TESTIMONY AND SCHEDULES OF PHILIP L. PHILLIPS, JR., *ON BEHALF ON DELMARVA POWER*

DELMARVA POWER & LIGHT COMPANY

TESTIMONY OF PHILIP L. PHILLIPS JR.

BEFORE THE DELAWARE PUBLIC SERVICE COMMISSION

CONCERNING THE NOVEMBER 2008 THROUGH OCTOBER 2009

GAS COST RATE

PSC DOCKET NO. 0 8 -____F

1. Q: <u>Please state your name, position and business address.</u>

A: Philip L. Phillips, Jr., Manager of Gas Operations & Planning, Delmarva Power & Light (Delmarva or the Company). Previous to assuming the duties of Manager Gas Operations & Planning in June, 2008, I held the position of Manager of Gas Engineering, Delmarva Power. My business address is 630 Martin Luther King Boulevard, PO Box 231, Mail Stop 88MK62, Wilmington, Delaware 19899-0231.

2. Q: <u>What are your responsibilities in your role as Manager of Gas Operations & Planning?</u>

A: As the Manager of Gas Operations and Planning, I oversee the day-to-day delivery of natural gas to the Company's customers. I am also responsible for related gas business and system planning activities.

3. Q: <u>What is your educational and professional background and experience?</u>

A. I am a graduate of the University of Delaware with a Bachelors Degree in Engineering Administration and am a registered Professional Engineer in the State of Delaware. I have been employed by Delmarva Power since 1970 serving in various engineering and management capacities including Gas Operations, Electric System

Operations, Substation, Meter and Gas Engineering. I am a member of American Society of Civil Engineers and National Society of Professional Engineers.

4. Q: <u>Have you previously testified before the Delaware Public Service Commission?</u>

A: Yes, I have provided testimony before the Delaware Public Service Commission in cases dealing with the Company's Environmental Surcharge Rider. I have also worked with Commission Staff on a number of issues primarily associated with the administration of the Company's Gas and Electric Tariffs and on Natural Gas Pipeline Safety matters. I have prepared various engineering studies in support of previous filings and routinely participated in a various audits and reviews performed by Commission Staff.

5. Q: <u>What is the purpose of your testimony?</u>

A: The purpose of my testimony is to support the Company's Application for revisions to the Gas Cost Rate (GCR) proposed to be effective during the period November 2008 through October 2009. I am responsible for the overall development of Delmarva's gas sales and transportation volume forecast and for the lost and unaccounted for gas percentage utilized in the calculation of the proposed GCR. My testimony addresses those aspects of the application.

Gas Sales Forecast

6. Q: <u>What level of sales does the Company forecast for the 2008-09 GCR period?</u>

A: As shown on Schedule PLP-1, the forecast for the 2008-09 GCR period shows a slight increase in sales to Firm customers of 0.04%, when compared to the forecast submitted for the current 2007-08 GCR period one year ago. When combined with Transportation volume increases of 38.9%, Total Throughput increases 8.6%.

7. **Q: <u>Is there any noticeable difference between the current forecast results and the forecast filed with the Commission in Docket 0 7-285F?</u>**

A: Yes. As shown on Schedule PLP-1, reductions due to business closings or shift to transportation contracts continue in the MVG and LVG classes, -20.5% and -46.9% respectively.

8. **Q: <u>Please explain the differences and their significance?</u>**

A: During the time period June 2007 through August 2008, twenty-four (24) Large or Transportation customer changes have occurred. Six (6) customers either closed or reduced their loads to a GG level. One (1) new MVG customer was added. Most notable and significance was a net increase of seventeen (17) Firm Transportation customers of which four (4) represent new customer load. The reduction in MVG (-20.5%) and LVG (-46.9%) sales essentially offset small customer class growth while increases in Transportation volumes result in an 8.6% increase in Total Throughput requirements when compared to the 2007-08 GCR period.

9. **Q: <u>Where there any changes to the forecast methodology this year?</u>**

A: No. The forecast continues use of the methods utilized last year, specifically multi-variate econometric models for projection of sales and customer growth for the Residential, Residential Space Heat, and General Gas rate customers. These rate classes generally are designated the small classes.

. The volumes for MVG, LVG and GL were projected with the same basic approach that has been in use by the Company since 1999. These volumes continue to be forecasted deterministically on a customer by customer basis. If appropriate, monthly sales patterns for specific customers were adjusted to reflect recent customer contact

information. Included changes reflect known contract, production or maintenance schedule changes, load additions or deletions, or other adjustments particular to each customer's activity.

Monthly sales in the Firm, Interruptible, and Quasi-Firm gas transportation ("FT", "IT", and "QFT") classes respectively developed in the same manner.

