

COMMONWEALTH OF PENNSYLVANIA



PATRICK M. CICERO
Consumer Advocate

OFFICE OF CONSUMER ADVOCATE
555 Walnut Street, 5th Floor, Forum Place
Harrisburg, Pennsylvania 17101-1923
(717) 783-5048
(800) 684-6560

 @pa_oca
 /pennoca
FAX (717) 783-7152
consumer@paoca.org
www.oca.pa.gov

September 5, 2024

Via Electronic Filing

Secretary Rosemary Chiavetta
Pennsylvania Public Utility Commission
Office of Administrative Law Judge
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: Pennsylvania Public Utility Commission v.
UGI Utilities, Inc. – Gas Division 1307(f)
Docket No. R-2024-3048828

Dear Secretary Chiavetta:

Enclosed for filing in accordance with Section 5.412a of the Commission's regulations, 52 Pa. Code § 5.412a, and as directed by the Order Granting Joint Stipulation for Admission of Evidence, dated August 29, 2024, in the referenced proceeding, please find the following pre-served and admitted testimony:

- OCA St. No. 1 – Direct Testimony of Jerome D. Mierzwa
- OCA St. No. 1-SR – Surrebuttal Testimony of Jerome D. Mierzwa

Copies will be served, 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
MElAtieh@paoca.org

Enclosures

cc: Administrative Law Judge Dennis J. Buckley (Via E-mail)
Administrative Law Judge Alphonso Arnold III (Via E-mail)
Certificate of Service (As Indicated)

CERTIFICATE OF SERVICE

Pennsylvania Public Utility Commission :
v. : Docket No. R-2024-3048828
UGI Utilities, Inc. – Gas Division :

I hereby certify that I have this day filed electronically on the Commission’s electronic filing system and served a true copy of the following pre-served and admitted testimonies on behalf of the Office of Consumer Advocate:

- OCA St. No. 1 – Direct Testimony of Jerome D. Mierzwa
- OCA St. No. 1-SR – Surrebuttal Testimony of Jerome D. Mierzwa

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 5th day of September 2024.

SERVICE BY E-MAIL ONLY

Steven Gray, Esquire
Office of Small Business Advocate
555 Walnut Street, 1st Floor, Forum Place
Harrisburg, PA 17101
sgray@pa.gov
OSBA

Michael S. Swerling, Esquire
UGI Corporation
500 North Gulph Road
King of Prussia, PA 19406
SwerlingM@ugicorp.com
Counsel for UGI

Devin T. Ryan, Esquire
Post & Schell, P.C.
One Oxford Centre
301 Grant Street, Suite 3010
Pittsburgh, PA 15219
dryan@postschell.com
Counsel for UGI

Scott Granger, Esquire
Pennsylvania Public Utility Commission
Bureau of Investigation & Enforcement
400 North Street, 2nd Floor West
Harrisburg, PA 17120
sgranger@pa.gov
I&E

Juan Francisco Ramos
64 Sagebrook Drive
Reading, PA 19606
Jramos1193@gmail.com

Brian Dugas
10 Monument Avenue, Apt 2
Wyoming, PA 18644
briandugas54@gmail.com

Paula Mercuri
3 Villa Drive
Moosic, PA 18507
qwilliams22@gmail.com

Jean Suitch
30 Rockledge Drive
Mountain Top, PA 18707
jasuitch@aol.com

Date: September 5, 2024

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

Emily A. Farren
Assistant Consumer Advocate
PA Attorney I.D. # 322910
OCA1307F2024@paoca.org

Counsel for:
Patrick M. Cicero
Consumer Advocate

Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :
COMMISSION :
 :
 v. : DOCKET NO. R-2024-3048828
 :
UGI UTILITIES, INC. – GAS DIVISION :

DIRECT TESTIMONY
OF
JEROME D. MIERZWA

ON BEHALF OF THE
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

June 28, 2024

EXETER

ASSOCIATES, INC.

10480 Little Patuxent Parkway, Suite 300
Columbia, Maryland 21044

1 **I. INTRODUCTION**

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

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

6 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
7 EXPERIENCE.

