1. **Q:** Please state your name and position, and business address.

**A:** My name is Philip L. Phillips, Jr. I am Manager of Gas Operations & Planning, Delmarva Power & Light (Delmarva or the Company). My business address is 630 Martin Luther King Boulevard, PO Box 231, Mail Stop 88MK62, Wilmington, Delaware 19899-0231.

2. **Q:** What are your responsibilities in your role as Manager of Gas Operations and Planning?

**A:** As the Manager of Gas Operations and Planning, I oversee the day-to-day delivery of natural gas to the Company’s customers. This includes the operation of the Company’s City Gate Stations, interface with the interstate pipelines and the Company’s transportation customers, monitoring and controlling the Company gas transmission and distribution systems and maintaining related operational records. I am also responsible for gas business and system planning activities related to system delivery and supply capacity, preparation of annual sales and revenue forecasts and budgets, and monitoring actual results. I serve as a member of the Gas Delivery Incident Management Team which is responsible for gas operations under emergency conditions.
3. Q: **What is your educational and professional background and experience?**

A: I am a graduate of the University of Delaware with a Bachelor's 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 positions in 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: **Have you recently testified before the Delaware Public Service Commission?**

A: Yes. I have recently provided testimony before the Delaware Public Service Commission (Commission or the Commission) in cases dealing with the Company’s Environmental Surcharge Rider (Docket No. 09-384) and Gas Cost Rate (Docket No. 09-385F).

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: **What is the purpose of your testimony?**

A: The purpose of my testimony is to support the Company’s Application for an increase in Gas Base Rates. I will support certain Minimum Filing Requirements; provide a brief overview of the Company’s Gas Delivery business; provide the basis for large customer adjustments; discuss plant additions for new load and system reliability since the last filing as well as plant additions added for
system reliability; discuss the Gas 2010 capital expense plan including the
Company’s Advanced Metering Infrastructure (AMI) capital costs, and sponsor
the weather normalization of gas sales and the peak gas day forecast.

6. Q: Please list the Minimum Filing Requirements that you are sponsoring.

A: I am sponsoring the following previously filed responses:

- Schedule B – System Map
- Schedule C-1 – Gas Utility Plant Capacity and Service

I am also sponsoring the following minimum filing requirement:

- Schedule 2-F, page 2 - CWIP by project

7. Q: Please provide a brief overview of the Company’s Gas Business and its
system.

A: The Delmarva service territory is the northern two-thirds of New Castle
County, defined generally as the area North of Boyd’s Corner Road. As of the end
of December 2009, Delmarva Power served 122,552 natural gas customers, of
which 113,015 were served under residential rates. The Company gas delivery
system serving the northern portion of New Castle County incorporated
approximately 1,919 miles of gas mains fed by four interstate pipelines via
interconnections at four major and six minor gate stations.

8. Q: Please describe any customer adjustments made in this filing?

A: The Company has made adjustments to Cost of Service Calculations
(sponsored by Company Witness Tanos) and Rate Design (sponsored by
Company Witness Janocha) based upon changes related to Contract Customer
classes. Contract Customers are those customers whose tariff rates include a
Maximum Daily Quantity (MDQ) component. Schedule PLP – 1 provides a
listing of real, known, measurable changes in customer contracts, rates, closings and additions.

9. **Q. Please summarize the Company’s capital investments since the last base case?**

   **A:** The capital investments in Gas facilities during the period 2006 through 2009 are summarized in Schedule PLP –2. The investments are summarized by two major purposes: Reliability and Load Additions.

   During the period 2006 through 2009, 74% of projects were reliability investments arising from annual load forecast studies, reliability analysis. Main, Service and Safety replacements are a result of continued pipeline surveillance and performance improvement programs as required by both Federal and State regulations; result from roadway relocation or construction or are in response to failure or damage. LNG plant replacements are primarily the result of planed replacement programs or result from diagnostic maintenance, security analysis, or changing land use. Meter replacements are associated with planned periodic testing to maintain measurement reliability and accuracy.

