

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

REJOINDER TESTIMONY OF

**JOSEPH F. GOLDEN, JR.**

ON BEHALF OF  
PHILADELPHIA GAS WORKS

Docket No. R-2020-3017206

Philadelphia Gas Works

General Rate Increase Request

TOPICS:

Revenue Requirement  
Revenue & Expense Adjustments  
Updated Financial Schedules

July 27, 2020

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JFG-7	Comparison of Total Customer Billings and Receipts (September 2018 Through June 2019 with September 2019 Through June 2020)
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1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND POSITION WITH THE COMPANY.**

3 A. My name is Joseph F. Golden, Jr. My position is Executive Vice President and Acting  
4 Chief Financial Officer for Philadelphia Gas Works (“PGW” or “Company”).

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. 2, on February 28, 2020 and rebuttal  
8 testimony, PGW St. No. 2-R on July 13, 2020.

9 **Q. WHAT IS THE PURPOSE OF YOUR REJOINDER TESTIMONY IN THIS**  
10 **PROCEEDING?**

11 A. My rejoinder testimony primarily responds to a portion of the claim by the Office of  
12 Consumer Advocate (“OCA”), made principally by OCA witness Scott Rubin, that the  
13 PUC should reject PGW’s proposed rate increase in light of the Covid-19 pandemic. I am  
14 also responding to the revenue requirement testimony by Robert Kencht on behalf of the  
15 Office of Small Business Advocate (“OSBA”).

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

17 A. My rejoinder testimony first provides an update on PGW’s total billing and revenue  
18 experience through June 2020. I further show the economic effects of the Covid-19  
19 pandemic by comparing PGW’s billing and revenue experience from September 2018  
20 through June 2019 with PGW’s billing and revenue experience September 2019 through  
21 June 2020. In doing so, I provide responses to the surrebuttal testimony by OCA witness  
22 Rubin. In addition, my rejoinder testimony refutes the surrebuttal testimony by OSBA  
23 witness Knecht regarding revenue requirements.

24

1 **II. COVID-19 IMPACTS ON THE FPFTY**

2 **Uncollectibles**

3 **Q. IN THEIR SURREBUTTAL TESTIMONY, DID ANY PARTY COMMENT ON**  
4 **PGW'S COLLECTION EXPERIENCE?**

5 A. Yes. In his surrebuttal, OCA witness Scott Rubin states that he is "more pessimistic"  
6 about the pandemic and its effect on the Philadelphia economy. *See* OCA St. 1-SR at 2-4.  
7 To support his view, he gives high-level bullet points related to general economic data  
8 regarding the Commonwealth (unemployment claims) and the Nation (surveys by the  
9 U.S. Census Bureau and reports by the Federal Reserve Bank of Philadelphia). *Id.*

10 **Q. MR. RUBIN CONTINUES TO ASSERT, RELYING ON GENERAL ECONOMIC**  
11 **DATA, THAT MANY RESIDENTIAL AND COMMERCIAL CUSTOMERS IN**  
12 **PGW'S SERVICE TERRITORY WILL NOT BE ABLE TO OR WILL HAVE**  
13 **TROUBLE PAYING THEIR GAS BILL. HAVE YOU SEEN EMPIRICAL**  
14 **EVIDENCE FOR PGW THAT SUPPORTS THIS ASSERTION?**

15 A. The evidence that I have been able to review – principally PGW's monthly collections  
16 verses billings does not support a conclusion that a significant number of customers are  
17 not paying their gas bills.

18 **Q. PLEASE DESCRIBE THE COLLECTIONS EXPERIENCE FOR THE 10**  
19 **MONTHS ENDED JUNE 30, 2020.**

20 A. PGW had cumulative customer receipts of \$564.0 million for the ten months ended June  
21 30, 2020.

22 **Q. HOW DOES THIS COMPARE TO THE PRIOR FISCAL YEAR IN THE SAME**  
23 **TIME PERIOD?**

24 A. In FY 2019, through June 30, 2019 PGW had cumulative customer receipts of \$611.4  
25 million. This is a drop in receipts from FY 2020 by approximately \$47.4 million.