8 A. I graduated from Canisius College in Buffalo, New York in 1981 with a Bachelor of
9 Science Degree in Marketing.¹ In 1985, I received a Master’s Degree in Business
10 Administration with a concentration in finance, also from Canisius College. In July 1986,
11 I joined National Fuel Gas Distribution Corporation (“NFGD”) as a Management Trainee
12 in the Research and Statistical Services Department (“RSS”). I was promoted to
13 Supervisor RSS in January 1987. While employed with NFGD, I conducted various
14 financial and statistical analyses related to the company’s market research activity and state
15 regulatory affairs. In April 1987, as part of a corporate reorganization, I was transferred to
16 National Fuel Gas Supply Corporation’s (“NFG Supply”) rate department where my
17 responsibilities included utility cost of service and rate design analysis, expense and
18 revenue requirement forecasting, and activities related to federal regulation. I was also
19 responsible for preparing NFG Supply’s Federal Energy Regulatory Commission
20 (“FERC”) Purchased Gas Adjustment (“PGA”) filings and developing interstate pipeline
21 and spot market supply gas price projections. These forecasts were utilized for internal
22 planning purposes as well as in NFGD’s Section 1307(f) purchased gas cost proceedings.

23 In April 1990, I accepted a position as a Utility Analyst with Exeter. In December
24 1992, I was promoted to Senior Regulatory Analyst. Effective April 1, 1996, I became a

¹ Effective August 1, 2023, Canisius College became Canisius University.

1 principal of Exeter. Since joining Exeter, I have specialized in evaluating the gas
2 purchasing practices and policies of natural gas utilities, utility class cost of service and
3 rate design analysis, sales and rate forecasting, performance-based incentive regulation,
4 revenue requirement analysis, the unbundling of utility services, and the evaluation of
5 customer choice natural gas transportation programs.

6 Q. HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY PROCEEDINGS
7 ON UTILITY RATES?

8 A. Yes. I have provided testimony on more than 450 occasions in proceedings before the
9 FERC, and state utility regulatory commissions in Arkansas, Connecticut, Delaware,
10 Georgia, Illinois, Indiana, Louisiana, Maine, Massachusetts, Montana, Nevada, New
11 Hampshire, New Jersey, Ohio, Rhode Island, South Carolina, Texas, Utah, and Virginia,
12 as well as before the Pennsylvania Public Utility Commission (“Commission”).

13 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

14 A. Exeter has been retained by the Pennsylvania Office of Consumer Advocate (“OCA”) to
15 review and evaluate the 2024 Section 1307(f) Purchased Gas Cost (“PGC”) filing of UGI
16 Gas Utilities, Inc. – Gas Division (“UGI” or “Company”). My testimony presents the
17 results of my review and evaluation.

18 Q. WHAT IS YOUR EXPERIENCE WITH RESPECT TO PARTICIPATION IN
19 THE 1307(F) PROCEEDINGS OF PENNSYLVANIA NGDCs?

20 A. I have assisted, or am currently assisting, the OCA in the Section 1307(f) proceedings of
21 the following Natural Gas Distribution Companies (“NGDCs”), or their predecessor(s), as
22 indicated in Table 1.

Table 1.
Pennsylvania NGDC
1307(f) Proceedings

Company	Years
Columbia Gas of Pennsylvania	2019-2024
National Fuel Gas Distribution	1991-1994, 1996-2024
PECO Energy Company	2000, 2012, 2019-2024
Peoples Gas (Peoples TWP)	2002-2012, 2016-2022
Peoples Natural Gas Company – Peoples Division	1991-1996, 1999, 2001-2008, 2011-2024
Peoples Natural Gas Company – Equitable Division	1997-2012, 2014-2022
Philadelphia Gas Works	2012-2013, 2015-2024
UGI Utilities, Inc.	1991-2024

1 Q. PLEASE SUMMARIZE YOUR CONCLUSIONS AND
2 RECOMMENDATIONS.

3 A. UGI is proposing that the costs it incurs representing its customers’ interests in FERC
4 proceedings be recovered through PGC rates. I recommend that this proposal be rejected.

5 Q. BEFORE CONTINUING, PLEASE DESCRIBE THE TIME PERIODS
6 RELEVANT TO YOUR INVESTIGATION.

7 A. The historic review period refers to the period April 1, 2023, through March 31, 2024. As
8 part of the 1307(f) review process, UGI’s actual gas procurement activity during the
9 historic review period is examined for consistency with least-cost gas procurement
10 standards. The 2023 PGC period extends from December 1, 2023, through November 30,
11 2024. Actual and projected purchased gas costs and revenues experienced by UGI during
12 the 2023 PGC period are reconciled, and any under-collections or over-collections are
13 reflected in determining the PGC rate applicable during the 2024 PGC period. The 2024

1 PGC period extends from December 1, 2024, through November 30, 2025. The 2024 PGC
2 rate will reflect estimated purchased gas costs for that period, adjusted for 2023 PGC period
3 purchased gas cost net under-collections or over-collections.

