

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

REBUTTAL TESTIMONY OF

DOUGLAS A. MOSER

ON BEHALF OF
PHILADELPHIA GAS WORKS

Docket No. R-2020-3017206

Philadelphia Gas Works

General Rate Increase Request

TOPICS:

Main Replacement Program
Pipeline Replacement Costs
Infrastructure Planning
Firm Transportation Rate
Supplier Tariff Modifications

July 13, 2020

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1 **I. INTRODUCTION**

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

3 A. My name is Douglas A. Moser. My position with Philadelphia Gas Works (“PGW” or
4 “Company”) is Executive Vice President and Acting Chief Operating Officer.

5 **Q. DID YOU PREVIOUSLY SUBMIT TESTIMONY IN THIS PROCEEDING ON**
6 **BEHALF OF PGW?**

7 A. Yes. I submitted my direct testimony, PGW St. No. 7, on February 28, 2020.

8 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS**
9 **PROCEEDING?**

10 A. The purpose of my rebuttal testimony is to: (1) respond to Bureau of Investigation &
11 Enforcement (“I&E”) witness Scott Orr’s testimony on PGW’s Main Replacement
12 Program and pipeline replacement costs; (2) rebut Dr. Ezra Hausman’s testimony on
13 behalf of the Clean Air Council/Sierra Club – PA Chapter’s regarding PGW’s
14 infrastructure planning; and (3) respond to Office of Consumer Advocate (“OCA”)
15 witness Mierzwa’s testimony on PGW’s proposed modifications to its supplier tariff.

16 **Q. PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY.**

17 A. My testimony addresses discussions and agreements made between I&E and PGW at a
18 meeting recently held regarding PGW’s Distribution Integrity Management Program. I
19 also touch on the steps PGW takes to ensure the accuracy of the pipeline replacement
20 reports and data it produces. In response to witness Orr’s testimony on pipeline
21 replacement costs, I discuss the cost-reduction measures PGW has taken to reduce
22 replacement costs. While I do not support witness Orr’s recommendation that PGW be
23 required to submit a pipeline replacement cost reduction “plan of action” to the
24 Pennsylvania Public Utility Commission (“PUC” or “Commission”) for approval, I do

1 express PGW's willingness to discuss its replacement costs with I&E and consider
2 additional suggestions for cost reduction.

3 My testimony also outlines the various reasons why Dr. Hausman's recommended
4 approach to pipeline leaks is not feasible, safe or fiscally responsible. I also confront his
5 assertions that PGW's infrastructure will have no use by the time its cast iron main
6 inventory is replaced and that its replacement would be a "wasteful endeavor." Next, I
7 explain why PICGUG witness Pollock's request for a firm transportation rate for large
8 commercial and industrial customers is inappropriate. Lastly, in response to Mr.
9 Mierzwa's testimony on modifications to PGW's supplier tariff, I recommend that PGW
10 be permitted to implement the IT pool daily imbalance penalty as proposed and that if the
11 Company finds the penalty to be insufficient that it propose a revised penalty provision in
12 a future base rate case or annual Gas Cost Rate proceeding.

13 **II. MAIN REPLACEMENT PROGRAM**

14 **Q. I&E WITNESS SCOTT ORR SUBMITTED TESTIMONY WHICH, IN PART,**
15 **OPINED THAT PGW NEEDS TO DETERMINE, BASED ON RISK ANALYSIS**
16 **AND OTHER DATA THE LOCATION OF THE RISKIEST PIPE SEGMENTS**
17 **AND REPLACE THOSE SEGMENTS (I&E ST. 3, PG. 14). CAN YOU**
18 **RESPOND?**

19 A. I agree with Mr. Orr that separating cast iron mains into smaller categories will help
20 better identify which mains need replacing. PGW and I&E, Gas Safety Division recently
21 held a closeout meeting to discuss revisions to PGW's Distribution Integrity Management
22 Program ("DIMP"). The parties agreed that PGW would further break down the 10" and
23 smaller cast iron main category into two separate categories: less than 8" and 8" and
24 greater. This further categorization should supplement the existing practice of
25 identification of the poorest performing / riskiest segments to be selected for replacement
26 or removal from the system.

