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PA PUBLIC UTILITY COMMISSION
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March 29, 2010

VIA FEDERAL EXPRESS

James McNulty, Secretary
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: PA Public Utility Commission v. Philadelphia Gas Works
Docket Nos. R-2009-21398884 and P-2009-2097639

Dear Secretary McNulty:

On behalf of Philadelphia Housing Authority ("PHA"), enclosed for filing please find an original and three copies the Direct Testimony of Kirk Dorn and Robert E. Pender, concerning the PGW rate proceeding. Copies have been served in accordance with the attached Certificate of Service.

Respectfully submitted,

Philip L. Hinerman

PLH:bm
Enclosure

cc: Certificate of Service (w/encl.)
Dianne Rosenthal
Kirk Dorn
Leigh Poltrock, Esq.
Helen Ferris, Esq

PHA Statement No. 1
Witness: Kirk Dorn

PENNSYLVANIA PUBLIC UTILITIES COMMISSION

v.

PHILADELPHIA GAS WORKS

Docket No.: R-2009-2139884

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

**DIRECT TESTIMONY
OF
KIRK DORN**

Concerning:

PHA Rate Structure

1 **Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.**

2 A. My name is Kirk Dorn. I am formerly the General Manager of Communications for the
3 Philadelphia Housing Authority (“PHA”), 12 S. 23rd St., Philadelphia, PA 19103. I
4 currently provide PHA communication services through my current firm, Ceisler,
5 Jubelirer.

6 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL BACKGROUND.**

7 A. I began working for PHA in September, 2002. Before joining PHA, I was a journalist
8 and news department manager for several organizations over a 20-year period, including
9 KYW News radio and the Associated Press.

10 **Q. PLEASE DESCRIBE PHA’S CURRENT OPERATIONS.**

11 A. PHA was established in 1937 and is the nation’s fourth largest housing authority. PHA is
12 the largest landlord in Pennsylvania. We develop, acquire, lease and operate affordable
13 housing for City residents with limited incomes. Approximately 88 percent of PHA’s
14 households are below 30% of the area median income. Rent for these residents is based
15 on less than 30 percent of their income, thus rent revenue to PHA is very limited.

16 We house approximately 81,000 people in the City of Philadelphia. We offer a
17 variety of residences, including conventional apartment buildings and town home
18 communities (“Conventional Sites”), and apartments and houses located throughout the
19 City (“Scattered Sites”).

20 **Q. WHAT ARE THE PRINCIPAL SOURCES OF PHA’S FUNDING?**

21 A. We receive the majority of our funding from the U.S. Department of Housing and Urban
22 Development (“HUD”).

1 **Q. ARE PHA'S ALLOTMENTS ENOUGH TO COVER THE FULL AMOUNT OF**
2 **ITS BUDGET?**

3 A. No, they are not. HUD has cut the budgets of PHA and other cities' and counties'
4 housing authorities by more than 20 percent in the past six years. For Calendar Year
5 2007, there was reduction of PHA funding to 82% of budget. The funding for Calendar
6 Year 2008 is 80% of allowable subsidy. The funding for Calendar Year 2009 is at 88%
7 of allowable subsidy. See Exhibit "A", PHA-1-1, attached.

8 **Q. WHAT EFFECTS, IF ANY, HAVE THE ABOVE BUDGET CONSTRAINTS HAD**
9 **UPON PHA'S OPERATIONS?**

10 A. Over a period of years we had systematically reduced our workforce as we converted
11 ourselves into a lean, efficient organization. Total number of tenants have increased. Our
12 February 2000 resident population was about 50,000. Today, it is more than 81,000 – an
13 increase of more than 60 percent.

14 PHA's staffing reductions have had a particularly significant impact on our police
15 force and maintenance staffing, two areas with real impact on our residents' physical
16 comfort and security.

17 Layoffs have affected our maintenance operations, and are forcing tenants to wait
18 longer for routine repairs. Moreover, our waiting list of eligible tenants for housing is
19 getting longer. We have to defer or cancel repair of vacant units instead of making them
20 ready for occupancy.

21 **Q. PLEASE DESCRIBE PHA'S GAS RATES FOR ITS PROPERTIES.**

22 A. We are facing rigorous financial challenge. PGW sets separate rates for municipal
23 agencies and for PHA. Some PHA residents have individually metered rates for which
24 PHA pays a utility allowance under HUD regulations. PHA is also billed at some

1 communities where meters are in PHA's name. The rate PHA is charged substantially
2 exceeds the municipal rate, even though (i) all PHA residents reside in Philadelphia, (ii)
3 all PHA Board members are appointed by the Mayor and City Controller of Philadelphia
4 (iii) all PHA facilities and offices are in Philadelphia, and (iv) all PHA employees are
5 required to live in Philadelphia.

6 **Q. PLEASE DESCRIBE PHA'S AND ITS RESIDENTS' FINANCIAL SITUATIONS.**

7 A. Our residents are no less conscious than we are of the cost of necessities, and no less
8 harmed than we are when those costs rise. PHA's residents are low-income and senior
9 residents who meet stated financial criteria. The average annual income of PHA
10 households is roughly \$11,000, and approximately 75% of our residents live at or below
11 the poverty level.

12 PHA residents pay a portion of their monthly incomes to PHA in the form of rent.
13 HUD is decreasing the levels of PHA funding. The resulting financial crunch
14 exacerbates an already difficult financial situation.

15 **Q. PLEASE DESCRIBE THE PROJECTED EFFECTS OF THE PROPOSED RATE**
16 **UPON PHA'S OPERATIONS.**

17 A. HUD's funding reductions already threaten PHA's ability to meet current demands for its
18 housing stock, as well as the safety of our properties and our ability to provide services to
19 our residents. The proposed rates force PHA to pay more than its fair share of charges.

20 PHA pays for gas at a higher rate than the City and must make budget
21 concessions to pay the difference. The excess could be used in programs and services
22 such as education, job training and social programs that PHA offers to help its resident

1 improve their life situations, and assist in repairing and replacing maintenance and
2 security, as well as renovating existing units to make them more energy-efficient.

3 **Q. DOES HUD REFUND UTILITIES PAYMENTS?**

4 A. Prior to 2003, the United States Department of Housing and Urban Development
5 provided reimbursement for utilities.

6 In 2003, HUD sent all housing agencies a memo reflecting a major change in
7 funding policy. It is announced policy of HUD that “HUD is no longer permitted to
8 make utility adjustments or any other type of retroactive payment.” There could be no
9 “catch up” of funding to cover any expenses exceeding our limited budget at the end of
10 each fiscal year as there had been before 2003. There is no mechanism in place for PHA
11 to be 100% reimbursed.

12 **Q. HOW CURRENT IS PHA ON ITS UTILITY PAYMENTS?**

13 A. PHA routinely pays 100% of the outstanding gas charges. We are current on meter and
14 usage charges.

15 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

16 A. Yes, it does.

EXHIBIT “A”

PHA-1-1

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Attached are the final obligation letters and final approved forms HUD-52723 for all projects in your Public Housing Agency (PHA). Also, below is the worksheet reconciling operating subsidy funding for all projects in your PHA. For more information on this reconciliation worksheet, please refer to "Final Calendar Year (CY) 2009 Operating Subsidy Obligation: Reconciliation Methodology" at <http://www.hud.gov/offices/pih/programs/ph/am/of/opfnd2009.cfm>

		A	B	C	D	E	F	G	H
No.	Project #	CY 2009 Total Eligibility	CY 2009 Prorated Eligibility At 88.42%	Amount Previously Obligated through 8/30/09	Expected Funding for 10/01/09 through 12/31/09 (before reconciliation)	Actual Funding for 10/1/09 through 12/31/09	Amount overfunded at PHA level	Amount deobligated during the year	Amount to be recaptured
1	PA002000001	\$ 118,708,195	\$ 104,961,786	\$ 78,347,409	\$ 26,614,377	\$ 26,614,377		\$ -	\$ -
	Total	\$ 118,708,195	\$ 104,961,786	\$ 78,347,409	\$ 26,614,377	\$ 26,614,377			

Note: Project level amounts may not add to totals due to rounding

Definitions

Column A: Final approved CY 2009 eligibility of the project from Line E1 of HUD-52723

Column B: Prorated CY 2009 eligibility at 88.42 percent proration

Column C: Total amount funded to the project in the previous three rounds of funding

Column D: Funding to be provided to the project before reconciliation (Col B - Col C). This amount can be negative indicating that the project has received more funding than eligibility

Column E: Actual funding provided to the project after reconciliation. This amount cannot be negative.

Column F: In cases where a PHA as a whole may have received more funding than eligibility, this column represents the overfunded amount at the PHA level

Column G: Amount deobligated during the year for the project. No action is required by the PHA

Column H: If PHA as a whole received more funding than eligibility and HUD was not able to deobligate funds during the year (i.e., Col F exceeds Col G), funds will have to be recaptured. HUD will provide instructions to the affected PHAs and Field Offices on further action required.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**TESTIMONY OF
ROBERT E. PENDER**

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

**ON BEHALF OF
PHILADELPHIA HOUSING AUTHORITY**

PHILADELPHIA GAS WORKS

DOCKET NO. R-200902139884

MARCH 2010

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. Robert E. Pender, 467 Lake Howell Road, Suite 206, Maitland, FL 32751.

