are anticipated to  
19 decline to \$2.40/Dth by the start of the summer of 2023. To provide for price diversification  
20 for the Company's summer gas supply purchases which are injected into storage, I  
21 recommend that the Company consider purchasing 25 to 50% of the purchases it currently

1 conducts in the summer months at predetermined fixed prices one year prior to the month  
2 of delivery.

3 Q. WHAT BENEFIT WOULD THIS DIVERSIFICATION OF SUMMER  
4 PURCHASES PROVIDE RESIDENTIAL CUSTOMERS?

5 A. The purpose of increasing the diversification of summer purchases is to capture market  
6 prices over a longer period of time. If enough gas purchasing is spread through various  
7 times of the year, short term market price volatility will have a reduced impact on rates,  
8 while consumers will pay market prices spread throughout the year. This will reduce the  
9 volatility seen in recent PGC pricing.

10 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

11 A. Yes, it does.

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

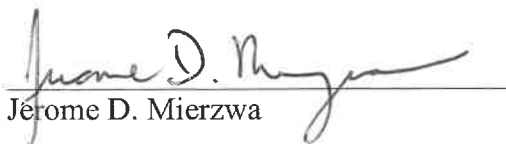
Pennsylvania Public Utility Commission :  
v. : Docket No. R-2023-3037428  
National Fuel Gas Distribution Corporation :  
1307(f) Proceeding :

VERIFICATION

I, Jerome D. Mierzwa, hereby state that the facts set forth in my Direct Testimony, OCA Statement 1, are true and correct (or are true and correct to the best of my knowledge, information, and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

DATED: March 9, 2023  
\*342572

Signature:

  
Jerome D. Mierzwa

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