1 **Q. DOES PGW ALREADY UTILIZE A RISK ANALYSIS TO IDENTIFY PIPE**
2 **REPLACEMENT PRIORITIZATION?**

3 A. Yes, PGW's DIMP contains a relative risk ranking model. This model is utilized to
4 evaluate the risk posed by each asset group within PGW's Distribution System. These
5 rankings will determine the highest priority pipeline segments for use in the Additional
6 and Accelerated Actions evaluation. Risk is the product of the probability of failure
7 times the consequence of a failure. The PGW relative risk model considers both the
8 probability (leak cause factor and incident factor) and consequences of a failure
9 (operating pressure and % of hazardous leaks assumed) for each of the eight threats.

10 **Q. MR. ORR ALSO RECOMMENDED INTEGRATING PGW'S MAINS**
11 **REPLACEMENT PRIORITIZATION ("MRP") MODEL INTO ITS DIMP. IS**
12 **PGW WILLING TO DO THIS?**

13 A. Yes. In the Closeout Meeting discussed above PGW agreed with Gas Safety to take this
14 step. Going forward, PGW will reference and explain the high-level methodology of the
15 MRP model within the DIMP. The MRP modeling software gives a more focused
16 approach on the selection of poor performing, risky segments targeted for replacement
17 from the groups of assets identified from the integrity management plan.

18 **Q. WILL INTEGRATING THE MRP INTO THE DIMP HAVE AN EFFECT ON**
19 **THE ACCURACY OF THE RISK RANKING?**

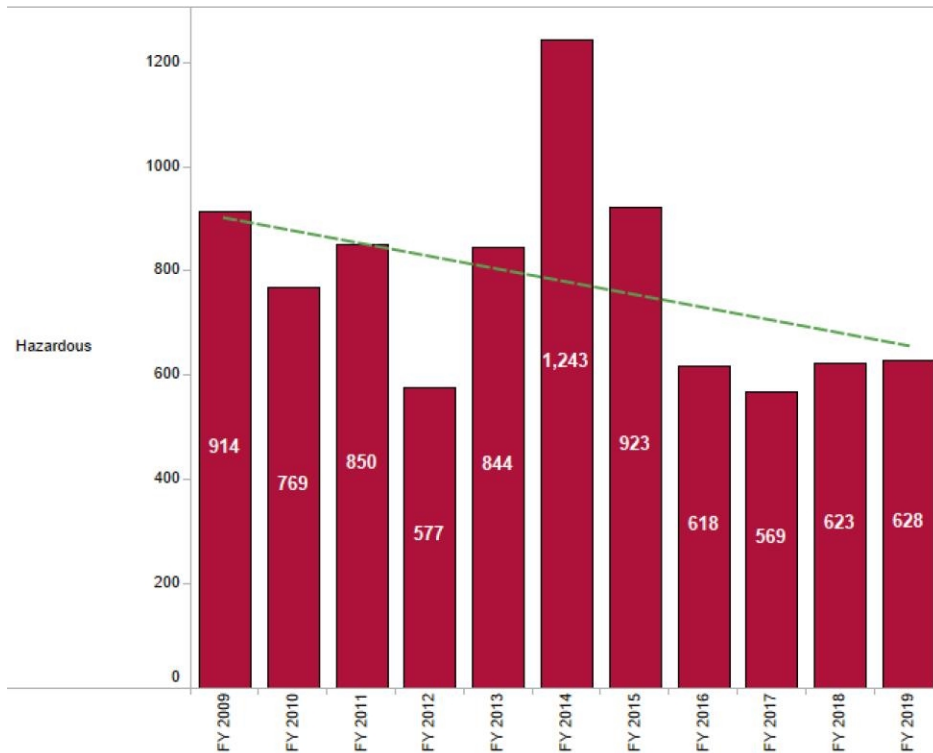
20 A. Yes, we agree with Gas Safety that this integration should increase the accuracy of the
21 Risk Ranking.

22 **Q. WILL REPLACING THE RISKIEST MAINS AT AN INCREASED RATE**
23 **REDUCE THE LEAKS ON THE SYSTEM?**

24 A. Yes. PGW's goal is to continue to reduce the trend of hazardous leaks on its system.

25 Below is a graph of hazardous leaks repaired on cast iron mains by fiscal year from 2009

1 to 2019 which shows the downward trend continuing. This downward trend is attributed
 2 to removing the poorest performing and riskiest segments of cast iron main in the system.