4 **Q. WHAT IS YOUR OCCUPATION?**

5 A. I am a consultant and owner of the firm of R. E. Pender, Inc.

6 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

7 A. No.

8 **Q. HAVE YOU TESTIFIED BEFORE ANY OTHER FORUMS?**

9 A. Yes. I have testified before the Federal Energy Regulatory Commission, the Kansas
10 Corporation Commission, the Public Service Commission of the District of Columbia,
11 the New York Public Service Commission, the New Mexico Public Regulation
12 Commission, as well as Circuit Court, Federal District Court and in an arbitration
13 proceeding. A copy of my regulatory/litigation experience is provided as part of my
14 resume, shown as Attachment A to my testimony.

15 **Q. BRIEFLY SUMMARIZE YOUR EXPERIENCE, QUALIFICATIONS AND**
16 **EDUCATIONAL BACKGROUND.**

17 A. I have over 30 years of experience in providing services to the utility industry as
18 both a consultant and in a management role for an investor-owned utility. From
19 1986 through 2004, I was a Principal and Senior Director in the firm of R. W.
20 Beck, Inc., a well-known international consulting and engineering firm. Prior to
21 joining R. W. Beck, I was employed by Public Service Company of Indiana (now
22 an operating division of Duke Energy) where I last held the position of Wholesale

1 Cost of Service Supervisor. My areas of expertise include utility rates and
2 regulation; utility property appraisals and valuations; contract billing compliance
3 reviews and dispute resolution; economic feasibility studies; right-of-way cost
4 studies; and impact fee studies. I am an Accredited Senior Appraiser – Public
5 Utilities, as certified by the American Society of Appraisers. I received a B.S.
6 degree in Accounting and Business Administration from Indiana State University
7 in May 1977. In addition, I have taken over 180 hours of appraisal courses
8 through the American Society of Appraisers.

9 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

10 A. I am appearing on behalf of the Philadelphia Housing Authority (“PHA”).

11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

12 A. The purpose of my testimony is to make recommendations to the Commission with
13 regard to (i) the revenue requirement that the Philadelphia Gas Works has used in
14 determining the Distribution Delivery Charge rate applicable to the PHA rate class and
15 (ii) the treatment of PHA as a separate rate class for cost allocation and rate setting
16 purposes.

17 **Q. PLEASE DESCRIBE THE PHILADELPHIA HOUSING AUTHORITY.**

18 A. Established in 1937, PHA is a public agency that was created for the purpose of
19 providing affordable housing to residents of Philadelphia having low or limited
20 income. PHA is the nation’s fourth largest housing authority and serves as the largest
21 landlord in the Philadelphia area. Currently, PHA provides housing to more than
22 80,000 people in the City and has approximately 1,150 employees. PHA’s funding

1 comes primarily from the federal government (i.e., the Department of Housing and
2 Urban Development). It also works in partnership with state and local governments,
3 and private investors.

4 **Q. PLEASE DESCRIBE THE PGW RATE TARIFFS UNDER WHICH PHA IS**
5 **SERVED.**

6 A. PHA and its residents actually receive gas service under one of two (2) rate tariffs: the
7 Rate GS-Public Housing tariff and the Rate PHA tariff. The Rate GS-Public Housing
8 tariff applies to individually metered locations and has the following availability
9 provision:

10 *Available for any purpose where the Company's distribution mains*
11 *adjacent to the proposed Gas Service location are, or can*
12 *economically be made, suitable to supply the quantities of Gas or*
13 *Transportation Services required.*

14 For the PHA rate, the availability provision reads, in part, as follows:

15 *Available for all Gas usage in multiple dwelling Residential buildings*
16 *containing 10 or more dwelling units, owned and operated by the*
17 *Philadelphia Housing Authority, where cooking shall be performed*
18 *exclusively with Gas and where Gas Service shall be supplied through*
19 *one or more single point metering arrangements.....also available for*
20 *all Gas usage in single and multiple dwelling Residential buildings,*
21 *containing less than 10 dwelling units, provided, and only so long as,*
22 *Gas is used exclusively for cooking, water heating and space heating*
23 *for all such Residential buildings owned and operated by the*
24 *Philadelphia Housing Authority, except (a) buildings operating by the*
25 *Philadelphia Housing Authority, prior to the original effective date of*
26 *the rate (January 1, 1969), and (b) buildings for which, in the*
27 *judgment of the Company, such Gas Service cannot be provided*
28 *economically.*

29 **II. REVENUE REQUIREMENT USED FOR THE PHA RATE DESIGN**

30 **Q. WHAT CHANGES TO THE PHA RATE TARIFFS IS PGW PROPOSING IN**
31 **THIS PROCEEDING?**

1 A. PGW is actually proposing a slight rate decrease in the PHA rate for Distribution
2 Delivery. The Rate GS-Public Housing rate, applicable to PHA residents who are
3 billed by PGW, will decrease from \$0.52817 per Ccf to \$0.51784 per Ccf, reflecting a
4 1.95% decrease. The PHA Rate will decrease from \$0.51889 per Ccf to \$0.50990 per
5 Ccf, a reduction of approximately 1.73 percent. No changes to the Customer Charge
6 or the GCR (Gas Cost Rate) are being proposed in this proceeding.

7 **Q. WHY IS PGW PROPOSING A RATE DECREASE FOR THE PHA RATE**
8 **TARIFFS?**

9 A. Simply because the total allocated revenue requirements for the PHA rate
10 classifications are less than the total revenues that would be collected under the current
11 PHA rates during the specified test period. As presented in Exhibit HSG-1 sponsored
12 by Witness Gorman, the Tariff Revenues (under current rates) and Total Revenue
13 Requirement applicable to the PHA rate class are as follows:

14	Total Net Revenues	=	\$6,324,000
15	Total Revenue Requirement	=	<u>\$5,212,000</u>
16	Over (Under) Recovery	=	\$1,112,000

17 It is notable that the \$1,112,000 over recovery is about 17.6 percent of the projected
18 Net Revenues.

19 **Q. HOW DOES THE ABOVE OVER RECOVERY COMPARE WITH WHAT**
20 **PGW USED FOR RATE DESIGN?**

21 A. PGW's rate design was based on an amount that is only \$75,000 lower than Tariff
22 Revenues under current rates or \$6,261,000 (see Exhibit HSG-7A). When this
23 \$75,000 reduction is spread over the PHA rate classes it results in the PGW proposed
24 rates discussed above and shown in Exhibit HSG-7B.

1 **Q. WHY DID PGW USE THE \$75,000 REDUCTION RATHER THAN THE**
2 **\$1,112,000 AS JUSTIFIED BY THE COST OF SERVICE.**

3 A. From reading the testimony of Witness Dybalski, the lesser amount apparently was
4 used in order to “avoid rate shock by allocating the rate increase in such a way that
5 carefully moves all classes closer to the system rate of return when compared to
6 PGW’s 2006 base rate case compliance filing (Docket No. R-00061931).” (See
7 Dybalski testimony at page 5.) In addition, the \$75,000 reduction produces a slightly
8 lower return (from 18.7% to 18.1%) for the PHA rate class but is still well above the
9 return (14.2%) approved by the Commission in PGW’s Compliance Filing in Docket
10 No. R-00061931 and is almost twice the target return (9.5%) that PGW is seeking in
11 the immediate filing.

12 **Q. DO YOU AGREE WITH PGW’S RATE DESIGN FOR THE PHA RATE**
13 **CLASS?**

14 A. No, I do not. While I understand PGW’s goals to avoid rate shock, I believe the
15 manner in which PGW accomplished its rate design for the PHA rate class is blatantly
16 unfair and inequitable.

17 **Q. WHY DO YOU SUBMIT THAT PGW’S RATE DESIGN IS UNFAIR AND**
18 **INEQUITABLE?**

19 A. First, PHA is a public agency that depends almost entirely on funding from outside
20 sources (e.g., HUD). PHA has little or no control over this funding and is limited in
21 the amount of revenue that can be collected from its low-income tenants.
22 Additionally, PHA does not obtain 100% funding for these utility expenses. Given
23 that utility costs represent about 10 percent of PHA’s total annual cash expenditures,
24 the manner in which the PHA rates are determined is an important factor contributing
25 the financial well-being of the Authority. The inequity of PGW’s rate design is

1 highlighted by the fact that the resulting rate of return (18.1%) under the proposed
2 rates for PHA is significantly higher than any rate class other than Industrial and much
3 higher than the proposed overall return. The proposed returns, as presented in Exhibit
4 HSG-7D are as follows:

5	Municipal	-	8.66%
6	Residential	-	8.75%
7	Commercial	-	11.93%
8	PHA	-	18.05%
9	Industrial	-	25.93%
10	Average	-	9.55%

11 As you can see, even after the proposed reduction of \$75,000 in allocated revenue
12 requirements, PHA's return contribution is 4.5 percentage points higher than the
13 overall average. This simply means that, under proposed rates, the PHA is effectively
14 subsidizing the Residential and Municipal rate classes, which have returns below the
15 9.55% average. In my opinion, I find it rather unusual and unfair that a public housing
16 agency would be required to subsidize the private sector and other public agencies.

17 **Q. WHAT WOULD YOU RECOMMEND WITH REGARD TO THE RATE**
18 **DESIGN FOR PHA?**

19 A. I would propose that the Commission eliminate the over-recovery of revenue
20 requirements for the PHA rate class entirely and spread the difference over all other
21 rate classes in proportion to PGW's proposed revenue increase (decrease) as shown on
22 Exhibit HSG-7A (line 21).