4 **II. FERC REPRESENTATION COST RECOVERY**

5 Q. PLEASE EXPLAIN WHAT THE PENNSYLVANIA PUBLIC UTILITY CODE
6 REQUIRES WITH RESPECT TO AN NGDC'S PURCHASED GAS COST
7 RATES?

8 A. Section 1318 (a) of the Public Utility Code requires that an NGDC's purchased gas costs
9 rates must be just and reasonable. The Public Utility Code further states that no rates shall
10 be deemed just and reasonable unless the Commission finds that the NGDC is pursuing a
11 least cost fuel procurement policy, consistent with the NGDC's obligation to provide safe,
12 adequate and reliable service to its customers. In making such a determination, the
13 Commission is required to make specific findings. These findings include:

- 14 • The utility has fully and vigorously represented the interests of its
15 ratepayers in proceedings before the Federal Energy Regulatory
16 Commission ("FERC").

17 Q. HOW ARE THE COSTS INCURRED BY THE COMPANY DEFENDING ITS
18 RATEPAYERS' INTERESTS BEFORE THE FERC CURRENTLY
19 RECOVERED?

20 A. The costs incurred by the Company defending its ratepayers' interests before the FERC by
21 participating in the proceedings of its interstate pipeline service providers are currently
22 recovered through base rates.
23
24

1 Q. IS THE COMPANY PROPOSING TO MODIFY ITS CURRENT PRACTICE
2 WITH RESPECT TO THE RECOVERY OF FERC PARTICIPATION COSTS?

3 A. Yes. As explained on pages 32 and 33 of UGI Statement No. 2 sponsored by Mr. Jesse R.
4 Tyahla, UGI is proposing that the costs it incurs related to representing its customers'
5 interests at FERC, including costs associated with outside counsel and consultants/expert
6 witnesses, be recovered through PGC rates. These costs would also be reflected in the
7 Weighted Average Cost of Demand ("WACOD") that is charged to transportation and
8 Choice customers.

9 Q. SHOULD UGI'S PROPOSAL TO CHANGE ITS CURRENT FERC
10 PARTICIPATION COST RECOVERY PRACTICES BE APPROVED?

11 A. No, for several reasons. First, UGI's FERC participation costs are currently recovered
12 through base rates. UGI has not proposed to adjust its current base rates to remove FERC
13 participation costs from its current base rates and, therefore, there would be a double
14 recovery of FERC participation costs under the Company's proposal.

15 Second, UGI utilizes Section 1307 of the Public Utility Code to recover its natural
16 gas costs. Section 1307 (h) of the Public Utility Code states as follows:

17 (h) Definition. – As used in this section, the terms "natural gas costs" and
18 "gas costs" include the direct costs paid by a natural gas distribution
19 company for the purchase and the delivery of natural gas to its system in
20 order to supply its customers. Such costs may include costs paid under
21 agreements to purchase natural gas from sellers; costs paid for transporting
22 natural gas to its system; costs paid for natural gas storage service from
23 others, including the costs of injecting and withdrawing natural gas from
24 storage; all charges, fees, taxes and rates paid in connection with such
25 purchases, pipeline gathering, storage and transportation; and costs paid
26 for employing futures, options and other risk management tools. "Natural
27 gas" and "gas" include natural gas, liquified natural gas, synthetic natural
28 gas and any natural gas substitutes.

29 FERC participation costs are not identified as a natural gas cost and, therefore, not
30 eligible for recovery under Section 1307 as the Company has proposed in this proceeding.

1 Third, determining UGI's FERC participation costs will require a detailed
2 evaluation of employee salaries and expenses. This would involve assessing UGI's
3 allocations of employee salaries and expenses to determine which portion of those salaries
4 and expenses are related to the Company's FERC participation activities. Such evaluations
5 are likely to be complex and are more appropriately examined in a base rate proceeding
6 due to the limited time available for such an evaluation in a PGC proceeding.