3
 4 **Q. MR. ORR INDICATED HOWEVER THAT LEAKS PER MILE ON CAST IRON**
 5 **HAS INCREASED IN EACH YEAR SINCE 2017. HOW DO YOU RESPOND?**

6 A. First, I believe that in evaluating a long-term program such as PGW’s cast iron main
 7 replacement program one needs to look at trends of more than two or three years. As one
 8 can see from the above table, the trend in hazardous leaks is down materially. Second,
 9 there has been a notable decrease in the open leak inventory. PGW has been attacking
 10 the leak backlog, permanently repairing lower level existing leaks. This inventory is
 11 currently down 25% from the beginning of 2012 and down 36% from a high point in
 12 mid-2015.

1 **Q. MR. ORR ALSO COMMENTED, AFTER REVIEWING DATA FROM ONE OF**
 2 **ITS INTERROGATORY RESPONSES, THAT PGW NEEDS TO REVIEW ALL**
 3 **DATA FOR INACCURACIES. CAN YOU COMMENT?**

4 A. Yes. PGW’s response to BIE-PS-24 inadvertently contained whole numbers in the
 5 mileage of main column. These numbers should be shown to two decimal places to show
 6 the appropriate mileage of main currently in the system. When the mileage is shown to
 7 two decimal places, the previously reported leaks per miles are reflected accurately. I
 8 have attached the same data with mileage shown to two decimal places (Exhibit DAM-5,
 9 PGW’s Revised Response to BIE-PS-24 Attachment A).

10 **Q. MORE GENERALLY, DOES PGW MAKE EFFORTS TO ASSURE THE**
 11 **ACCURACY OF THE PIPELINE REPLACEMENT REPORTS AND DATA IT**
 12 **PRODUCES?**

13 A. Yes, PGW utilizes the AIMS (Advanced Intelligent Mobile Solutions) V2 work
 14 management system to capture all relevant leak locations, repairs and causes along with
 15 asset locations across the distribution system. This information resides within PGW in an
 16 Oracle database and is available in real time. The data inputted and audited from the
 17 field is used to create and update this program. If the information is not correct, field
 18 technicians edit and update the system information to show the most current and accurate
 19 data. These changes are audited for correctness prior to posting changes.

20 **III. PIPELINE REPLACEMENT COSTS**

21 **Q. MR. ORR ALSO RECOMMENDED THAT PGW SHOULD WORK TO REDUCE**
 22 **COSTS ASSOCIATED WITH PIPELINE REPLACEMENT (I&E ST. 3, PGS. 14-**
 23 **15). PLEASE RESPOND.**

24 A. PGW has and continues to identify portions of its system which are duplicative or
 25 underutilized to remove without replacement. Each replacement project is scrutinized to
 26 ensure proper pressures and flow are maintained to supply our customers with adequate,

1 safe and reliable service. PGW also evaluates diameter reductions in replacement
 2 projects if size-for-size replacement is not warranted.

3 Further, to reduce construction costs, PGW has increased the project size to gain
 4 economies of scale from its contractors. Less mobilizations of equipment and personnel
 5 has resulted in increased production and has kept pricing competitive. Larger projects
 6 also result in less transition work from the old main to the new.

7 PGW also utilizes a request for proposal (RFP) bidding process which mandates
 8 the lowest cost, responsible bidder is selected for construction projects. This ensures
 9 competition among PGW’s contractors vying for main replacement construction work.

10 **Q. HOW DO YOU RESPOND TO MR. ORR’S RECOMMENDATION THAT PGW**
 11 **SHOULD DEVELOP A PLAN TO REDUCE PIPELINE REPLACEMENT COSTS**
 12 **AND ROLL THOSE SAVINGS INTO ADDITIONAL REPLACEMENTS?**

13 A. As discussed above, PGW has been finding creative ways to exceed the targets
 14 established in its’ Long-Term Infrastructure Improvement Plan (“LTIIP”) with the
 15 allotted funding. PGW completed the first LTIIP under budget and exceeded its cast iron
 16 main removal mileage targets by 9%. The second LTIIP is also off to a strong start, on
 17 budget and 15% ahead in mileage removed. The updated projection for removal of all
 18 cast iron main from inventory is currently 40 years and could be reduced further to
 19 approximately 34 years if the full rate increase requested is authorized by the
 20 Commission.