23 **Q. HAVE YOU PREPARED AN EXHIBIT THAT DEMONSTRATES THE**
24 **IMPORT AND EFFECT OF YOUR RECOMMENDATIONS?**

25 A. Yes. Exhibit PHA-2-1 is a two-page workpaper that shows how I would propose to
26 reapportion the \$1,112,000 over-recovery (or subsidy) amount over the other rate

1 classes and the resulting impact on the Distribution Delivery Charge. The
2 reallocation of the subsidy (i.e., the amount over and above the \$75,000 decrease
3 proposed by PGW) is shown on page 1, line 11 of Exhibit PHA-2-1 and the resulting
4 revenue increase (decrease) as revised is shown on line 12. A review of the
5 Combined Return (line 17) shows that the reallocation of the subsidy lowered the
6 return for PHA to 9.5 percent while having minimal impact on the returns for the other
7 rate classes. The calculation of the revised delivery charge rates for each rate class are
8 shown on page 2 of Exhibit PHA-2-1. This demonstrates that the elimination of the
9 subsidy will result in distribution rates for the PHA that are 24% - 28% lower than
10 those proposed by PGW while having minimal impact on the other rate classes.

11 **III. TREATMENT OF PHA AS A SEPARATE RATE CLASS**

12 **Q. WHAT IS YOUR UNDERSTANDING OF THE HISTORY OF AND**
13 **REASONS FOR THE ESTABLISHMENT OF THE RATE PHA RATE**
14 **TARIFF?**

15 A. PHA submitted discovery to PGW inquiring about the reasons for the creation of the
16 PHA rate class. PGW's response is attached as Exhibit PHA-2-2. Evidently, PGW
17 believes that the PHA rate class was created because of the different attributes of
18 service (e.g., average annual gas usage per customer/meter). However, the PGW
19 response also noted that "the PHA rate class was created at least 25 years ago,
20 therefore, the requested information is not available." The current tariff sheet for Rate
21 PHA indicates that the original effective date for the PHA rate was January 1, 1969.
22 Apparently, it is unknown under what rate class the PHA was served prior to that date.
23 However, one thing is known - PHA is the only "public" entity served by PGW under
24 a separate and distinct rate class.

1 **Q. DO YOU FEEL THERE IS ANOTHER RATE CLASS UNDER WHICH PHA**
2 **COULD BE SERVED?**

3 A. Yes, given the nature of its business (i.e., providing housing services to Philadelphia’s
4 low-income individuals and families), its presence only in the city of Philadelphia and
5 its importance to the City of Philadelphia, I would recommend the PHA be served
6 under the Municipal Service – Rate MS tariff. This would require some minor
7 modifications to the Rate MS tariff and perhaps the tariff could be renamed
8 “Municipal / Public Housing Service - Rate MSPH.”

9 **Q. WHAT IS THE JUSTIFICATION FOR COMBINING THE RATE MS AND**
10 **RATE PHA RATE CLASSIFICATIONS?**

11 A. Although the PHA and the City are, from a financial standpoint, separate government
12 entities, they are in many ways “joined at the hip” in the services performed for the
13 community. The primary focus of both is to provide essential services for the
14 residents of the City (i.e., housing, water and sewer, gas, transportation, among
15 others). Additionally, the two entities continually work together to promote the
16 overall social well-being for the people they serve. For example, the PHA has in the
17 past partnered with the Community College of Philadelphia (a component unit of the
18 City) to promote continuing education for PHA residents. More recently, PHA joined
19 in a cooperative effort with the City to reduce the City’s homeless population. Indeed,
20 the evidence suggests that the PHA is a very integrated part of the City. Not long ago,
21 the importance of this relationship was noted in a Standard & Poor’s bond rating
22 report for the PHA. The S&P report stated that one of the strengths of PHA’s
23 management is its “close and cooperative interaction with external partners, including

1 the City of Philadelphia.” A more recent S&P report for the PHA had as one of its
2 conclusions the following statement:

3 *The future of the City of Philadelphia rests in part upon continued*
4 *success by PHA as it redevelops neighborhoods and raises property*
5 *values.*

6 **Q. HOW DO YOU RESPOND TO PGW’S CONTENTION THAT THE REASON**
7 **PHA IS IN A SEPARATE RATE CLASS IS BECAUSE OF ITS UNIQUE**
8 **USAGE CHARACTERISTICS?**

9 A. While I understand that PHA, as a gas customer, may have usage attributes that are
10 different from the MS rate class as whole, I would point out that there are component
11 units served under the Municipal rate tariff that likely have usage characteristics that
12 differ from the class as whole, including for example, the Community College of
13 Philadelphia and the Pennsylvania Convention Center Authority. Moreover, under the
14 current tariff structure, if PHA was a component unit of the City, it would likely be
15 served by PGW under the Municipal rate tariff.

16 **Q. ARE THERE CASES WHERE A UTILITY MAY RECOGNIZE A “SOCIAL”**
17 **NEED IN ESTABLISHING ITS RATE TARIFFS?**

18 A. Yes, one such example is the City of Philadelphia’s Water Department (“PWD”)
19 utility which has a “special customer” discount provision that applies to public and
20 private schools, churches, non-profit charitable organizations, universities and colleges
21 and the PHA. See Section 305.2 of the PWD Regulations. As a GROUP IV customer
22 under Section 305.2 under the PWD regulations, the PHD receives a 5 percent
23 discount on its monthly water charges. Another example is the City of Fairhope,
24 Alabama which maintains a separate electric tariff for churches and other non-profit
25 organizations. I’m sure there are many other examples where municipal utilities have

1 established "special" rates in order to support or promote the special or social needs of
2 their communities.

3 **Q. WHAT WOULD BE THE IMPACT ON THE DELIVERY CHARGE IF THE**
4 **MUNICIPAL AND PHA RATE CLASSES WERE COMBINED UNDER A**
5 **SINGLE TARIFF?**

6 A. Exhibit PHA-2-3 is a two-page exhibit that shows two alternative calculations of the
7 estimated Delivery Charge rate that would result from combining the Municipal and
8 PHD rate classes using the PGW rates as currently proposed. Page 1 shows the
9 calculation of the composite Delivery Charge rate assuming the revenue requirement
10 as proposed by PGW is used. The resulting composite rate is \$4.0783 per mcf. As an
11 alternative (see page 2), I also calculated a composite rate using the unadjusted
12 revenue requirement as calculated in the PGW cost of service (i.e., eliminating the
13 current subsidy for both the Municipal and PHA rate classes). This computation
14 results in a composite Delivery Charge rate of \$3.6646 per mcf, which is slightly
15 higher than the Municipal rate being proposed by PGW -- \$3.4344 per mcf. Still
16 focused on page 2 of my Exhibit PHA-2-3, I believe it is important to highlight the
17 fact that when individual rates are determined based on the actual revenue requirement
18 for each rate class (see column f), there is not a substantial difference between the
19 three (3) rates. This would seem to indicate, at least on the surface, that the cost
20 allocation attributes for the Municipal and PHA rate classes are fairly similar.

21 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

22 A. Yes.

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Attachment A

ROBERT E. PENDER, ASA
467 LAKE HOWELL ROAD, SUITE 206
MAITLAND, FL 32751
407-644-9795
bob@repender.com

Mr. Pender has over 30 years of experience in providing services to the utility industry as both a consultant and in a management role for an investor-owned utility. From 1986 through 2004, Mr. Pender was a Principal and Senior Director in the firm of R. W. Beck, Inc., a well-known international consulting and engineering firm. Prior to joining R. W. Beck, Mr. Pender was employed by Public Service Company of Indiana (now an operating division of Duke Energy) where he last held the position of Wholesale Cost of Service Supervisor. Mr. Pender's areas of expertise include utility rates and regulatory support; utility property appraisals and valuations; contract billing compliance reviews and dispute resolution; economic feasibility studies; right-of-way cost studies; and impact fee studies. He has testified as an expert witness on various utility rate/regulatory matters and in defense of his appraisals before the Federal Energy Regulatory Commission, several state commissions and the courts. Mr. Pender received a B. S. Degree in Accounting and Business Administration from Indiana State University in 1977. He is a retired major of the United States Air Force Reserve and has lived in the Orlando, Florida area since 1986.

UTILITY RATES AND REGULATORY SUPPORT

- Extensive background in performing and analyzing utility wholesale and retail rate studies.
- As a wholesale cost of service supervisor for an investor-owned utility, had primary responsibility for the preparation of wholesale rate filings and interconnection agreement filings before the Federal Energy Regulatory Commission.
- Testified as an expert on various utility rate matters before the Federal Energy Regulatory Commission, several state utility commissions and Federal district court (See Exhibit B). Issues addressed include income taxes, stranded costs; various cost of service allocations/assignments; fuel cost recovery; merger cost savings and regulatory policy.

UTILITY APPRAISALS AND VALUATIONS

- An Accredited Senior Appraiser (ASA), Public Utilities, as certified by the American Society of Appraisers. One of only about 30 such appraisers nationwide.
- Performed a large number (approximately 50 in the last five years) of appraisals and valuations of utility assets in connection with property tax disputes and litigations, municipal condemnations, sale/purchase of assets, stranded cost assessments, contract litigation, book/rate base valuation and bond financings (See Exhibit A)
- Appraised all types of utility property including electric (generation, transmission and distribution), natural gas, water, wastewater, telecommunications, steam and chilled water utilities, coal conveyer systems and landfills.
- Testified as an expert witness in defense of appraisals and valuations before the courts, arbitration panels and regulatory commissions (See Exhibit B).

