

COMMONWEALTH OF PENNSYLVANIA



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June 26, 2024

Via Electronic Filing

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

R-2024-3045945-jbs

Re: Pennsylvania Public Utility Commission
v.
Peoples Natural Gas Company LLC 1307(f)
Docket No. R-2024-304594

Dear Secretary Chiavetta:

In accordance with the direction given by the Honorable Administrative Law Judge Katrina L. Dunderdale in the enclosed Corrected Interim Order issued June 18, 2024, attached for electronic filing please find the Office of Consumer Advocate's pre-served direct testimony, OCA Statement 1, Direct Testimony of Jerome D. Mierzwa, in this proceeding.

Copies have been served on the parties as indicated on the enclosed Certificate of Service.

Respectfully submitted,

/s/ Melanie Joy El Atieh
Melanie Joy El Atieh
Deputy Consumer Advocate
PA Attorney I.D. # 209323
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Enclosures

cc: The Honorable Katrina L. Dunderdale (Via Email Only)
Certificate of Service (as indicated)

CERTIFICATE OF SERVICE

Pennsylvania Public Utility Commission :
v. : Docket No. R-2024-3045945
Peoples Natural Gas Company LLC :
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 Admitted Direct 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. This document was filed electronically on the Commission’s electronic filing system.

Dated this 26th day of June 2024.

SERVICE BY E-MAIL ONLY

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SERVICE BY E-MAIL ONLY (continued)

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Dated: June 26, 2024

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

| | | |
|--|---|----------------|
| Pennsylvania Public Utility Commission | : | R-2024-3045945 |
| Office of Small Business Advocate | : | C-2024-3047498 |
| Office of Consumer Advocate | : | C-2024-3047727 |
| | : | |
| v. | : | |
| | : | |
| Peoples Natural Gas Company LLC | : | |
| 1307(f) Proceeding | : | |

CORRECTED INTERIM ORDER
Correcting the Prepared Written Testimony
To be Admitted Into the Hearing Record

On June 17, 2024, the presiding officer issued the Interim Order which intended to admit prepared written testimony into the hearing record, in addition to suspending the litigation schedule. Inadvertently, the Interim Order included an incorrect list of written statements and exhibits to be admitted, in addition to listing the incorrect date for the submission of the settlement materials.

The correct date for the submission of settlement materials is June 18, 2024, which was the date established in the Prehearing Order as the date for the filing of the reply briefs. The Interim Order dated June 17, 2024, listed the date as June 28, 2024, which is the incorrect date. The date is corrected in an Ordering Paragraph below.

In addition, the correct listing of evidence to be admitted into the hearing record is included below. The parties submitting evidence into the official Commission file should include a copy of this Corrected Interim Order when filing the evidence with the Commission's Secretary's Bureau.

AND NOW THEREFORE,

IT IS ORDERED:

1. The fully-executed joint settlement agreement, accompanied by substantive Statements in Support submitted by all signatories, shall be submitted by close of business on Tuesday, June 18, 2024.

2. The documentation submitted by the parties is marked as follows and is hereby admitted into evidence, pursuant to 52 Pa. Code §5.403(a)(1) and §5.404. The prepared written direct testimonies of PNG's witnesses were submitted as part of the initial filing and are listed here as marked, in addition to the rebuttal testimonies served by PNG and by OCA:

- a. Peoples Natural Gas Company Statement No. 1 – Direct Testimony of Carol A. Scanlon with Peoples Natural Gas Company Exhibit Nos. 2, 3, and 15.
- b. Peoples Natural Gas Company Statement No. 2 – Direct Testimony of Steven P. Kolich with Peoples Natural Gas Company Exhibit Nos. 1 (partial), 4, 6 (partial), 7 (partial), and 8 (partial).
- c. Peoples Natural Gas Company Statement No. 3 – Direct Testimony of Dawn M. Folks with Peoples Natural Gas Company Exhibit Nos. 1 (partial), 5, 6 (partial), 7 (partial), 8 (partial), 9, 10, 11, and 12.
- d. Peoples Natural Gas Company Statement No. 4 – Direct Testimony of Lynda M. Petrichevich with Peoples Natural Gas Company Exhibit Nos. 13 and 14.
- e. Peoples Natural Gas Company Statement No. 1-R – Rebuttal Testimony of Carol A. Scanlon, with Peoples Natural Gas Company Exhibit No. 15-R.
- f. Peoples Natural Gas Company Statement No. 3-R – Rebuttal Testimony of Dawn M. Folks, with Peoples Natural Gas Company Exhibit No. 11-R.
- g. OCA Statement No. 1 – Direct Testimony of Jerome D. Mierzwa, with Schedule JDM-1.