1 **Q. DOES THIS DROP IN RECEIPTS MEAN CUSTOMERS HAVE STOPPED**  
2 **PAYING PGW?**

3 A. No, to get a fuller picture you must look at the billings from the same time period.

4 Overall, customers are still paying their bills. The data, on Exhibit JFG-7, shows that  
5 customers are in fact paying well over the amount billed in each of these months and in  
6 several months exceed the prior year.

7 **Q. PLEASE EXPLAIN.**

8 A. In FY 2019, the billings for the ten month period were \$659.2 million. In FY 2020, the  
9 billings were \$609.0 million, or a decrease of \$49.4 million. As I noted earlier the  
10 decrease in receipts was \$47.4 million, or only \$2.0 million less than the related billings.  
11 This shows a small difference, since receipts are off by 7.75% between the two periods  
12 and billings are off by 7.51% between the two periods.

13 **Q. WHAT DO YOU CONCLUDE BASED ON THESE DATA?**

14 A. If Mr. Rubin was correct and many more customers were having trouble paying their bills  
15 I would expect to see this in a dramatic drop-off in collections. That so far has not  
16 happened. I am mindful, however, of the projections for the FPPTY that Dr. Peach has  
17 made based on unemployment statistics. Those show a greater number of customers will  
18 have trouble paying their bills, resulting in a potential doubling of difference between  
19 billings and receipts (from around 96% to 92%). However this drop-off, while increasing  
20 our revenue requirement if it were factored into the FPPTY, is still representative of a  
21 targeted problem and one that should be addressed through the targeted assistance that  
22 PGW has offered and will continue to offer.

1 **III. REVENUE REQUIREMENT CALCULATION**

2 **Q. PLEASE RESPOND TO MR. KNECHT’S SURREBUTTAL TESTIMONY**  
 3 **REGARDING PGW’S REVENUE REQUIREMENT.**

4 A. The overall theme of Mr. Knecht’s testimony is that PGW should “borrow” its way out of  
 5 the current pandemic and hope for the best when it ends. I disagree with this theme and  
 6 the recommendations based on this theme. In my opinion, that theme is risky (with or  
 7 without a pandemic). Back in 2008, PGW had a higher level of debt and required  
 8 emergency rate relief to cover, inter alia, substantial additional financing costs triggered  
 9 by the global credit crisis. While the 2008 recession and credit crisis are different from  
 10 the current pandemic, I believe that a lesson learned is that a more debt-laden company  
 11 faces much more risk in a crisis. In my opinion, that lesson is reinforced by the number of  
 12 businesses failing and increases in personal bankruptcies that the media reports as being  
 13 tied to the pandemic. It, therefore, seems to me to be a “fool’s mission” to weaken PGW  
 14 (by increasing debt) so that PGW can (allegedly) be stronger later.

15 **Q. MR. KNECHT STATES THAT PGW’S BOOKS WERE “GROSSLY**  
 16 **INACCURATE” BASED ON AN “ACCOUNTING PROBLEM.” (OSBA ST. 1-S**  
 17 **AT 3, LINES 6-12). PLEASE RESPOND.**

18 A. He is wrong. The accounting methods employed by PGW are in accordance with U.S.  
 19 generally accepted accounting principles (U.S. GAAP) and are in conformity with City of  
 20 Philadelphia (the City) reporting requirements following the Governmental Accounting  
 21 Standards Board (GASB) standards and guidance. This is confirmed by independent  
 22 auditors who examine PGW’s practices and records.