21 **Q. SHOULD PGW BE REQUIRED TO SUBMIT A COST REDUCTION “PLAN OF**
 22 **ACTION” TO THE PUC FOR APPROVAL 60 DAYS AFTER THE ORDER IN**
 23 **THIS CASE?**

24 A. I do not believe that this would be a prudent expenditure of ratepayer funds. As noted,
 25 PGW has undertaken several cost-reduction measures and all replacement work is
 26 awarded pursuant to RFPs to the lowest responsible bidder. PGW would be happy to

1 discuss its main replacement costs with I&E and consider additional suggestions for cost
 2 reduction; but spending time and money on a “plan of action” to the PUC when PGW
 3 already conducts all replacement work pursuant to bid would not be appropriate. PGW is
 4 in-line with its Pennsylvania peer gas utilities in cost per mile for main replacement
 5 work. According to the latest Annual Asset Optimization Plans (AAOP) (2019) filed
 6 with the Commission for PECO, UGI and Peoples Natural Gas, these companies are
 7 experiencing costs per mile of \$1.78M, \$1.26M and \$0.94M, respectively. The FY 2019
 8 data for PGW submitted in response to BIE-PS-8 shows a cost per mile of \$1.61M.

9 **IV. RESPONSE TO ENVIRONMENTAL STAKEHOLDERS’ CONCERNS WITH**
 10 **REGARD TO INFRASTRUCTURE PLANNING**

11 **Q. PLEASE DESCRIBE LEAKS THAT LEAD TO INCIDENTS AND LOW-LEVEL**
 12 **LEAKS ON PGW’S SYSTEM.**

13 A. Most of the leaks on PGW’s system that led to incidents had not been leaking prior to the
 14 event and were caused by a combination of earth movement (frost heave in the winter
 15 months) or earth subsidence (foreign activity around PGW’s structures) and age of the
 16 assets. PGW’s main replacement program is designed to replace an asset before it leaks
 17 or becomes a risk to public health and safety.

18 PGW maintains an inventory of low-level active leaks which are monitored
 19 through an aggressive schedule and are prioritized for repair. The majority of these low-
 20 level leaks are caused by incomplete seals at the joints due to the age of the system and
 21 changes in gas types over the years.

22 **Q. WHAT DOES CLEAN AIR COUNCIL/SIERRA CLUB WITNESS DR. EZRA**
 23 **HAUSMAN RECOMMEND REGARDING PIPELINE LEAKS?**

24 A. Witness Hausman provides that, if necessary, the PUC could approve a rate increase for
 25 safety-related distribution maintenance and to address major gas leakage. However,

1 witness Hausman would have PGW investigate the potential for non-pipeline alternatives
2 before addressing safety-related distribution system maintenance and major gas leakage.
3 (SC St. No. 1 at 4). He opines that PGW should not invest in new gas delivery
4 infrastructure that it would need to amortize over decades of continued gas sales. (SC St.
5 No. 1 at 11). He states that PGW should not be engaged in “wholesale” replacement of
6 its distribution system. (SC St. No. 1 at 11).

7 **Q. HOW DO YOU RESPOND TO WITNESS HAUSMAN’S RECOMMENDATIONS**
8 **RELATING TO PIPELINE LEAKS?**

9 A. I disagree with Dr. Hausman’s recommended reactive approach which appears to address
10 only major gas leakage and not low-level leaks. Dr. Hausman’s recommended approach
11 would not be fiscally responsible or safe. PGW’s current proactive approach of replacing
12 aging infrastructure is prudent and a departure from PGW’s current approach is
13 inadvisable.

14 Customers of PGW deserve safe and reliable service and PGW is obligated to
15 provide safe and reliable natural gas service under the Public Utility Code. As previously
16 mentioned, PGW’s main replacement program targets the replacement of an asset before
17 it leaks or before the leak becomes a risk to public health and safety. PGW’s proactive
18 approach of replacing aging infrastructure has aided PGW in continuously reducing the
19 number of hazardous leaks. Allowing PGW’s assets to leak and then repair only the direct
20 emitters (as recommended by Dr. Hausman) is not moving in the right direction and
21 would be putting the citizens of Philadelphia at risk of harm, physically and
22 environmentally.

1 **Q. IS PGW’S PIPELINE SAFETY PROGRAM REVIEWED AND OR APPROVED**
 2 **BY ANY AGENCY?**

3 A. Yes. As I have discussed above, PGW has a PUC-approved LTIP that mandates the
 4 replacement of at-risk portions of PGW’s distribution system, primarily cast iron main
 5 and bare steel services of various sizes, designed to complete the full replacement by
 6 2060. It also has a Distribution Integrity Management Program (“DIMP”) which
 7 evaluates potential threats against the distribution system. This evaluation leads to the
 8 creation and implementation of main replacement strategies to mitigate these threats and
 9 also assesses previous strategies / programs to gauge their effectiveness.