**R-2024-3045945 - PENNSYLVANIA PUBLIC UTILITY COMMISSION V. PEOPLES
NATURAL GAS COMPANY LLC 1307(F)**

Revised: April 23, 2024

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

| | | |
|---------------------|---|---------------------------|
| PENNSYLVANIA PUBLIC | : | |
| UTILITY COMMISSION | : | |
| | : | |
| v. | : | DOCKET NO. R-2024-3045945 |
| | : | |
| PEOPLES NATURAL GAS | : | |
| COMPANY, LLC | : | |

DIRECT TESTIMONY

OF

JEROME D. MIERZWA

ON BEHALF OF THE

PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

May 1, 2024

1 forecasts were utilized for internal planning purposes as well as in NFGD's 1307(f)
2 purchased gas cost ("PGC") proceedings.

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

11 Q. HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY
12 PROCEEDINGS ON UTILITY RATES?

13 A. Yes. I have provided testimony on more than 450 occasions in proceedings before the
14 FERC and state utility regulatory commissions in Arkansas, Connecticut, Delaware,
15 Georgia, Illinois, Indiana, Louisiana, Maine, Massachusetts, Montana, Nevada, New
16 Hampshire, New Jersey, Ohio, Rhode Island, South Carolina, Texas, and Virginia, as
17 well as before the Pennsylvania Public Utility Commission ("PaPUC" or
18 "Commission").

19 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

20 A. Exeter was retained by the Pennsylvania Office of Consumer Advocate ("OCA") to
21 review the 2024 1307(f) PGC filing of Peoples Natural Gas Company, LLC ("Peoples"
22 or the "Company") – Peoples Natural Gas Division and Peoples Gas Division.
23 My testimony presents the results of my review.

1 Q. WHAT IS YOUR EXPERIENCE WITH RESPECT TO PARTICIPATION
2 IN THE 1307(f) PROCEEDINGS OF PENNSYLVANIA NATURAL GAS
3 DISTRIBUTION COMPANIES (“NGDCs”)?

4 A. I have assisted, or am currently assisting, the OCA in the 1307(f) PGC proceedings of
5 the following NGDCs, or their predecessor(s), as indicated in Table 1.
6

Table 1. Pennsylvania NGDC 1307(f) Proceedings

| Company | Years |
|---|--|
| Columbia Gas of Pennsylvania | 2019-2024 |
| National Fuel Gas Distribution | 1991-1994, 1996-2024 |
| Peoples Gas (Peoples TWP) | 2002-2012, 2016-2022 |
| Peoples Natural Gas Company – Equitable Division | 1997-2012, 2014-2022 |
| Peoples Natural Gas Company – Peoples Division | 1991-1996, 1999, 2001-2008, 2011-2024 |
| PECO Energy Company | 2000, 2012, 2019-2024 |
| Philadelphia Gas Works | 2012-2024 |
| UGI Utilities, Inc. | 1991-2024 |

7 Q. PLEASE SUMMARIZE YOUR FINDINGS AND RECOMMENDATIONS.

8 A. My findings and recommendations are as follows:

- 9
- 10 • The transportation service balancing charges proposed by Peoples should
be adjusted to reflect on-system storage losses and interstate pipeline
overrun and penalty charges.

11 Q. PLEASE DESCRIBE THE TIME PERIODS RELEVANT TO YOUR
12 INVESTIGATION.

13 A. The historic review period extends from February 1, 2023 through January 31, 2024.
14 As part of the 1307(f) PGC review process, Peoples’ actual gas procurement activity
15 during the historic review period is examined for consistency with least-cost gas
16 procurement standards. The 2023 PGC period extends from October 1, 2023 through
17 September 30, 2024. Actual and projected purchased gas costs and revenues

1 experienced by Peoples during the 2023 PGC period are reconciled, and any under- or
2 over-collections are reflected in determining the PGC rate applicable during the 2024
3 PGC period. The 2024 PGC period extends from October 1, 2024, through September
4 30, 2025. The 2024 PGC rate will reflect projected purchased gas costs for that period,
5 adjusted for the 2023 PGC period purchased gas cost net under-collections or over-
6 collections. Peoples files to revise its 2024 PGC rate on a quarterly basis to reflect
7 updated projected purchased gas costs.
8

9 **II. BALANCING CHARGES**

10 Q. PLEASE DESCRIBE THE BALANCING SERVICES PROVIDED BY
11 PEOPLES.

12 A. In addition to providing firm sales service to PGC customers, Peoples also provides
13 firm transportation service under which customers arrange with a third-party for the
14 purchase and delivery of the gas supplies needed to meet their daily requirements to
15 the Peoples system. The quantity of gas delivered to Peoples on a daily basis to serve
16 a transportation customer inevitably varies from the quantity of gas used by a
17 transportation customer. Peoples provides balancing service to address these
18 differences in daily deliveries and usage.