CONTRACT BILLING REVIEWS AND DISPUTE RESOLUTION

- Utilized accounting knowledge and expert background in utility cost of service principles to perform a number of in-depth reviews of charges under power supply and joint-ownership contracts between municipal joint-action agencies and investor-owned utilities.
- Annual reviews resulted in the identification of a number of important issues, including cost allocation/assignment issues that were ultimately resolved by the parties either through negotiation or arbitration.
- Played a lead role in assessing the value of identified issues and in negotiating their resolution on behalf of the client. These efforts resulted in total cumulative savings to the clients of well over \$1.0 billion.

ECONOMIC FEASIBILITY STUDIES

- Performed several economic feasibility studies analyzing both the privatization and public ownership of utility systems.
- Relied on extensive knowledge of the cost of service profiles of public and private utility systems to develop models that analyze total utility costs under a variety of assumptions and alternative scenarios.

RIGHT-OF-WAY COST STUDIES

- Performed comprehensive studies to determine a local government's costs associated with the ownership, management and maintenance of public right-of-ways and appropriate access fees for use of the right-of-ways.
- Scope of work typically includes conducting departmental interviews, preparing data requests, analyzing data, developing the cost study to identify the "direct" and "indirect" expenses and capital-related costs and determining the amount (e.g., linear feet) of right-of-way to use in designing the fees for right-of-way access.
- If necessary, expert testimony and other litigation assistance in support of the right-of-way cost study and rates are also provided.

IMPACT FEE STUDIES

- Conducted several in-depth cost studies to determine appropriate impact fees for local municipality. Impact fees were designed for police, library, parks & recreation and refuse.
- Worked closely with staff to determine the estimated incremental costs that would be incurred by the local government in providing services to new residential/commercial development areas.
- Appropriate impact fees were determined utilizing both the inductive and deductive methods for fee design.

PAPERS AND PRESENTATIONS

- “The Use of Comparable Sales in the Valuation of Public Utility Property,” International Association of Assessing Officers, Public Utility Workshop, March 22, 2002
- “Understanding GASB Statement No. 34,” First Coast Chapter of the Florida Water Environment Association, July 2002.
- “Recent Mandates by the FCC and Their Potential Impact,” International Association of Assessing Officers, Public Utility Workshop, March 5, 2004
- “What is Your Water System Worth – A Primer on How to Effectively Value Water Systems,” American Water Works Association Annual Conference, June 15, 2005
- “Broadband Services – Potential Impact on Telecom Value,” International Association of Assessing Officers, Annual Conference, September 1, 2004.
- “Questions for Appraising or Valuating a Water System,” *Opflow*, published by the American Water Works Association, December 2004.
- “Protecting Your Interests Underground,” Web seminar by the American Public Works Association, May 11, 2005.
- “Property Tax Litigation – Case Study,” National Conference of Unit Valuation States, November 7, 2005.
- “Telecommunications Competition – Impact on Telecom Value,” Annual Wichita Conference on Ad Valorem Taxation, July 2006.
- “The Public Right-of-Way Cost Analysis – Basic Concepts and Approach,” National Association of Telecommunications Officers and Advisors, Annual Meeting, August 2006.
- “A Primer for Determining Public Right-of-Way Costs,” *NATOA Journal*, Spring 2007.
- “The Public Right-of-Way – Are You Recovering All of Your Costs?” National Association of Telecommunications Officers and Advisors, Annual Local Government Conference, October 2, 2009.

ASSOCIATIONS

- American Society of Appraisers
- International Association of Assessing Officers
- American Water Works Association
- Government Finance Officers Association

REPRESENTATIVE PROJECT EXPERIENCE

The following are brief representative profiles of Mr. Pender's project experience.¹ A complete listing of his appraisal/valuation and litigation project experience is presented in the attached Exhibit A and Exhibit B, respectively.

Utility Rates and Regulatory Support

**City of Fairhope, AL
Rate Review Services
2007 - Present**

Mr. Pender currently provides on-going rate services for the City of Fairhope's electric, gas, water and sewer utilities. The rate services include preparation of rate studies (cost of service and rate design), monthly review of purchased gas rate adjustment; energy cost adjustment; preparation of utility operating reports; electric load forecast reviews and preparation of electric and gas annual reports filed with the Department of Energy, among others.

**Mirant Americas Energy Marketing, L.P., et. Al
Transmission Rate Filing
Expert Testimony
2004**

Mr. Pender provided expert testimony in a Nevada Power Company transmission rate proceeding before the Federal Energy Regulatory Commission, Docket No. ER03-1328-000. His testimony covered eight (8) different cost of service and rate issues including, for example, plant reclassifications, accumulated deferred income taxes, transmission operation and maintenance expenses, allocation factors and administrative and general expenses. The total impact of his recommended adjustments would have reduced the company's filed transmission rate by about 40 percent. Mr. Pender's work included review of the company's filings, an assessment of the amounts involved, direct written testimony and other assistance provided to legal counsel. The parties ultimately reached a settlement agreement prior to commencement of hearings.

**Intervenors Opposing Stipulation (Enron, Inc., et. al.)
Ohio Utility Restructuring Filings
Expert Testimony
2001**

Mr. Pender filed expert testimony before the Public Utilities Commission of Ohio regarding various matters related to the restructuring of the electric utility industry in Ohio. The proceeding involved First Energy's application for approval of an electric transition plan and authorization to recover transition revenues (i.e., stranded costs) on behalf of its affiliates. Mr. Pender's testimony covered several topics, including (i) the over-recovery of stranded costs by including items that do not qualify as regulatory assets, (ii) the over-statement of net book value of generation assets used to determine the amount of stranded costs, (iii) miscalculation of the generation transition cost recovery charge and (iv) misstatement of the jurisdictional allocation factor. The proceedings were eventually settled through a negotiated stipulation by the parties.

¹ Several of the project profiles presented represent work performed while employed at R. W. Beck, Inc.

**Nebraska Public Power District
Contractual Legal Proceeding
Expert Report and Testimony
1999 - 2002**

The Nebraska Public Power District (NPPD) was the defendant in a complaint brought by MidAmerican Energy Company (MidAmerican) before the United States District Court, District of Nebraska (Case No. 8:97CV346). The primary issue in the complaint concerned the collection of decommissioning costs for the Cooper Nuclear Station under a unit power sales agreement between NPPD and MidAmerican. Mr. Pender filed three (3) expert reports before the Court justifying the recovery of Cooper decommissioning costs based on prior regulatory practice and cost of service principles. Mr. Pender's reports also provided rebuttal of the opinions expressed in reports filed by MidAmerican's experts. The dispute was ultimately settled by the parties.

Utility Appraisals and Valuations

**Hardee County Property Appraiser
Property Tax Proceeding
Certified Appraisal and Expert Testimony
2007 - 2008**

R. E. Pender, Inc. was engaged by the Hardee County Property Appraiser (the "Client") to conduct an appraisal of the Vandolah Power Plant ("Vandolah") located in Hardee County, Florida. Vandolah is wholly owned and operated by the Vandolah Power Company, L.L.C. ("VPC" or the "Owner"); an operating subsidiary of Northern Star Generation. The purpose of the appraisal was to determine the fair market (or "just") value of Vandolah's tangible personal property ("TPP") as of January 1, 2005 and January 1, 2006. The appraisal was requested by the Client to submit as an independent valuation of Vandolah in a civil proceeding before the Tenth Judicial Circuit Court of Hardee County regarding the appropriate "just" value of Vandolah for property tax assessment purposes. Mr. Pender's work included the complete appraisal of Vandolah, performed in accordance with the Uniform Standards of Professional Appraisal Practice and applicable state laws; expert testimony before the court; and related tasks.

**Joseph J. Luzinski
Liquidating Trustee
Property Tax Dispute
Certified Appraisal
2005**

Mr. Pender was engaged by Joseph J. Luzinski ("Client"), the Liquidating Trustee for Lake Worth Generation, LLC ("LWG"), to perform an appraisal of certain assets, generally described as the Lake Worth Combustion Turbine Facility (the "Facility"), formerly owned by LWG. The Facility was appraised in accordance with a Chapter 11 Bankruptcy order approving a joint liquidation plan proposed by LWG and certain of its unsecured creditors. LWG and one of the unsecured creditors, the Palm Beach County Tax Collector, were in disagreement regarding the assessed value, for property tax purposes, of the tangible personal property of the Facility for tax years 2003 and 2004. Mr. Pender performed a complete appraisal of the Facility, including a certified appraisal report prepared in accordance with the Uniform Standards of Professional Appraisal Practice.

Town of Berlin, Maryland
Sale of Electric Utility
Certified Appraisal
2002 - 2003

R. E. Pender, Inc. was engaged by the Town of Berlin, Maryland (the "Town") to conduct an appraisal of certain electric distribution and generation properties (the "Electric System") owned and operated by the Town. The purpose of the appraisal was to determine the fair market value of the Electric System as of July 1, 2006. The appraisal was requested by the Town as part the process of allowing its citizens to make an informed decision regarding the proposed sale of the Electric System assets to Choptank Electric Cooperative and Old Dominion Electric Cooperative. The findings of the appraisal were presented to the citizens of Berlin at two (2) public hearings.