10 Both of these plans are approved by the Commission and carefully monitored by
 11 the Gas Safety Division of the Commission. PGW would not be able to stop its current
 12 main replacement program without being in violation of these Plans.

13 **Q. DO YOU AGREE WITH DR. HAUSMAN’S ASSERTION THAT PGW IS**
 14 **ENGAGED IN THE “WHOLESALE” REPLACEMENT OF ITS**
 15 **INFRASTRUCTURE?**

16 A. No, on the contrary. As I’ve just explained, in accordance with its LTIP and DIMP,
 17 PGW replaces distribution facilities on the bases of a sophisticated risk analysis model
 18 that prioritizes the categories and types of main that should be replaced and identifies the
 19 locations of those mains that are most in need of replacement.

20 **Q. DO YOU AGREE WITH DR. HAUSMAN’S ASSESMENT THAT PGW’S**
 21 **INFRASTRUCTURE WILL HAVE NO USE BY THE TIME ITS CAST IRON**
 22 **MAIN INVENTORY IS REPLACED AND THAT ITS REPLACEMENT WOULD**
 23 **BE A “WASTEFUL ENDEAVOR”? (SC ST. NO. 1 AT 10).**

24 No. I do not agree with Dr. Hausman’s assessment. Dr. Hausman appears to want to
 25 leave the impression that the City of Philadelphia and the Commonwealth of

1 Pennsylvania have mandated greenhouse gas emission reductions. They have not.¹
 2 Moreover, PGW has an obligation to provide safe and reliable gas service to customers in
 3 its service territory and will be obligated to do so for the foreseeable future. Replacement
 4 of at-risk aging infrastructure is necessary to protect the health and safety of
 5 Philadelphians and is certainly not a “wasteful endeavor.”

6 The investment in a modern distribution system will serve Philadelphia’s energy
 7 needs well into the future. PGW’s complex network of subsurface piping connected to
 8 resident’s homes and businesses may have the ability to transport any type of energy that
 9 would be needed in the future. I would also note that abandoning its current main
 10 replacement and leak detection program would be inconsistent with PGW’s LTIP and its
 11 DIMP.

12 **Q. DR. HAUSMAN INDICATES THAT PGW SHOULD TAKE GREENHOUSE GAS**
 13 **EMISSIONS INTO ACCOUNT IN ITS INFRASTRUCTURE PLANNING. (SC ST.**
 14 **NO. 1 AT 8-10). HOW HAS PGW ADDRESSED GREENHOUSE GAS**
 15 **EMISSIONS IN ITS INFRASTRUCTURE PLANNING?**

16 A. PGW’s main replacement program is and has been reducing greenhouse gas emissions.
 17 Removing leak prone piping materials such as cast iron and bare steel reduce the
 18 likelihood of current and future methane emissions. PGW is a participating member of
 19 the Natural Gas STAR Methane Challenge Program, a flexible, voluntary partnership
 20 between the U.S Environmental Protection Agency (“EPA”) and oil and natural gas
 21 companies. This voluntary program allows the EPA to collaborate with partners to
 22 promote and track ambitious, transparent commitments to voluntarily reduce methane
 23 emissions beyond regulatory requirements.

¹ See, Executive Order Number 2019-01 and the Philadelphia City Council Resolution No. 190728.

1 **Q. HOW ELSE HAS PGW'S INFRASTRUCTURE PLANNING REDUCED**
2 **GREENHOUSE GAS EMISSIONS?**

3 A. PGW's main and service line replacement program specifically targets cast iron in its
4 distribution system instead of unprotected steel and cast iron in equal measure. Targeting
5 the most vulnerable main increases system safety and reliability while reducing emissions
6 at a faster rate. Through the maintenance and replacement of mains and services, PGW
7 has already reduced its methane emissions by a cumulative 9,518 metric tons since 1991,
8 which is the carbon equivalent of saving almost 27 million gallons of gasoline.