19 Q. BRIEFLY EXPLAIN HOW PEOPLES CALCULATED ITS PROPOSED
20 BALANCING CHARGES FOR TRANSPORTATION CUSTOMERS.

21 A. Peoples utilizes its interstate pipeline storage arrangements and its on-system storage
22 facilities to provide balancing service. The calculation of Peoples' proposed balancing
23 charges is presented in Peoples Natural Gas Exhibit No. 11. As shown there, Peoples
24 first calculates the annual purchased gas costs associated with its interstate pipeline
25 storage arrangements, and then determines the monthly average cost of the daily
26 deliverability of these storage arrangements. Peoples determined this monthly average

1 cost to be \$8.9561/Mcf. This calculation does not include any costs for Peoples on-
2 system storage facilities because the plant investment and operation and maintenance
3 costs associated with the on-system storage facilities are generally collected through
4 the base rates (while the costs associated with gas injected and withdrawn from the on-
5 system facilities (including losses) are recovered through PGC rates). Equitrans, LP
6 (“Equitrans”) Allegheny Valley Connector (“AVC”) capacity costs were also excluded
7 because these purchased gas costs are assigned directly to each customer class served
8 by Peoples.²

9 Peoples then determined the percentage of its total storage daily deliverability
10 provided under its interstate pipeline arrangements (63.16%), multiplied this
11 percentage by the total balancing requirements of transportation customers (135,104
12 Mcf) to determine the percentage of balancing requirements provided by interstate
13 pipeline storage, and multiplied these balancing requirements by the \$8.9561/Mcf cost
14 of storage deliverability to determine the costs to be recovered through balancing
15 charges. These costs were then allocated to Rate SGS (Small General Service)/Rate
16 MGS (Medium General Serve) customers and Rate LGS (Large General Service) based
17 on the relative balancing requirements of each class. The costs allocated to each class
18 (Rate SGS/MGS and Rate LGS) were then divided by the projected volumes for each
19 class to determine the applicable balancing charges.

20 Q. IS PEOPLES PROPOSED BALANCING CHARGE CALCULATION
21 REASONABLE?

22 A. Peoples’ proposed balancing charge calculation is generally reasonable. However,
23 there are losses associated with the operation of the Company’s on-system storage
24 facilities which are not reflected in the balancing charge calculation. Failing to include

² AVC capacity costs are further discussed and explained in Peoples Natural Gas Company Statement No. 1, page 8, line 14 - page 11, line 4.

1 on-system storage losses in the balancing charge calculation inappropriately recovers
2 all on-system storage losses from PGC customers. Therefore, the losses associated with
3 on-system storage should be included in the balancing charge calculations. During the
4 historic review period, Peoples' on-system storage losses totaled annual \$360,113
5 (Response to OCA-I-41), and the Company's annual balancing charge calculation
6 should be adjusted to reflect these historic review period storage losses.

7 Q. ARE YOU PROPOSING OTHER ADJUSTMENTS TO THE COMPANY'S
8 BALANCING CHARGE CALCULATION?

9 A. Yes. During the historic review period, Peoples incurred \$460,727 in interstate pipeline
10 overrun charges and penalties for violating operational flow order ("OFO") tolerances.³
11 The Company is proposing to recover these overrun and penalty charges solely from
12 PGC customers. Since responsibility for these overrun and penalty charges cannot
13 readily be determined and the charges were incurred to manage system demands and
14 balance supply with system requirements, I recommend that these charges be included
15 in Peoples' balancing charge calculation.

16 Q. HAVE YOU RECALCULATED TRANSPORTATION CUSTOMER
17 BALANCING CHARGES TO REFLECT ON-SYSTEM STORAGE
18 LOSSES AND THE INCLUSION OF OVERRUN AND PENALTY
19 CHARGES?

20 A. Yes, a recalculation of balancing charges to reflect my recommendations is included
21 on Schedule JDM-1. As shown there, my recommended Rate SGS/MGS balancing
22 charge is \$0.4232/Mcf, which reflects an increase of \$0.0075/Mcf from the Company's
23 proposed charge of \$0.4157/Mcf, and my recommended Rate LGS balancing charge is

³ Peoples Natural Gas Company Statement No. 1, page 38, lines 1-3.

