

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

REJOINDER TESTIMONY OF  
**JAMES H. CAWLEY**

ON BEHALF OF  
PHILADELPHIA GAS WORKS

Docket No. R-2020-3017206  
Philadelphia Gas Works  
General Rate Increase Request

Topic:  
Response to Dr. Hausman Surrebuttal

JULY 28, 2020

1 **Q. PLEASE STATE YOUR NAME AND CURRENT POSITION.**

2 A. My name is James H. Cawley. My consulting business address is 1020 Kent Drive,  
3 Mechanicsburg, PA 17050.

4 **Q. ARE YOU THE SAME JAMES H. CAWLEY WHO PREVIOUSLY PRESENTED**  
5 **TESTIMONY IN THIS PROCEEDING?**

6 A. Yes, I am. I incorporate my credentials as previously stated in my rebuttal testimony.

7 **Q. WHAT IS THE PURPOSE OF YOUR REJOINDER TESTIMONY?**

8 A. My purpose is to respond to the surrebuttal testimony of Dr. Ezra D. Hausman, SC St. No.  
9 1-SR. Specifically, I describe why requiring PGW to undertake the complex and  
10 uncertain task of creating a “Climate Business Plan” as a predicate to rate relief would be  
11 poor public policy completely at odds with the Commission’s actions since it was given  
12 jurisdiction over PGW as of July 1, 2000.

13 **Q. ARE DR. HAUSMAN’S RECOMMENDATIONS IN HIS SURREBUTTAL**  
14 **TESTIMONY DIFFERENT THAN THAT WHICH HE MADE IN HIS DIRECT**  
15 **TESTIMONY?**

16 A. Yes. In his direct testimony, he is emphatic that PGW’s rate increase request be  
17 completely denied because the Company “has inadequately studied potential cost-  
18 effective alternatives to its proposed infrastructure work,”<sup>1</sup> such as energy efficiency  
19 initiatives, and because the Company “has inadequately considered climate trends in its  
20 infrastructure planning, creating a likelihood of future stranded assets.”<sup>2</sup> No rate relief  
21 should be granted until PGW “produces” a “Climate Business Plan (‘CBP’)”<sup>3</sup> that  
22 considers “potentially cost-effect alternatives to maintaining or expanding the Company’s  
23 gas infrastructure,”<sup>4</sup> and the Commission finds that the CBP “is consistent with the

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<sup>1</sup> SC St. No. 1, p. 3.

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*, p. 4.

<sup>4</sup> *Id.*, p. 3.

1 demonstrated need to reduce greenhouse gas emissions” and the requested rate increase  
 2 “is consistent with the actions set forth in the CBP.”<sup>5</sup>

3 Now in his Surrebuttal, Dr. Hausman does not insist on production of a CBP or  
 4 even that it be required as a precondition to rate relief in this case. Now, considerations  
 5 of these factors would be appropriate as a matter of regulatory policy. “A holistic  
 6 Climate Business Plan or simply issue-specific analytical studies” will do, and “[e]ven if  
 7 PGW is not required to produce such a plan at this time, PGW should still be required to  
 8 study the stranded asset risk as part of its infrastructure planning process, and to monitor  
 9 that risk as it may increase over time with further climate and regulatory developments.”<sup>6</sup>

10 **Q. WOULD REQUIRING THAT PGW CREATE A “HOLISTIC CLIMATE**  
 11 **BUSINESS PLAN” AND STUDY “STRANDED ASSET RISK BE REASONABLE**  
 12 **AS A MATTER OF REGULATORY POLICY?**

13 A. No. It should be clear at this point that Dr. Hausman’s demands are entirely based on the  
 14 assumption that PGW distribution infrastructure will not (or should not) be used in thirty  
 15 years. This, of course, is entirely speculative. There is simply no way to know now how  
 16 or to what extent (if at all!) a definitive determination that natural gas will no longer be  
 17 permitted to be utilized to heat the homes and businesses of Philadelphians. This is one  
 18 of Sierra Club’s policy goals but by no means established. In my experience, the  
 19 Pennsylvania Public Utility Commission does not engage in such speculation in  
 20 establishing regulatory policy for the companies it regulates, especially when it would  
 21 require conclusions (or guesses) about what environmental requirements will be in thirty  
 22 years. Typically, the Commission would look to the agency with the primary expertise in  
 23 this area – the Department of Environmental Protection (“DEP”) – to provide clear

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<sup>5</sup> *Id.*, p. 4.

<sup>6</sup> *Id.*, p. 6.