Contract Billing Reviews and Dispute Resolution

North Carolina Eastern Municipal Power Agency
Contract Compliance Reviews
1988 - 2000

Since 1988, the North Carolina Eastern Municipal Power Agency ("NCEMPA") has undertaken annual reviews of charges under its contracts with Progress Energy Carolina ("PEC"), formally Carolina Power & Light Company. NCEMPA retained its consulting engineer, R. W. Beck, Inc. to conduct certain aspects of these annual contract reviews. While employed at R. W. Beck, Mr. Pender had primary responsibility for completing these annual reviews, which involved the verification of monthly and annual charges as to accuracy and compliance with the various contract provisions and formulas; identification and analysis of issues for potential challenge; negotiation of their resolution and drafting of settlement agreements. In certain cases where the issues could not be resolved through negotiations, Mr. Pender also assisted NCEMPA in litigation of the contractual dispute(s). These efforts have resulted in NCEMPA saving hundreds of millions of dollars over the years, resulting in lower wholesale power rates to its members.

North Carolina Municipal Power Agency No. 1
Contract Compliance Reviews
1988 - 2000

Since their inception, the North Carolina Municipal Power Agency No. 1 ("NCMPA1") has been performing periodic compliance reviews of certain contracts between NCMPA1 and Duke Power Company ("Duke"). The subject contracts include an Interconnection Agreement regarding the purchase of supplemental power from Duke and an Operating and Fuel Agreement pertaining to NCMPA1's joint-ownership in the Catawba Nuclear Station. NCMPA1 employed its consulting engineer, R. W. Beck, Inc., to conduct certain aspects of these reviews. While employed at R. W. Beck, Mr. Pender played a key role in conducting these reviews, which involved a verification of monthly and annual charges as to accuracy and compliance with the various provisions and rate formulas contained in the contracts, identification and analysis of key issues for potential challenge, negotiation of their resolution and drafting of settlement agreements. When certain issues could not be resolved through negotiations between the parties, Mr. Pender also assisted NCMPA1 in the arbitration of the contractual dispute(s). Mr. Pender's efforts were instrumental to NCMPA1 saving several hundred million dollars over the life of the contracts.

Economic Feasibility Studies

**City of Geneva, Ohio
Municipalization Feasibility Study
2001 – 2004**

In 2001, the City of Geneva, Ohio undertook a project to acquire the water distribution system of Consumer's Ohio Water Company (now Aqua-Ohio) located within the City. Mr. Pender served as the project manager and lead appraiser in performing various services related to the proposed acquisition, including, (i) performing an economic feasibility study that estimated the impact on customers of acquiring the COWC assets, (ii) completing a certified appraisal of the water system, (iii) providing support in negotiations with COWC and, (iv) providing expert testimony in support of the appraisal before the Ashtabula County circuit court. Mr. Pender also played a key role in helping the City and COWC agree on a purchase price for the system after several days of intense negotiations. The City ultimately acquired the system in late 2004.

**Keys Energy Services
Military Privatization Studies
2003 – 2005**

Mr. Pender provided assistance to the Keys Energy Services ("Keys") in connection with Keys' proposal to acquire certain electric facilities owned by the Department of the Navy, located in Key West, Florida. The proposal was submitted in response to the Navy's solicitation (No. N62467-00-R-1801) published pursuant to the Department of Defense Utility Privatization Initiative. Mr. Pender's services included the preparation of an economic cost/feasibility analysis, a fair market value determination of the assets to be acquired, assistance in preparation of the proposal and negotiations with the Navy. The project is currently on-going.

Right-of-Way Cost Studies

**City of Nashville – Davidson County ("Metro-Nashville")
Right-of-Way Cost Study
2005**

Mr. Pender was recently retained by Ashpaugh and Sculco CPAs, PLC to assist in the preparation of a right-of-way cost study for the Metro-Nashville city/county government. Work for this project includes the preparation of departmental surveys and data requests; design of departmental cost allocation models; design of right-of-way access fees; and a comprehensive report conveying the results of the study. If necessary, expert testimony in support of the study and associated ROW user rates will also be provided.

Impact Fees Studies

**City of Wildwood, FL
Impact Fees for Municipal Services
2006**

Working as a sub-consultant to Barnes, Ferland & Associates, Mr. Pender performed several impact fee studies for the City of Wildwood, FL. The impact fees were designed to recover the City's incremental capital costs estimated to be incurred in providing various services to new residential and commercial development over the next 25 years. The services to be provided include police, library, parks and recreation and refuse collection. The study included an

R. E. Pender, Inc.

analysis of the incremental capital costs for each service; analysis of current and projected demand units (e.g., residential dwelling units) and the design of the associated impact fee considering the level of service provided. The results of the study were conveyed in a comprehensive report provided to the client.

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SECRETARY'S BUREAU

**EXHIBIT A
APPRAISAL / VALUATION PROJECT LISTING
FOR
ROBERT E. PENDER, ASA**

Completion Date	Work Performed For	Property Description	Purpose of Assignment	Project Deliverables	Intended use
On-going	Dunbeck & Moss (Confidential Client)	Electric Distribution System	Valuation / Appraisal Studies	Letter Report / Certified Appraisal	Determination of FMV for Potential Property Acquisition
On-going	Ater Wynne (Confidential Client)	Electric Distribution System	Valuation / Appraisal Studies	Letter Report / Certified Appraisal	Determination of FMV for Property Acquisition
April 2009	Metropolitan Utilities District, Omaha, NE	Natural Gas Distribution System	Valuation / Appraisal Studies	Letter Report / Certified Appraisal	Determination of FMV for Property Acquisition
January 2009	City of Union, SC	Diesel Generation Plant	Appraisal Study	Certified Appraisal Report	Determination of FMV for Property Acquisition
On-going	Andrews Kurth, LLP (Confidential Client)	Water Transmission System	Appraisal Review / Valuation Studies	Letter Report / Certified Appraisal	Determination of FMV for Property Acquisition
July 2007	Green, de Bortnowsky & Quintanilla (Victorville, CA)	Combined Cycle Generation Plant	Fair Market Value Determination	Certified Appraisal Report	Determination of FMV for Property Tax Assessment before State Court
June 2009	Sunshine Utilities of Central Florida, Inc.	Water Utility	Valuation Study	Preliminary Valuation Report	Use in negotiating purchase price for utility.
January 2006	Sheehan, Sheehan & Stelzner (Las Vegas, NM)	Natural Gas Pipeline	Valuation / Appraisal Studies	Preliminary Valuation / Certified Appraisal	Support for acquisition /potential condemnation.
February 2008	Hardee County Property Florida	Combustion Turbine Generation Plant	Fair Market Value Determination	Certified Appraisal	Determination of FMV for Property Tax Assessment before Circuit Court
January 2007	Keleher & McLeod, P.A. (City of Las Cruces, NM)	Water Distribution Utility	Appraisal Review	Review Comments and Testimony	Determination of Condemnation Damages before State District Court of New Mexico
August 2006	Berlin, Maryland	Electric Utility	Fair Market Value Determination	Certified Appraisal	Potential Sale of Utility

EXHIBIT A
APPRAISAL/VALUATION PROJECT LISTING
FOR
ROBERT E. PENDER, ASA

Completion Date	Work Performed For	Property Description	Purpose of Assignment	Project Deliverables	Intended use
January 2006	Boyle Engineering (City of Leesburg)	Water Distribution System	Fair Market Value Determination	Preliminary Valuation	Support Purchase Price Negotiations for Acquisition
January 2005	Joseph J. Luzinski (Liquidating Trustee)	Combustion Turbine Generation Plant	Liquidation Value Determination	Certified Appraisal	Value for Property Tax Assessment
January 2005	Wabash Valley Power Association	Coal Gasification Facility	Fair Market Value Determination	Certified Appraisal	Support Financing Transaction
Dec. 2004	[CONFIDENTIAL]	Telecom Facility	Fair Market Value Determination	Certified Appraisal	Support Refinancing Transaction
August 2004	Odin, Feldman and Pittleman	Wastewater Treatment Plant	Determine Appropriate Value of Assets	Certified Appraisal / Expert Testimony	Determination of FMV for contract litigation
May 2004	[CONFIDENTIAL]	Steam Production, Steam and Chilled Water Distribution Plant	Valuation of Assets For Investment Decision	Certified Limited Appraisal	Determination of FMV to support acquisition.
April 2004	Christian & Barton	Electric Generation	Valuation for Property Tax Dispute	Litigation Support / Expert Testimony	Rebuttal Testimony re: Fair Market Value
Feb. 2004	[CONFIDENTIAL]	Electric Generation	Valuation of Assets for Investment Decision	Certified Limited Appraisal	Determination of FMV to support acquisition.
Oct. 2003	Blue Mountain Energy	Coal Conveyor System	Acquisition Under Lease Agreement	Certified Appraisal	Determination of FMV before State court.
May 2003	Okeechobee County, FL	Electric Transmission and Distribution	Property Tax Litigation	Certified Appraisal	Determination of FMV before Circuit Court
Jan 2003	[CONFIDENTIAL]	Telecommunications	Valuation of Assets	Consulting	Bond Purchase
May 2002	Rochester Public Utilities	Electric and Water	Valuation of Assets For GASB 34	Book Valuation Study/Implementation Plan	Update Continuing Property Records
April 2002	Hillsborough County Property Appraiser	Telecommunications	Property Tax Dispute	Certified Appraisal	Independent Valuation before Circuit Court