1 \$0.1056/Mcf, which reflects an increase of \$0.0019/Mcf from the Company's proposed
2 charge of \$0.1037/Mcf.
3

4 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

5 A. Yest, it does at this time. However, I reserve the right to supplement my testimony upon
6 receipt of any currently outstanding discovery.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

| | | |
|---------------------|---|---------------------------|
| PENNSYLVANIA PUBLIC | : | |
| UTILITY COMMISSION | : | |
| | : | |
| v. | : | DOCKET NO. R-2024-3045945 |
| | : | |
| PEOPLES NATURAL GAS | : | |
| COMPANY, LLC | : | |

SCHEDULE ACCOMPANYING THE
DIRECT TESTIMONY
OF
JEROME D. MIERZWA

ON BEHALF OF THE
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

May 1, 2024

COMBINED
Calculation Of Balancing Charge

I. Balancing Recoverable Costs

| <u>A. Total Storage Costs</u> | <u>Annual Amount</u> | | |
|---|-----------------------------------|---------------------------------|--------------------------------|
| EGTS GSS | \$8,885,928 | | |
| EGTS FTNN | \$6,477,995 | | |
| NFG ESS & EFT | \$1,732,452 | | |
| EQT 60SS/115SS | \$7,375,042 | | |
| EQT FSS | \$12,045,761 | | |
| EQT NOFT | \$7,484,135 | | |
| GSS Variable Charges | \$1,338,513 | | |
| TCO FS | \$137,229 | | |
| TCO SST | \$170,850 | | |
| Storage Losses/Overrun and Penalty Charges | <u>\$820,840</u> | | |
| Total | \$46,468,744 | | |
| Annualized Storage Demand (Mcf) | 5,096,835 | | |
| Average Storage Charge (\$/Mcf) | \$9.1172 | | |
| | | <u>MDWQ Volumes</u> | <u>Percent</u> |
| <u>B. PNGD & PGD System Storage/Contract Storage Split</u> | <u>(Mcf)</u> | <u>To Total</u> | |
| PNG On-System Storage | 32,000 | 4.76% | |
| PG On-System Storage | 23,300 | 3.47% | |
| AVC Storage | 192,493 | 28.62% | |
| EGTS GSS Storage | 86,622 | 12.88% | |
| National Fuel ESS Storage | 9,425 | 1.40% | |
| ETRN 60SS/115SS | 250,205 | 37.20% | |
| Equitrans NOFT | 76,559 | 11.38% | |
| TCO FSS | 1,925 | 0.29% | |
| Total | <u>672,529</u> | <u>100.00%</u> | |
| <u>C. Balancing Recovery Of Contract Storage Costs</u> | | | |
| Balancing Peak Day Requirements (Mcf) | | 135,104 | |
| Contract Storage Percentage | | <u>63.16%</u> | |
| Contract Storage Related Balancing Requirements (Mcf) | | 85,325 | |
| Average Storage Charge (\$/Mcf) | | \$9.1172 | |
| Monthly Balancing Storage Cost Recovery | | \$777,925 | |
| Annual Balancing Storage Cost Recovery | | <u>\$9,335,100</u> | |
| II. Balancing Peak Day Requirements/Balancing Charge Development | | | |
| <u>A. Balancing Peak Day Requirements</u> | | <u>Volumes (Mcf)</u> | |
| SGS & MGS | | 90,309 | |
| LGS | | <u>44,796</u> | |
| Total Balancing Peak Day Requirements | | <u>135,104</u> | |
| <u>B. Balancing Peak Day Requirements Allocated To Customer Classes</u> | | | |
| | <u>Balancing Requirements</u> | <u>Percent</u> | |
| <u>NGS Supplied Customer Class</u> | <u>(Mcf)</u> | <u>To Total</u> | |
| SGS & MGS | 90,309 | 66.84% | |
| LGS | <u>44,796</u> | <u>33.16%</u> | |
| Total | <u>135,104</u> | <u>100.00%</u> | |
| <u>C. Balancing Charge Development</u> | | <u>NGS Supplied Volumes</u> | <u>Balancing Unit Rate</u> |
| <u>NGS Supplied Customer Class</u> | <u>Contract Storage Costs</u> | <u>(Mcf)</u> | <u>(\$/Mcf)</u> |
| SGS & MGS | \$6,239,906 | 14,744,468 | \$0.4232 |
| LGS | <u>\$3,072,755</u> | <u>29,090,669</u> | <u>\$0.1056</u> |
| Total | <u>\$9,312,661</u> | <u>43,835,137</u> | <u>\$0.2124</u> |

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

| | | |
|--|---|---------------------------|
| Pennsylvania Public Utility Commission | : | |
| v | : | Docket No. R-2024-3045945 |
| Peoples Natural Gas Company LLC | : | |
| 1307(f) Proceeding | : | |

VERIFICATION

I, Jerome D. Mierzwa, hereby state that the facts above 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: May 1, 2024

Signature:



Jerome D. Mierzwa

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