1 requirements. DEP of course has not done that. Starting now to plan for some assumed  
 2 end to the use of natural gas as an energy source in Philadelphia thirty years hence also  
 3 completely ignores PGW's present obligation to provide safe reasonable and adequate  
 4 *natural gas service* to both its current and future customers and fails to understand the  
 5 current (and pressing) need to remove at risk facilities (cast iron and bare steel) from  
 6 PGW's system as soon as possible *regardless* of whether there is some future mandate  
 7 to reduce the use of natural gas as an energy source.

8 **Q. DOES DR. HAUSMAN ADDRESS THIS ISSUE IN HIS SURREBUTTAL?**

9 A. With slightly different wording in his surrebuttal, he emphasizes his exceptions for  
 10 "safety-related distribution system maintenance and addressing major gas leakage."

11 From my experience as a commissioner who decided PGW rate cases (and as Chairman  
 12 when the Commission issued its Policy Statement adopting the Cash Flow Method), my  
 13 opinion is that the Commission will regard these exceptions as unworkable and  
 14 unreasonable. I cannot overemphasize the seriousness with which the Commission  
 15 regards this safety issue and the worry it has for the length of time it will take to alleviate  
 16 the danger.<sup>7</sup>

17 Also from my experience as a commissioner, substituting studies and plans for  
 18 concrete and unrelenting action in such circumstances will be rejected out of hand. In an  
 19 unbroken line of orders, the Commission has consistently required PGW to accelerate its

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<sup>7</sup> It also appears that at least one of the Environmental Stakeholders – the Clean Air Council – also recognizes the importance of replacing PGW's at risk facilities. On its website it states that "Philadelphia Gas Works (PGW) is responsible for distributing natural gas to the city. PGW has a program to replace ageing pipes which often leak gas throughout the city, but it's underfunded. While leaks from major gas pipelines are well known as a major source of methane pollution, the cumulative effect of thousands of small-scale leaks shouldn't be ignored either. Our attorneys recently helped PGW ensure it could secure more funding to increase the pace at which its pipes are replaced." <https://cleanair.org/waste-and-recycling/energy-efficiency/>

1 cast iron and bare steel replacements. It will not tolerate a slowing of those replacements  
 2 in favor of further studies of any kind. It certainly will not accept the possibility of  
 3 stranded assets occurring in the remote future as an excuse for delaying replacements,  
 4 especially when it has no experience or expertise to even ask the right questions to gain  
 5 the information it allegedly should gather and consider before granting rate relief that is  
 6 essential to ensure that main replacements proceed apace and unabated.

7 **Q. IS A GENERAL RATE CASE THE PROPER FORUM FOR DR. HAUSMAN’S**  
 8 **RECOMMENDATIONS?**

9 A. No, a general rate case is not the proper forum for such recommendations. For starters,  
 10 such cases must be completed in a total of nine months. There simply is not sufficient  
 11 time to deal with the multitude of issues that such recommendations raise and the  
 12 offerings of the many parties wishing to actively participate.<sup>8</sup>

13 Assuming the Commission has jurisdiction, there are more appropriate ways to  
 14 create a forum to discuss the issues raised by Dr. Hausman. For example, the  
 15 Commission could begin an inquiry to review whether its policies on natural gas  
 16 infrastructure safety and replacement should be reexamined. That proceeding could  
 17 involve all natural gas distribution companies. Dr. Hausman seems to recognize this  
 18 when he states: “Such planning [for climate change] could be done as part of a holistic  
 19 Climate Business Plan process, but another approach that satisfies the need for due  
 20 consideration and prudent planning could be found.”<sup>9</sup> The Environmental Stakeholders  
 21 need to explore those “other approaches.”

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<sup>8</sup> See, e.g., Formal Case No. 1142, *In the Matter of the Merger of AltaGas Ltd. and WGL Holdings, Inc.*, Climate Business Plan for Washington, D.C., filed March 16, 2020.

<sup>9</sup> SC St. No. 1, p. 6.

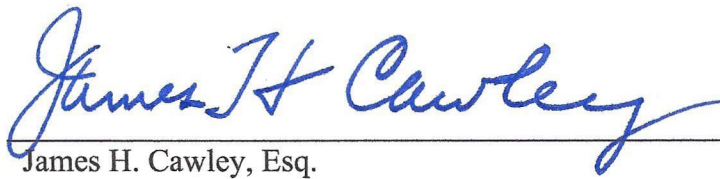
- 1 **Q. DOES THAT CONCLUDE YOUR REJOINDER TESTIMONY?**
- 2 A. Yes, it does.

**VERIFICATION**

I, James H. Cawley, hereby state that: (1) I am an independent consultant and attorney; (2) I have been retained by Philadelphia Gas Works for purposes of this proceeding; (3) the facts set forth in my testimony are true and correct to the best of my knowledge, information and belief; and (4) 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 28, 2020

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Dated

  
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James H. Cawley, Esq.