EXHIBIT A
APPRAISAL/ VALUATION PROJECT LISTING
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Completion Date	Work Performed For	Property Description	Purpose of Assignment	Project Deliverables	Intended use
April 2002	Florida Municipal Power Agency	Electric Transmission and Distribution	Rate Base Valuation	Valuation Report	Transmission Cost of Service for RTO Rates
May 2002	City of Boston, MA	Telecommunications	Property Tax Dispute	Preliminary Valuation Analysis	Hearing before the Appellate Tax Board
May 2004	City of Geneva, OH	Water Distribution	Municipalization	Feasibility Study Certified Appraisal	Submit to Arbitration Board and/or Courts
June 2003	Town of Belleair, FL	Electric Distribution	Acquisition Arbitration Proceeding	Certified Appraisal	Submit to Arbitration Board for determining acquisition price
May 2005	Keys Energy Services	Electric Distribution	Navy privatization RFP – valuation of facilities	Consulting/Appraisal	Support proposal to Navy
Jan. 2001	Riviera Utilities Foley, AL	Electric, Gas, Water, Sewer and Cable TV facilities	Governance and valuation of systems	Consulting / Valuation Study	Identify changes, establish value
Nov. 2000	[CONFIDENTIAL]	Electric Generation	Valuation of Assets	Valuation	Non-recourse financing
Oct 2000	U.S. Navy	Electric and Gas Distribution	FMV Determination	Certified Appraisal	Potential Utility Privatization
Oct 2000	Florida Municipal Power Agency	Electric Transmission	Determination of Book Value of Assets	Consulting	Regional Transmission Arrangements
Oct 2000	[CONFIDENTIAL]	Electric Generation	FMV Determination	Certified Appraisal	Bond Refinancing
July 2000	City of Tallahassee, FL	Electric Distribution	FMV Determination	Certified Appraisal	Arbitration Proceeding
May 2000	ElectriCities of North Carolina	Electric Distribution	Preliminary Valuation of Assets	Consulting	Evaluate Options
Jan 2000	Coalition for Electric Competition	Electric Generation	Residual Value (stranded cost) Determination	Consulting	Utility Restructuring Hearings

EXHIBIT A
APPRAISAL/VALUATION PROJECT LISTING
FOR
ROBERT E. PENDER, ASA

Completion Date	Work Performed For	Property Description	Purpose of Assignment	Project Deliverables	Intended use
Jan 2000	City of Dothan, AL	Electric Transmission and Distribution	Valuation of Electric Assets	Consulting	Establishment of CPR
Jan 2000	[CONFIDENTIAL]	Electric Generation and Transmission	Valuation of Merged Assets	Consulting	Support for potential merger
Jan 1999	General Services Administration	Electric, Water, Gas & Steam Utility	FMV Determination	Certified Appraisal	Potential Sale
Jan 1999	NC Eastern Municipal Power Agency	Electric Generation and Transmission	Rate Base Valuation	Consulting	Contractual Challenges
Nov 1998	[CONFIDENTIAL]	Electric Generation	Valuation of Merged Assets	Consulting	Go-forward decision
Sept 1998	Caribbean Utilities Company	Electric Distribution	Establish fixed Asset Record	Consulting	N/A
Jan 1998	Village of Lakewood, NY	Electric Distribution	Condemnation Feasibility Study	Appraisal/Consulting	Go-forward decision
Dec 1998	Christian & Barton	Electric Generation	Market Value Determination	Consulting	Regulatory Proceeding
Nov 1998	Piedmont Municipal Power Agency	Electric Generation	Residua Value (stranded cost) Determination	Consulting	Strategic Planning
Sept 1998	Deseret G&T	Electric Generation	FMV Determination	Certified Appraisal	Valuation of Lease
April 1998	City of Las Cruces, NM	Electric Utility	Rate Base Valuation	Consulting	Regulatory Proceeding
July 1998	Piedmont Municipal Power Agency	Electric Distribution	Determination of Leased Asset Value	Consulting	Potential Arbitration Proceeding
April 1998	City of Las Cruces	Electric Distribution	FMV Determination	Updated Appraisal	Condemnation Proceeding

EXHIBIT A
APPRAISAL/ VALUATION PROJECT LISTING
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ROBERT E. PENDER, ASA

Completion Date	Work Performed For	Property Description	Purpose of Assignment	Project Deliverables	Intended use
Jan 1998	NC Eastern Municipal Power Agency	Electric Generation and Transmission	Rate Base Valuation	Consulting	Contractual Challenge
Aug 1997	City of Las Cruces	Electric Generation and Distribution	Residual Value (Stranded Costs) Determination	Consulting	Regulatory Proceeding
Aug 1997	NC Municipal Power Agency I	Electric Generation and Transmission	Rate Base Valuation	Consulting	Contractual Challenge
June 1997	Reedy Creek Improvement District	Electric, Water, Gas, Steam and Chilled Water Utilities	FMV of Leased Assets	Certified Appraisal	Support Refinancing
Apr 1997	NC Municipal Power Agency I	Electric Generation	Valuation of Joint Ownership of generation Assets	Consulting	Legislative Hearing
Apr 1997	Piedmont Municipal Power Agency	Electric Generation	Valuation of Joint of Generation assets	Consulting	Legislative Hearings
Apr 1997	NC Eastern Municipal Power Agency	Electric Generation	Valuation of Joint Ownership of Generation Assets	Consulting	Legislative Hearings
Jan 1997	NC Eastern municipal Power Agency	Electric Generation and Transmission	Rate Base Valuation	Consulting	Contractual Challenge
Nov 1996	City of Las Cruces	Electric Transmission	Rate Base Valuation	Consulting	Regulatory Proceeding
Oct 1996	City of Maitland, FL	Electric Distribution	Municipalization Feasibility Study	Economic Feasibility Analysis	Go-forward Decision
Sept 1996	City of Lafayette, LA	Electric Transmission	Rate Base Valuation	Consulting	Regulatory Proceeding
June 1996	Sithe Energies	Electric Transmission	Rate Base Valuation	Consulting	Regulatory Proceeding

EXHIBIT A
APPRAISAL/VALUATION PROJECT LISTING
FOR
ROBERT E. PENDER, ASA

Completion Date	Work Performed For	Property Description	Purpose of Assignment	Project Deliverables	Intended use
June 1996	Washington Metro Area Transit Authority	Electric Generation	Valuation of Proposed Merger	Expert Testimony	Regulatory Proceeding
Jan 1996	NC Municipal Power Agency 1	Electric Generation	Residual Value (Stranded Cost) Determination	Consulting	Strategic Planning
Jan 1996	NC Eastern Municipal Power Agency	Electric Generation	Residual Value (Stranded Cost) Determination	Consulting	Strategic Planning
Jan 1996	NC Eastern Municipal Power Agency	Electric Generation and Transmission	Rate Base Valuation	Consulting	Contractual Challenge
Aug 1995	Piedmont Municipal Power Agency	Electric Generation and Distribution	Asset Valuations	Consulting	Strategic Planning
June 1995	City of Las Cruces	Electric Distribution	Condemnation Feasibility Study	Consulting	Go-forward Decision
Jan 1995	NC Eastern Municipal Power Agency	Electric Generation and Transmission	Rate Base Valuation	Consulting	Contractual Challenge
Jan 1995	NC Municipal Power Agency 1	Electric Distribution	Probabilistic Income Valuation Model	Consulting	Evaluate Investment Payback Periods
Mar 1995	NC Municipal Power Agency 1	Electric Transmission	Rate Base Valuation	Consulting	Regulatory Proceeding
Aug 1994	NC Eastern Municipal Power Agency	Electric Generation	Asset Valuation	Consulting	Contract Negotiations
July 1994	NC Municipal Power Agency 1	Electric Generation	Rate Base Valuation	Consulting	Contractual Dispute
June 1994	NC Eastern Municipal Power Agency	Electric Distribution	Rate Base Valuation	Consulting	Financial Ratings Analysis

EXHIBIT A
APPRAISAL/ VALUATION PROJECT LISTING
FOR
ROBERT E. PENDER, ASA

Completion Date	Work Performed For	Property Description	Purpose of Assignment	Project Deliverables	Intended use
Jan 1994	Piedmont municipal Power Agency	Electric Generation	Rate Base Valuation	Consulting	Arbitration Proceeding
Jan 1992	NC municipal Power Agency 1	Electric Generation	Rate Base Valuation	Consulting	Arbitration Proceeding
Aug 1992	NC Eastern Municipal Power Agency	Electric Generation	Rate Base Valuation	Damages Study / Dispute Resolution	State Court Proceeding
Oct 1991	South Carolina Public Service Authority	Electric Generation and Transmission	Privatization Proposal	Privatization Cost Study	Legislative Proceeding