9 **Q. DR. HAUSMAN CONTENDS THAT PGW'S REQUESTED RATE INCREASE BE**
10 **DENIED UNTIL PGW PRODUCES, AND THE PUC APPROVES A "CLIMATE**
11 **BUSINESS PLAN" THAT APPARENTLY WOULD FORMULATE A LONG**
12 **TERM PROCEDURE FOR PGW TO STOP DISTRIBUTING AND SELLING**
13 **NATURAL GAS TO ITS CUSTOMERS. CAN YOU COMMENT?**

14 A. As I have stated above, PGW's obligation is to maintain and operate its natural gas
15 distribution system safely and reliably. Unless that mandate is changed by law, the only
16 way to do that is to continue to replace the antiquated portions of its system and to
17 systematically test the system to identify and repair leaks. To do that, PGW needs capital
18 to make the investment in replacing the portions of its system most vulnerable to leaks
19 and unsafe conditions, chiefly its cast iron main and bare steel services. It also needs the
20 funds to conduct its ongoing leak detection and maintenance activities. A substantial
21 portion of PGW's requested rate increase relates to these activities, or to maintain the
22 necessary financial profile that will continue to permit PGW to issue bonds to finance
23 these activities. If PGW were forced to curtail or stop these activities I fear that the result
24 would be more leaks, leading to greater methane emissions, an increase in unsafe
25 conditions.

1 **V. RESPONSE TO WITNESS POLLOCK’S REQUEST FOR A FIRM**
 2 **TRANSPORTATION RATE FOR LARGE COMMERCIAL AND INDUSTRIAL**
 3 **CUSTOMERS**

4 **Q. PLEASE DESCRIBE WITNESS POLLOCK’S REQUEST FOR A FIRM**
 5 **TRANSPORTATION RATE FOR LARGE COMMERCIAL AND INDUSTRIAL**
 6 **CUSTOMERS.**

7 A. PICGUG witness Pollock testified that PGW should implement a firm transportation rate
 8 for large commercial and industrial customers with delivery charges that are identical to
 9 the rates proposed by PGW for Rate IT, and with the appropriate Conditions of Service as
 10 under the closed Rate GTS. PICGUG St. No. 1 at 25. Witness Pollock argues that the
 11 delivery charge should be the same as PGW’s proposed rate IT delivery charges because
 12 PGW is proposing to allocate costs to the Rate IT class as though it was receiving firm
 13 transportation service. PICGUG St. No. 1 at 25.

14 **Q. HOW DO YOU RESPOND?**

15 A. The only support that PICGUG offers for why PGW should implement a firm
 16 transportation rate for large commercial and industrial customers is that some utilities in
 17 Pennsylvania offer some form of firm transportation service. PICGUG St. No. 1 at
 18 25. PGW does not believe that creation of such a rate is necessary or appropriate.
 19 However, if the Commission directs PGW to implement a firm transportation rate for
 20 large commercial and industrial customers, the Commission should: (1) set the delivery
 21 charge at a higher level than PGW’s rate IT delivery charge; (2) impose all surcharges on
 22 large commercial and industrial customers; and (3) not impose the same conditions as set
 23 forth in the discontinued Rate GTS.

1 **Q. WHY DOES PGW PROPOSE TO ALLOCATE COSTS TO THE RATE IT**
 2 **CLASS AS THOUGH IT WAS RECEIVING FIRM TRANSPORTATION**
 3 **SERVICE?**

4 A. As explained in witness Heppenstall’s Rebuttal Testimony, PGW St. No. 5-R, Rate IT
 5 customers receive firm service under “normal conditions” which include a January peak
 6 day. Since PGW has maintained and supported its system so that it can meet Rate IT
 7 customer peak demands, PGW allocated costs to Rate IT customers related to peak
 8 design.

9 **Q. WHY WOULD IT BE INAPPROPRIATE TO SET THE DELIVERY CHARGE**
 10 **FOR A FIRM TRANSPORTATION RATE FOR LARGE COMMERCIAL AND**
 11 **INDUSTRIAL CUSTOMERS AT THE SAME LEVEL AS PGW’S RATE IT**
 12 **DELIVERY CHARGE AS MR. POLLOCK SUGGESTS?**

13 A. Setting a delivery charge for firm transportation service that is identical to PGW’s rate IT
 14 delivery charge would be inappropriate. It would be inappropriate because IT customers
 15 are still potentially subject to interruption if their suppliers fail to deliver gas to PGW’s
 16 City Gate and are “first in line” if PGW is required to reduce load on its distribution
 17 system. To be clear, PGW is not charging IT customers as if they are firm service
 18 customers. PGW’s proposed Rate IT charge reflects the value of the service PGW is
 19 providing to IT customers. Interruptible customers have only been interrupted once (in
 20 2004) in over 22 years.