23 Mr. Knecht’s surrebuttal testimony on this point is misleading. The accounting  
 24 standards relative to OPEB and Pension were changed. PGW made changes to its  
 25 financial statements in FY 2017 due to new accounting standards. PGW implemented

1 those standards when, and as required by, the accounting standards. Responding to  
2 changes in the applicable standards does not mean that PGW had an accounting problem  
3 or that PGW's books were inaccurate.

4 **Q. PLEASE RESPOND TO MR. KNECHT'S SURREBUTTAL TESTIMONY**  
5 **REGARDING PGW'S ABILITY TO USE DEBT TO "PAY DOWN" LIABILITIES**  
6 **OF OPEB AND PENSION.**

7 A. On pages 4 and 5 of his surrebuttal testimony, Mr. Knecht references using debt to "pay  
8 down" liabilities of OPEB and Pension. (OSBA St. 1-S at 4 and 5, lines 1-7). This is not  
9 authorized under the bond authorization ordinances. Bond proceeds can only be used for  
10 capital expenses. While stating this use of debt will not impact the debt to capital ratio it  
11 ignores that it will dramatically alter the 50%/50% split of debt financed capital, one of  
12 PGW's financial metrics.

13 In addition, I would note that Mr. Knecht's testimony fails to recognize that if he  
14 increases the debt issued by PGW, the debt service levels in the FPPTY and beyond will  
15 need to be increased. Table IEC-S1 on page 4 does not reflect the need for increased debt  
16 service, since the cash balance is staying the same.

17 **Q. BASED ON MR. KNECHT'S SURREBUTTAL TESTIMONY, HAS PGW**  
18 **CHANGED ITS POSITIONS ON HIS RECOMMENDATIONS REGARDING**  
19 **PGW'S REVENUE REQUIREMENT?**

20 A. No. PGW continues to recommend that Mr. Knecht's recommendations on PGW's  
21 revenue requirement be rejected in their entirety.

22 **IV. CONCLUSION**

23 **Q. DOES THAT COMPLETE YOUR REJOINDER TESTIMONY?**

24 A. Yes.

# **EXHIBIT JFG-7**



**PHILADELPHIA GAS WORKS**  
**TOTAL CUSTOMER BILLINGS & RECEIPTS**


	September 2019 Through June 2019			September 2019 Through June 2020		
	Customer Billings	Customer Receipts	Receipts as a % of Billings	Customer Billings	Customer Receipts	Receipts as a % of Billings
September	25,098,767	28,812,500	114.80%	26,184,910	31,657,670	120.90%
October	29,783,909	39,692,752	133.27%	30,063,202	38,499,581	128.06%
November	55,863,456	36,858,305	65.98%	54,363,817	36,106,549	66.42%
December	86,975,533	52,400,134	60.25%	88,775,442	53,819,477	60.62%
January	113,062,719	75,076,832	66.40%	108,251,561	76,810,187	70.96%
February	115,078,314	84,142,929	73.12%	104,101,128	76,798,079	73.77%
March	98,530,943	99,522,680	101.01%	77,308,454	84,920,405	109.85%
April	64,524,756	87,154,261	135.07%	54,945,284	66,839,766	121.65%
May	39,355,267	66,655,927	169.37%	38,586,932	52,667,339	136.49%
June	30,930,334	41,071,485	132.79%	27,146,180	45,915,852	169.14%
<b>Total To-Date</b>	<b>\$ 658,203,999</b>	<b>\$ 611,387,805</b>		<b>\$ 609,726,910</b>	<b>\$ 564,034,906</b>	
			FY 2020 vs FY 2019	<b>\$ (49,477,089)</b>	<b>\$ (47,352,899)</b>	

**VERIFICATION**

I, Joseph F. Golden, Jr., hereby state that: (1) I am the Executive Vice President and Acting Chief Financial 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 27, 2020

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Dated

  
\_\_\_\_\_  
Joseph F. Golden, Jr.  
Executive Vice President  
Acting Chief Financial Officer  
Philadelphia Gas Works