**EXHIBIT B
LITIGATION PROJECT LISTING
FOR
ROBERT E. PENDER**

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NAME OF UTILITY/DOCKET NOS.	TYPE OF PROCEEDING	DESCRIPTION OF ISSUES	SECRETARY'S BUREAU OF INVOLVEMENT	YEAR
Vandolah Power Company v. Kathy L. Crawford, et. al., (Hardee County Property Appraiser), Case No. 252006CA000008.	Property tax dispute before the Circuit Court of Hardee County, Florida	Determination of fair market or "just" value by the Property Appraiser.	Preparation of certified appraisal report; direct testimony and general case support.	2008
Moongate Water Company v. City of Las Cruces, NM; Case No. CV-2004-747.	Condemnation proceeding before the New Mexico State District Court, 3 rd District.	Determination of claimed damages by Plaintiff.	Direct Testimony; review and analysis of Plaintiff's expert report.	2007
Blake Construction, et. al., v. Upper Occoquan Sewage Authority, Law No. 206595	Contract litigation proceeding before Circuit Court of Fairfax County, Virginia	Value of Wastewater Treatment Facility	Valuation direct testimony and general case support.	2005
Buchanan Generation, LLC; Case No. PST-2003-00066	Property Tax Assessment filing before the State Corporation Commission of Virginia.	Value of generation plant.	Direct testimony and general case support.	2004
Aqua-Ohio Water Company; Case No. 03-2290-WW-AIR	Application for increase in rates before the Public Utilities Commission of Ohio	General cost of service; rate of return; rate design	Direct testimony and general case support.	2004
Nevada Power Company, Docket No.; ER03-T328-000.	Transmission rate filing before the Federal Energy Regulatory Commission.	Rate of return, rate design and various cost of service issues.	Direct testimony and general case support.	2004
Provident Bank v. Blue Mountain Energy	Contractual dispute before Colorado State court.	Fair market value of assets under a lease agreement.	Expert appraisal report, direct testimony and general case support.	2003

Note: assignments during the period 1986 through 2004 were performed while employed at R. W. Beck, Inc.

**EXHIBIT B
LITIGATION PROJECT LISTING
FOR
ROBERT E. PENDER**

NAME OF UTILITY/DOCKET NOS.	TYPE OF PROCEEDING	DESCRIPTION OF ISSUES	DESCRIPTION OF INVOLVEMENT	YEAR
Florida Power & Light v. W. C. Sherman Case No. 00-CA-301 & 01-CA-338.	Property tax dispute before the Circuit Court of Okeechobee County	Valuation of tangible personal property	Preparation of appraisal report, oral testimony; case support.	2003 – 2006
Consumers Ohio Water Company v. City of Geneva, Ohio	Dispute before Ashtabula County Circuit Court	Fair market value of water system.	Expert appraisal report, direct testimony and general case support.	2002 – 2004
Florida Power & Light v. W. C. Sherman Case No. 99-1025-CA	Property tax dispute before the Circuit Court of Okeechobee County	Valuation of tangible personal property	Preparation of appraisal report, oral testimony; case support.	2001
Florida Power & Light v. W. C. Sherman Case No. 98-1008-CA	Property tax dispute before the Circuit Court of Okeechobee County	Valuation; litigation costs.	Oral testimony; preparation of cost estimate.	2001
Progress Energy Florida v. Town of Belleair, FL	Arbitration Proceeding	Value of Electric Distribution System	Preparation of Appraisal Report, oral testimony and case support	2002 – 2003
First Energy Corporation; Case No. 99-1212-EL-ETP, et. al.	Application for Approval of Electric Transition Plan before the Public Utilities Commission of Ohio	Determination and recovery of Transition Costs; Rate Unbundling; Separation Plan.	Written testimony, issues development and general case support.	2000
Nebraska Public Power District v. MidAmerican Energy Company; No. 4:97 CV 346.	Complaint before the U.S. District Court of Nebraska.	Payment of decommissioning and other costs under Power Supply Contract.	Expert's Report, issue development and general case support.	1999 – 2002

Note: assignments during the period 1986 through 2004 were performed while employed at R. W. Beck, Inc.

EXHIBIT B
LITIGATION PROJECT LISTING
FOR
ROBERT E. PENDER

NAME OF UTILITY/DOCKET NOS.	TYPE OF PROCEEDING	DESCRIPTION OF ISSUES	DESCRIPTION OF INVOLVEMENT	YEAR
Niagara Mohawk Power Corporation; Village of Lakewood NY, P.S.C. Case No. 99-E-0681	Petition for Declaratory Order before the New York Public Service Commission	Village of Lakewood's Stranded Cost Obligation under Rule 52 of P.S.C. No. 207 Electricity	Preparation of direct and rebuttal testimony; assistance in preparation of various motions, cross-examination of witnesses and briefs.	1999/ 2000
City of Las Cruces, NM, Docket No. SC97-2-000.	Stranded Cost Obligation under FERC Order 888.	Determination of Revenue Stream Estimate, Competitive Market Value Estimate and Length of obligation to serve.	Preparation of direct and rebuttal testimony; assistance in preparation of various motions, cross-examination of witnesses and briefs.	1997/ 1998
City of Las Cruces, NM, Case No. 2722.	Hearings before the New Mexico Public Service Commission; Re: Proposed Rate Stipulation.	Various issues in opposition to rate stipulation.	Analysis of issues; preparation of written direct testimony and other trial support.	1998
El Paso Electric Company, Docket No. 0A96-200-000.	Open-access transmission tariff; rates for transmission and ancillary services.	Various cost of service and rate design issues.	Assistance in preparation of motion to intervene; participation in settlement discussions.	1996/ 1997
Baltimore Gas & Electric Company, Potomac Electric Power Company, Constellation Energy Corporation; Case No. 951.	Merger proceeding before Public Service Commission of the District of Columbia.	Potential impact on ratepayers and competitive issues.	Preparation and filing of direct testimony.	1996
Western Resources, Inc., Kansas Gas & Electric Company; Docket Nos. 193,307-U & 193,306-U.	General rate proceedings before the Kansas Corporation Commission.	Fuel repricing adjustment.	Preparation and filing of direct testimony.	1996

Note: assignments during the period 1986 through 2004 were performed while employed at R. W. Beck, Inc.

EXHIBIT B
LITIGATION PROJECT LISTING
FOR
ROBERT E. PENDER

NAME OF UTILITY/DOCKET NOS.	TYPE OF PROCEEDING	DESCRIPTION OF ISSUES	DESCRIPTION OF INVOLVEMENT	YEAR
Florida Power & Light, Docket No. ER93-465-000	Wholesale rate filing before FERC	Cost functionalization, income taxes	Preparation and filing of direct testimony	1993/ 1995
Entergy Corp. / Gulf States Utilities Docket Nos. EC92-21-000 and ER92-806-000	Merger filing before the FERC.	Merger savings and competitive impacts.	Analysis and development of issues.	1992
Florida Power Corporation Docket No. ER93-299-000	Wholesale rate filing before the FERC.	Test-year expense levels and cost allocation.	Analysis and development of issues.	1993
North Carolina Municipal Power Agency No. 1, et. al. v. Duke Power Company	6th Proceeding In Arbitration Under the Project Agreements	Return on common equity investment	Analysis of damages, case preparation and settlement discussions.	1993
Duke Power Company v. North Carolina Electric Membership Corporation, et. al.	4th Proceeding In Arbitration Under the Project Agreements.	Rate of return determination.	Analysis of damages, assistance in case preparation, including testimony and exhibits.	1986
North Carolina Municipal Power Agency No. 1, et. al. v. Duke Power Company	1st Proceeding in Arbitration Under the Project Agreements	Purchased capacity and supplemental capacity and energy pricing.	Analysis of issues, assistance in preparation of testimony and exhibits and various aspects of settlement discussions.	1 987
Central Power and Light Co. Docket No. 86-721-000	Wholesale rate proceeding before the FERC	Cost allocation and expense levels.	Analysis and preparation of data requests, testimony and exhibits.	1987
Gulf States Utilities Docket No. ER86-558-000	Wholesale rate proceeding before the FERC	Cost allocation and expense levels.	Analysis of issues and preparation of data requests.	1986
ENTEX, Inc.	Rate proceeding before the Texas Public Utilities Commission	Cost allocation and expense levels.	Analysis of issues and assistance in preparation of testimony.	1986

Note: assignments during the period 1986 through 2004 were performed while employed at R. W. Beck, Inc.

**EXHIBIT B
LITIGATION PROJECT LISTING
FOR
ROBERT E. PENDER**

NAME OF UTILITY/DOCKET NOS.	TYPE OF PROCEEDING	DESCRIPTION OF ISSUES	DESCRIPTION OF INVOLVEMENT	YEAR
City of Tallahassee, Florida Docket No. 861003EM	Retail rate proceeding before the Florida Public Service Commission.	Various cost of service issues and rate design.	Development of the cost of service study and rate design.	1986
Georgia Power Company Docket No. ER85-659-001	Wholesale rate proceeding before the FERC.	Cost of service and rate design.	Review of testimony and preparation of data requests.	1986
Gulf States Utilities Docket No. 6525	General rate proceeding before the Texas PUC	Various cost of service issues.	Analysis of issues and preparation of data requests.	1986
Public Service Company of Indiana, Inc.	General rate proceedings before the FERC and the IURC.	Various cost of service and rate design issues.	Preparation of cost of service studies, workpapers and exhibits to testimony, data requests and responses to data requests.	1977 to 1985

Note: assignments during the period 1986 through 2004 were performed while employed at R. W. Beck, Inc.