21 **Q. PLEASE DESCRIBE WHY THE PUC SHOULD REJECT MR. POLLOCK’S**
 22 **REQUEST THAT A FIRM TRANSPORTATION SERVICE RATE BE**
 23 **ESTABLISHED THAT PROVIDES THE SAME CONDITIONS AS SET FORTH**
 24 **IN PGW’S RATE GTS.**

25 A. Mr. Pollock’s request that a firm transportation rate be established for large and
 26 commercial customers on the same conditions as set forth in Rate GTS should be rejected
 27 because Rate GTS is a contractual rate that has conditions applicable only to customers
 28 who utilized this service on or before September 1, 2003. The legacy contracts covered

1 by Rate GTS were entered into before PGW came under the jurisdiction of the
 2 Commission. Only two customers are currently served under Rate GTS. Based on the
 3 foregoing, the conditions set forth in Rate GTS should not be utilized for any firm
 4 transportation rate that may be directed by the Commission.

5 **VI. GAS SUPPLIER TARIFF MODIFICATIONS**

6 **Q. PLEASE IDENTIFY OCA WITNESS JERMOE D. MIERZWA'S**
 7 **RECOMMENDATIONS REGARDING THE GAS SUPPLIER TARIFF**
 8 **MODIFICATIONS PROPOSED BY PGW.**

9 A. Regarding the balancing provisions for suppliers serving interruptible transportation
 10 ("IT") customers, Mr. Mierzwa rejects PGW's proposed increase in the Daily Imbalance
 11 Surcharge to \$2 per Dth for daily imbalances of +/- 100 percent, and recommends the
 12 same imbalance terms currently applied to suppliers serving firm transportation ("FT")
 13 customers be applied to suppliers serving IT customers which would apply a daily
 14 imbalance penalty equal to the greater of fifty dollars (\$50.00) or two hundred percent
 15 (200%) of the higher of the prices for delivered gas supplies published in Gas Daily for
 16 Texas Eastern M-3 and Transco Z6 (non-NY), which are applicable to the calendar day in
 17 which the deficient deliveries were made.

18 Regarding the assignment of interstate pipeline capacity to suppliers serving FT
 19 customers and the resolution of pool balances when suppliers exit the PGW system, Mr.
 20 Mierzwa indicates that both modifications appear reasonable. (OCA St. No. 4 at 37, line
 21 24 and 38, line 15).

22 **Q. IS MR. MIERZWA'S PROPOSAL TO APPLY THE SAME IMBALANCE**
 23 **CHARGES FOR SUPPLIERS SERVING IT CUSTOMERS AS ARE**
 24 **APPLICABLE TO SUPPLIERS SERVICING FT CUSTOMERS APPROPRIATE?**

25 A. In PGW's experience with IT suppliers, Mr. Mierzwa's recommended penalty for IT
 26 supplier daily imbalances is most likely more than needed in order to keep interruptible

1 transportation pool daily imbalances in check. PGW recommends that it be permitted to
2 implement IT pool daily imbalance penalty as proposed and that if the Company finds
3 that the penalty provision is insufficient, that it will propose a revised penalty provision
4 in a future base rate case or annual Gas Cost Rate (GCR) proceeding.

5 **VII. CONCLUSION**

6 **Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?**

7 **A. Yes.**

VERIFICATION

I, Douglas A. Moser, hereby state that: (1) I am the Executive Vice President and Acting Chief Operating Officer for Philadelphia Gas Works (“PGW”); (2) the facts set forth in my testimony are true and correct to the best of my knowledge, information and belief; and (3) 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).

July 13, 2020

Dated



Douglas A. Moser
Executive Vice President, Acting Chief Financial Officer
Philadelphia Gas Works

EXHIBIT

DAM-5

EXHIBIT DAM-5

PGW's Revised Response to BIE-PS-24 Attachment A

Pressure	Diameter	Calendar Year	Number of Leak Repairs	Mileage	Leaks Per Mile
Low	3	2015	1	1.22	0.82
		2016	4	1.21	3.30
		2017	3	1.17	2.56
		2018	3	1.17	2.56
		2019	4	1.17	3.41
	4	2015	619	264.22	2.34
		2016	527	258.72	2.04
		2017	608	252.11	2.41
		2018	546	244.58	2.23
		2019	514	239.10	2.15
	6	2015	1,136	811.95	1.40
		2016	1,132	797.58	1.42
		2017	1,227	781.28	1.57
		2018	922	761.49	1.21
		2019	1,004	744.04	1.35
	8	2015	131	66.44	1.97
		2016	129	65.19	1.98
		2017	164	64.47	2.54
		2018	93	63.34	1.47
		2019	114	62.05	1.84
	10	2015	1	0.42	2.35
		2017	2	0.42	4.71
	12	2015	169	99.64	1.70
		2016	248	99.43	2.49
		2017	223	97.98	2.28
		2018	149	96.99	1.54
		2019	182	95.96	1.90
	14	2015	1		
16	2015	70	45.40	1.54	
	2016	102	45.40	2.25	
	2017	61	45.13	1.35	
	2018	42	45.07	0.93	
	2019	78	45.07	1.73	