10. Q: <u>How was normal weather defined?</u>

A: The 30 year average of monthly Heating Degree Days on a 65 degree Fahrenheit base (HDD) was used consistent with the Commission's Order in Docket 03-127. The HDD history was collected by Gas System Operations at the Wilmington gas operations center.

Loss Factor

11. Q: <u>What is the percentage loss factor inherent in this year's annual GCR application?</u>

A: The percentage loss factor utilized in this year's filing is 2.0%. This is a reduction from the 2.5% used by the Company in past applications.

Q: <u>Please explain why the Company is proposing a change in its lost and unaccounted-for factor ?</u>

A: The Company tracks lost and unaccounted-for gas using a rolling twelve month average. The twelve month average through June 2008 was 1.4 %, vs. the result of 1.6% as of June 2007. A thirty six month rolling average is also computed, and through June 2008 this figure is 1.82%. These figures indicate a trend slightly lower when compared to the 2.5% rate previously used in calculation of the GCR rate, and the Company proposes

that a 2.0% rate is a reasonable figure to be used in the current calculation. Mr. McGinnis quantifies the impact of this reduction on the proposed GCR in his direct testimony.

12. Q: <u>Does this conclude your testimony?</u>

A: Yes, it does.

GCR + ESR Sales Forecast 08-09

Schedule PLP-1

30 Yr Average HDDs		Firm Sales						
	all in mcf	**RES**	**RSH**	**GL**	**GG**	**MVG**	**LVG**	**Total**
	Case v3r1	**Regulatory Filings Case -- Weather Adjusted Sales Forecast**						
1	Nov-08	24,631	663,075	21	364,633	57,936	22,717	1,133,012
2	Dec-08	32,030	1,209,018	21	621,079	92,853	39,056	1,994,057
3	Jan-09	36,945	1,649,603	21	784,264	110,591	42,823	2,624,248
4	Feb-09	36,696	1,634,522	21	780,942	114,070	47,669	2,613,920
5	Mar-09	33,530	1,330,743	21	663,195	99,277	52,469	2,179,235
6	Apr-09	28,264	873,939	21	481,840	66,212	46,933	1,497,210
7	May-09	21,856	370,540	21	277,068	38,646	30,210	738,341
8	Jun-09	13,631	168,641	21	129,670	29,993	23,546	365,502
9	Jul-09	11,336	134,512	21	85,150	24,125	20,311	275,454
10	Aug-09	10,213	116,235	21	80,810	21,782	21,510	250,571
11	Sep-09	12,036	132,060	21	98,384	24,463	18,427	285,392
12	Oct-09	15,069	169,691	21	198,407	26,717	16,558	426,463
13	*Total*	276,238	8,452,579	252	4,565,442	706,665	382,229	14,383,405
		Comparison to August 2007 GCR & ESR forecast of 07-08 GCR period :						
17	Total	248,507	7,975,516	288	4,544,841	888,431	719,764	14,377,347
18	Change	27,731	477,063	(36)	20,601	(181,766)	(337,535)	6,058
19	%Change	*10.0%*	*6.0%*	*-12.5%*	*0.5%*	*-20.5%*	*-46.9%*	*0.04%*

GCR + ESR Sales Forecast 08-09

	30 Yr Average HDDs	Firm Transportation				Firm Throughput
	all in mcf	GVFT	MVFT	LVFT	Total	
	Case v3r1	**Regulatory Filings Case -- Weather Adjusted Sales Forecast**				
1	Nov-08	15,926	87,235	513,970	617,131	1,750,143
2	Dec-08	20,437	105,339	530,569	656,345	2,650,402
3	Jan-09	22,569	111,072	534,217	667,858	3,292,106
4	Feb-09	20,703	104,291	555,036	680,030	3,293,950
5	Mar-09	17,889	91,314	563,707	672,910	2,852,145
6	Apr-09	11,655	77,609	458,174	547,438	2,044,648
7	May-09	9,955	72,733	378,512	461,200	1,199,541
8	Jun-09	6,167	55,574	300,146	361,887	727,389
9	Jul-09	6,515	49,309	295,043	350,867	626,321
10	Aug-09	7,762	51,581	350,795	410,138	660,709
11	Sep-09	6,808	53,024	314,400	374,232	659,624
12	Oct-09	9,182	63,315	416,402	488,899	915,362
13	*Total*	155,568	922,396	5,210,971	6,288,935	20,672,340
		Comparison to August 2007 GCR & ESR forecast of 07-08 GCR period :				
17	Total	95,921	751,844	3,679,700	4,527,465	18,904,812
18	Change	59,647	170,552	1,531,271	1,761,470	1,767,528
19	%Change	*62.2%*	*22.7%*	*41.6%*	*38.9%*	*8.6%*

H:\Data\GCR\0809\[Sales Forecasst Final PLP1r1 220808 .xls]2008 09 GCR Firm Sales