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Exhibit PHA-2-1
(2 pages)

Philadelphia Gas Works
Before the Pennsylvania Public Utility Commission
Docket No. R-2009-2139884

Proposals to Eliminate/Reduce the PHD Subsidy
For Determining the Distribution Service Charge

Proposal A - Spread Subsidy Across All Other Rate Classes Based on Proposed Increase (Decrease)
Calculation of Increase (Decrease) in Tariff Revenues
(Dollars in Thousands)

Ln. No.	Description	Total (a)	Residential Non-Heat (b)	Residential Heat (c)	Commercial Non-Heat (d)	Commercial Heat (e)	Industrial Non-Heat (f)	Industrial Heat (g)	Municipal Non-Heat (h)	Municipal Heat (i)	Housing Auth GS (j)	Interruptible Sales (k)	GTS / IT (l)
<u>Current Rates</u>													
1	Income Before Interest & Surplus	72,516	(5,343)	44,018	2,866	18,892	642	1,767	350	1,766	2,276	1,896	3,386
2	Allocated Rate Base	1,205,020	40,580	907,193	24,776	138,355	3,394	10,339	4,097	14,570	12,192	5,551	43,973
3	Return on Rate Base	6.0%	-13.2%	4.9%	11.6%	13.7%	18.9%	17.1%	8.5%	12.1%	18.7%	34.2%	7.7%
4	Relative Rate of Return	1.00	(2.19)	0.81	1.92	2.27	3.14	2.84	1.42	2.01	3.10	5.68	1.28
5	Combined Return	6.0%		4.1%		13.3%		17.5%		11.3%	18.7%	34.2%	7.7%
6	Combined Relative Return	1.00		0.68		2.22		2.91		1.88	3.10	5.68	1.28
7	Allocated Interest & Surplus	115,016	3,873	86,589	2,365	13,208	324	987	391	1,391	1,164	530	4,197
8	Increase (Decrease) Needed	42,500	9,216	42,571	(501)	(5,686)	(318)	(780)	1	(375)	(1,112)	(1,366)	811
9	Proposed Increase (Decrease)	42,504	772	43,444	(385)	(1,905)	303	850	(100)	(400)	(75)	-	-
10	Percent of Total	100.0%	1.8%	102.2%	-0.9%	-4.5%	0.7%	2.0%	-0.2%	-0.9%	-0.2%	0.0%	0.0%
11	Reallocation of PHA Subsidy	-	19	1,058	(9)	(46)	7	21	(2)	(10)	(1,037)	-	-
<u>Proposed Increase - Revised</u>													
12	Proposed Increase (Decrease)	42,504	791	44,502	(394)	(1,951)	310	871	(102)	(410)	(1,112)	-	-
13	Distribution Tariff Revenue	519,080	10,489	386,613	13,142	69,030	2,092	5,643	1,672	6,205	6,336	8,014	9,844
14	Increase (Decrease) Percent	8.2%	7.5%	11.5%	-3.0%	-2.8%	14.8%	15.4%	-6.1%	-6.6%	-17.6%	0.0%	0.0%
15	Income before Interest and Surplus	115,020	(4,552)	88,520	2,472	16,941	952	2,638	248	1,356	1,164	1,896	3,386
16	Return on Rate Base	9.5%	-11.2%	9.8%	10.0%	12.2%	28.1%	25.5%	6.0%	9.3%	9.5%	34.2%	7.7%
17	Combined Return	9.55%		8.86%		11.90%		26.14%		8.59%	9.55%	34.16%	7.70%
18	Combined Relative Return	1.00		0.93		1.25		2.74		0.90	1.00	3.58	0.81

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Philadelphia Gas Works
Before the Pennsylvania Public Utility Commission
Docket No. R-2009-2139884

Proposals to Eliminate/Reduce the PHD Subsidy
For Determining the Distribution Service Charge

Proposal A - Spread Subsidy Across Other Rate Classes Based on Proposed Increase (Decrease)
Calculation of Estimated Impact on Delivery Charge Rate
(Dollars in Thousands)

Line No.	Description	Tentative Revenue Allocation	Revised Revenue Allocation	Customer Charge Revenue	USEC / REC	Distribution Charge Revenue	Annual Sales (mcf)	Revised Delivery Charge Rate (\$/mcf)	Proposed Deliver Charge Rate Per Filing (\$/mcf)	Difference (\$/mcf)	Percent Difference
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
1	Residential	441,318	442,395	66,957	83,614	291,824	39,841,054	7.3247	7.2977	0.0270	0.37%
2	PHA	1,806	1,507	282	440	785	209,424	3.7501	5.1784	(1.4283)	-27.58%
3	Commercial	79,882	79,826	5,371	21,940	52,515	10,454,142	5.0234	5.0287	(0.0053)	-0.11%
4	Industrial	8,888	8,916	467	2,076	6,373	989,153	6.4430	6.4144	0.0286	0.45%
5	Municipal	7,377	7,365	198	2,723	4,444	1,297,543	3.4248	3.4344	(0.0096)	-0.28%
6	PHA Rate 8	4,453	3,717	180	1,246	2,291	593,669	3.8585	5.0990	(1.2405)	-24.33%
7	Totals	543,724	543,726	73,455	112,039	358,232	53,384,985				

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Exhibit PHA-2-2
(1 page)

RESPONSE TO PHILADELPHIA HOUSING AUTHORITY DATA REQUEST
REGARDING PGW'S BASE RATE FILING
DOCKET NO. R-2009-2139884

Question:

PHA I-8 Please state all reasons for the creation and maintenance of a separate PHA rate class including all persons involved in those decisions, dates of those decisions, documents and rationale for the decision.

Response Provided By: Randy Gyory, Sr. VP Operations & Customer Affairs (first part of answer only).
Howard Gorman – Black & Veatch Corporation

Response: It is believed that the PHA rate class was created at least 25 years ago, therefore, the requested information is not available.

Additionally, PGW informs me that it is believed the PHA rate class was created due to its different attributes of service. The current cost of service study supports this distinction. Currently, there are 2 PHA rate classes – “PHA GS” and “PHA”. Rate class PHA GS is applied to individually metered PHA units. Rate class PHA is applied to PHA properties that have multiple units that are not individually metered. The average usage for PHA GS heating customers is approximately 107 Mcf annually and the average usage for PHA heating customers is approximately 712 Mcf annually (see lines 15 and 16 of Exhibit HSG-7C (Update 3-14)). Given that the attributes of service to these PHA rate classes are different from the customers served on the MS rate, merger into the MS rate is not supportable. Moreover, if the PHA rates are combined with the MS rate, the net result will be an increase in the MS rate.

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Exhibit PHA-2-3
(2 pages)

Philadelphia Gas Works
Before the Pennsylvania Public Utility Commission
Docket No. R-2009-2139884

Calculation of the Composite Rate
Resulting from the Combination of the Municipal and PHA Rate Classes
(Dollars in Thousands)

Using PGW's Revenue Requirement - as Proposed

Line No.	Description	Tentative Revenue Allocation	Customer Charge Revenue	USEC / REC	Distribution Charge Revenue	Annual Sales (mcf)	Delivery Charge Rate (\$/mcf)
		(a)	(b)	(c)	(d)	(e)	(f)
1	Municipal	7,377	198	2,723	4,456	1,297,543	3.4342
2	PHA	1,806	282	440	1,084	209,424	5.1761
3	PHA Rate 8	4,453	180	1,246	3,027	593,669	5.0988
4	Totals	13,636	660	4,409	8,567	2,100,636	4.0783

Philadelphia Gas Works
Before the Pennsylvania Public Utility Commission
Docket No. R-2009-2139884

Calculation of the Composite Rate
Resulting from the Combination of the Municipal and PHA Rate Classes
(Dollars in Thousands)

Using the Unadjusted Cost of Service Revenue Requirements

Line No.	Description	Tentative Revenue Allocation (a)	Customer Charge Revenue (b)	USEC / REC (c)	Distribution Charge Revenue (d)	Annual Sales (mcf) (e)	Delivery Charge Rate (\$/mcf) (f)
1	Municipal	7,543	198	2,723	4,622	1,297,543	3.5621
2	PHA	1,507	282	440	785	209,424	3.7484
3	PHA Rate 8	3,717	180	1,246	2,291	593,669	3.8591
4	Totals	12,767	660	4,409	7,698	2,100,636	3.6646

CERTIFICATE OF SERVICE

I hereby certify that on this date, a true and correct copy of the Direct Testimony of Kirk Dorn and Robert E. Pender, concerning the PGW rate proceeding dated March 29, 2010, has been served upon the participants below in accordance with the requirements of § 1.54 (relating to service by a participant):

VIA FEDERAL EXPRESS

Honorable Charles E. Rainey, Jr.
Office of Administrative Law Judge
Philadelphia District Office
Commonwealth of Pennsylvania
Pennsylvania Public Utility Commission
801 Market Street
Philadelphia, PA 19107

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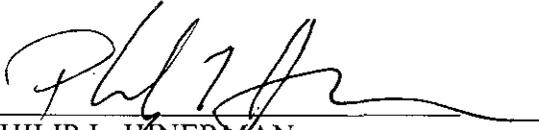
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PHILIP L. HINERMAN

Dated: March 21, 2010

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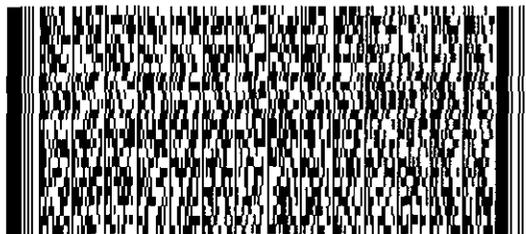
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