7 Finally, larger firm transportation customers that secure their own interstate
8 pipeline firm transportation capacity benefit from UGI's FERC participation efforts to
9 lower the rates of its interstate pipeline service providers, and therefore should be
10 responsible for the appropriate portion of UGI's FERC participation costs. UGI's larger
11 Commercial and Industrial customers are provided transportation service by the Company
12 under several different rate schedules:

13 Rate DS - Delivery Service

14 Rate LFD - Large Firm Delivery Service

15 Rate XD - Extended Large Firm Delivery Service

16 Under these rate schedules, interstate pipeline firm transportation capacity is necessary and
17 must be acquired for the delivery of gas supplies to UGI's distribution system. For most
18 Pennsylvania NGDCs, large firm transportation customers are individually responsible for
19 acquiring the interstate pipeline firm transportation capacity necessary to deliver gas to
20 their NGDC's distribution system. However, with UGI, customers under rate schedules
21 DS, LFD, and XD generally have the option of selecting UGI to act as their agent to acquire
22 the interstate pipeline firm transportation capacity necessary for the delivery of gas supplies
23 to UGI's distribution system.

24 UGI currently maintains interstate pipeline capacity which it releases, or assigns,
25 to the transportation customers under rate schedules DS, LFD, and XD that have selected

1 UGI to act as their agent. UGI's larger transportation customers and its PGC sales
2 customers are generally served by the same interstate pipelines. The primary goal of UGI's
3 FERC participation activities is to lower the rates of its interstate pipeline service providers.
4 Those larger firm transportation customers that secure their own interstate pipeline firm
5 transportation capacity and do not use UGI as an agent to acquire their capacity benefit as
6 a result of UGI's FERC participation efforts. However, under UGI's proposal to recover
7 its FERC participations costs through PGC rates, those customers would not be responsible
8 for any portion of UGI's FERC participation costs as they are under the current base rate
9 cost recovery method. This would be unreasonable because those customers benefit from
10 UGI's FERC participation.

11 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

12 A. Yes, it does at this time.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :
COMMISSION :
 :
v. : DOCKET NO. R-2024-3048828
 :
UGI UTILITIES, INC. – GAS DIVISION :

SURREBUTTAL TESTIMONY
OF
JEROME D. MIERZWA

ON BEHALF OF THE
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

July 22, 2024

1 **I. INTRODUCTION**

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

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

7 Q. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY IN THIS
8 PROCEEDING.

9 A. Yes. My direct testimony was submitted as OCA Statement No. 1 on June 28, 2024.

10 Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

11 A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of Jesse R.
12 Tyahla presented on behalf of UGI Utilities, Inc. – Gas Division (“UGI” or “Company”).

13 Q. PLEASE SUMMARIZE THE CONCLUSIONS AND RECOMMENDATION
14 YOU PRESENTED IN YOUR DIRECT TESTIMONY.

15 A. In my direct testimony I noted that in this proceeding UGI had proposed that the costs it
16 incurs in representing its customers’ interests in Federal Energy Regulatory Commission
17 (“FERC”) proceedings be recovered through its purchased gas cost (“PGC”) rates. I
18 recommended that this proposal be rejected.

19 Q. BASED ON ITS REBUTTAL TESTIMONY, IS THE COMPANY
20 CONTINUING TO PROPOSE TO BEGIN RECOVERING ITS FERC
21 PARTICIPATION COSTS THROUGH PGC RATES IN THIS PROCEEDING?

22 A. No. In my direct testimony I noted that UGI was currently recovering its FERC
23 participation cost through base rates, and to also begin recovering those costs through PGC
24 rates in this proceeding would result in a double recovery of costs.¹ In his rebuttal

¹ OCA Statement No. 1, page 5, lines 11-14.

1 testimony, UGI witness Mr. Tyahla acknowledges that the Company's proposal would
2 result in a double recovery of costs and he has subsequently modified the Company's
3 proposal. Under the modified proposal, UGI seeks the flexibility to begin including FERC
4 participation costs in PGC rates upon the effective date of base rates established in the
5 Company's next base rate case if those costs are removed from base rates in that next base
6 rate proceeding.

7 Q. DO YOU AGREE WITH MR. TYAHLA THAT UGI SHOULD BE ALLOWED
8 TO RECOVER FERC PARTICIPATION COSTS THROUGH PGC RATES IN
9 THE COMPANY'S NEXT BASE RATE PROCEEDING?