EXHIBIT DAM-5

PGW's Revised Response to BIE-PS-24 Attachment A

	20	2015	95	36.33	2.61	
		2016	107	36.23	2.95	
		2017	86	35.22	2.44	
		2018	41	35.22	1.16	
		2019	67	35.22	1.90	
	24	2015	7	2.33	3.01	
		2016	7	1.56	4.50	
		2017	12	1.56	7.71	
		2019	3	1.56	1.93	
	30	2015	30	14.03	2.14	
		2016	32	14.00	2.29	
		2017	36	13.86	2.60	
		2018	35	12.62	2.77	
		2019	38	11.83	3.21	
	36	2016	3	0.27	10.99	
		2019	1	0.27	3.66	
	Int	4	2015	7	1.97	3.54
			2016	3	1.50	2.00
			2017	5	1.50	3.34
			2018	4	1.50	2.67
2019			4	1.16	3.44	
6		2015	14	10.55	1.33	
		2016	24	8.64	2.78	
		2017	13	8.64	1.50	
		2018	15	8.64	1.74	
		2019	18	8.56	2.10	
8		2015	5	5.85	0.85	
		2016	6	5.41	1.11	
		2017	9	5.41	1.66	
		2018	5	5.41	0.92	
		2019	6	4.91	1.22	
10		2017	1			
		2019	1			
12		2015	1	2.53	0.39	

EXHIBIT DAM-5

PGW's Revised Response to BIE-PS-24 Attachment A

		2016	4	2.53	1.58
		2017	13	2.53	5.13
		2018	9	2.53	3.55
		2019	1	2.53	0.39
	16	2015	1	0.96	1.04
		2016	1	0.96	1.04
		2018	1	0.96	1.04
	20	2015	1		
		2018	1		
	24	2017	1		
	36	2015	1		
High	4	2016	1	0.03	33.54
	6	2015	3	0.13	23.54
		2016	3	0.13	23.82
		2017	4	0.10	38.26
		2018	2	0.10	19.13
		2019	4	0.10	41.74
	8	2017	1	0.40	2.49
	12	2015	36	15.35	2.35
		2016	20	11.36	1.76
		2017	23	10.36	2.22
		2018	9	8.11	1.11
		2019	4	4.87	0.82
	16	2015	26	10.94	2.38
		2016	30	10.84	2.77
		2017	27	10.32	2.62
		2018	27	10.22	2.64
		2019	22	9.39	2.34
	20	2015	96	40.85	2.35
		2016	92	39.88	2.31
		2017	76	35.86	2.12
2018		74	35.40	2.09	
2019		105	34.50	3.04	
24	2015	5	1.05	4.78	

EXHIBIT DAM-5

PGW's Revised Response to BIE-PS-24 Attachment A

		2016	5	1.05	4.78
		2017	10	1.05	9.57
		2018	9	0.75	11.99
		2019	1	0.75	1.33
	30	2015	36	10.81	3.33
		2016	11	8.43	1.30
		2017	9	8.43	1.07
		2018	3	6.18	0.49
		2019	3	3.47	0.86

EXHIBIT DAM-5

PGW's Revised Response to BIE-PS-24 Attachment A

Material	Protection	Calendar Year	Count	Leak Repaired	Leaks per 1,000 Svcs
Steel	Unprotected Bare	2011	105700	2789	26.38599811
Steel	Unprotected Bare	2012	102607	2260	22.02578771
Steel	Unprotected Bare	2013	99960	2513	25.14005602
Steel	Unprotected Bare	2014	96745	2359	24.38368908
Steel	Unprotected Bare	2015	93694	2001	21.3567571
Steel	Unprotected Bare	2016	90610	1866	20.59375345
Steel	Unprotected Bare	2017	84855	1669	19.66884686
Steel	Unprotected Bare	2018	80438	1773	22.04182103
Steel	Unprotected Bare	2019	76062	1468	19.3000447