10 A. No. UGI should not be authorized to recover FERC participation costs through PGC rates
11 in the Company's next base rate proceeding for the reasons set forth in my direct
12 testimony.² However, since UGI has withdrawn its initial proposal concerning the recovery
13 of FERC participation costs through PGC rates in this proceeding, it is unnecessary to
14 further litigate UGI initial proposal in this proceeding. I am advised by Counsel that UGI
15 is free to propose an alternative to base rate recovery of FERC participation costs in its
16 next base rate proceeding, and all parties to that proceeding are free to address the
17 alternative proposal.

² OCA Statement No. 1, page 5, line 15 - page 7, line 10.

1 Q. MR. TYAHLA NOTES THAT ITS FERC PARTICIPATION EFFORTS
2 REDUCE UGI PURCHASED GAS COSTS AND ASSIST UGI IN MEETING
3 ITS LEAST COST GAS PROCUREMENT OBLIGATION AND, THEREFORE,
4 SHOULD BE RECOVERABLE THROUGH PGC RATES.³ DO YOU AGREE?

5 A. No. As indicated in my direct testimony, FERC participation costs are not defined as a
6 purchased gas cost recoverable under Section 1307 of the Public Utility Code.⁴ Under Mr.
7 Tyahla’s mistaken reasoning, the costs associated with any activity that assisted UGI in
8 minimizing its purchased gas costs would be eligible for recovery through PGC rates.

9 As an example, the costs associated with lost and unaccounted-for gas (“LUFG”)
10 and company-use gas are largely recovered through PGC rates and, therefore, reductions
11 to LUFG and company-use gas would reduce UGI’s purchased gas costs. Reductions to
12 LUFG would generally be accomplished through the replacement of leaking distribution
13 mains and meter testing. Under Mr. Tyahla’s theory, mains replacement costs and meter
14 testing costs would be eligible for recovery through PGC rates. This would be unreasonable
15 as these are base rate costs.

16 Company-use gas includes the gas utilized by UGI to heat Company buildings. The
17 amount of gas used by UGI to heat Company buildings could be reduced if UGI improved
18 the energy efficiency of its Company buildings. Under Mr. Tyahla’s theory, these energy
19 efficiency costs would be eligible for recovery through PGC rates. This would be
20 unreasonable as there are base rates costs.

³ UGI Statement No. 1-R, page 4, lines 4-10.

⁴ OCA Statement No. 1, page 5, lines 15-30.

1 Q. DOES MR. TYAHLA ADDRESS THE OTHER CONCERNS YOU RAISED
2 CONCERNING THE RECOVERY OF FERC PARTICIPATION COSTS
3 THROUGH PGC RATES?

4 A. Yes, he addressed my concerns related to the complexity of determining FERC
5 participation costs and the benefits of UGI FERC participation efforts received by larger
6 firm transportation customers that secure their own interstate pipeline firm transportation
7 capacity. Since UGI has withdrawn its PGC FERC participation cost recovery proposal in
8 this proceeding, it is unnecessary to further address those concerns and those concerns will
9 be addressed by the OCA in UGI's next base rate proceeding if the Company proposes to
10 recover in its FERC participation costs through PGC rates in that proceeding.

11 Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY AT THIS
12 TIME?

13 A. Yes, it does.

14

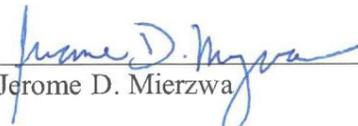
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:		
Office of Consumer Advocate	:	Docket Nos.	R-2024-3048828
Office of Small Business Advocate	:		C-2024-3049086
Brian Dugas	:		C-2024-3049499
Jean Switch	:		C-2024-3049100
Paula Mercuri	:		C-2024-3049239
Juan Ramos	:		C-2024-3049667
	:		C-2024-3049558
v.	:		
UGI Utilities, Inc. – Gas Division	:		
1307(f) Proceeding	:		

VERIFICATION

I, Jerome D. Mierzwa, hereby state that the facts above set forth in my Surrebuttal Testimony, OCA Statement 1-SR, 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: July 22, 2024

Signature: 
Jerome D. Mierzwa

Consultant Address:
Exeter Associates, Inc. 10480
Little Patuxent Parkway, Suite 300
Columbia, MD 21044-3575