   During the same 4 year period, 26% of projects were load related directly to installations in new developments and in established neighborhoods or from annual load forecast studies.

10. **Q. Please summarize the Company’s Gas Delivery capital program for 2010.**

   **A:** The 2010 Gas Delivery capital budget is presented as Schedule PLP-3. The budget represents a mix of approximately $16 million for reliability (80%) and $4 million for growth (20%) related expenditures.

   Reliability projects include $6.7 million for replacement of cast iron, and plastic distribution mains and replacement and protection of steel transmission
and distribution main. $5 million is planned for service line replacements. $1.4 million of replacements is related to minor highway projects. $1.1 million is planned for the purchase and installation of gas meters. The majority of planned gas meters purchases are related to scheduled replacements. $1.0 million is planned for reliability replacements related to capacity and pressure regulation. Approximately $500,000 is planned for replacements of SCADA field equipment and for Gas Facility Database modifications related to Distribution Integrity Management. The balance of approximately $500,000 is to replace various LNG plant and other system equipment.

The $4 million related to load growth includes $2.7 million related to potential residential customer additions, $1 million for commercial additions and $300,000 for related approach main or pressure regulator installations.

11. Q. Please provide the details of the Gas Delivery portion of capital expenditures related to the Company’s Blueprint for the Future as discussed by Company Witness Potts.

A: The forecast expenditures for the Gas Delivery (AMI) portion of the “PHI Blueprint for the Future” as discussed by Company Witness Potts are shown in Schedule PLP-4. The forecast contains $9.7 million for purchase and installation of Gas Interface Management Units (IMU), $2.9 million for associated communications, database and billing systems and early (premature) retirement of $4.7 million of indexes. The ratemaking treatment of AMI is discussed in Company Witness Ziminsky’s testimony.

12. Q: Please explain the nature of Gas Construction Work In Progress (CWIP) as addressed by Company Witness VonSteuben.
A: Gas Delivery is typically engaged in a variety of projects with job durations varying from weeks to months. Minimum Filing Requirement Schedule 2-F (CWIP By Project), provided as part of the Minimum Filing Requirements (MFR), lists the projects which make up the 13 month average Gas Delivery CWIP balance of $3.2 million for the period ending December 31, 2009 ($3.3 million ending June 2010.)

The December 31, 2009 Gas Delivery specific CWIP balance on the Company books was $2.6 million. An assessment of the projects included in this CWIP balance was conducted to determine the closing status of each prior to filing. As noted by Witness VonSteuben, as of May 31, 2010, $1.6 million has been closed to plant in service. The balance of $963,000 remaining in CWIP consists of $442,000 in projects receiving AFUDC, $207,000 of projects not eligible for AFUDC and $314,000 in project accruals which are also not eligible for AFUDC. The Company will provide a status update to the parties in this Docket in a subsequent filing with the Commission.

13. Q: Did the Company provide Weather Normalized Sales data in this filing?
A: Yes. I am sponsoring the Company’s normalization of 2009 sales gas for residential and general gas classes of customers. Sales to customers in classes with Contract Maximum Daily Quantities (MDQ) were not weather normalized.

14. Q: What time period and weather data source does the Company use as a basis for the Weather Normalization calculations performed for this filing.
A: The Company continues to use a rolling 30-year normal weather calculation based on temperatures recorded at the Wilmington Gas Operations site.
for gas related filings before the Commission. This is consistent with prior filings and the Commission Order No. 6327.

15. **Q:** What are the weather normalization factors that were used in these calculations?

**A:** The Company estimates Weather Normalization Factors that measure the increase in natural gas consumption that is associated with a change in Heating Degree Days (HDD). The Weather Normalization Factors are on a per customer basis and are determined by the Delmarva natural gas sales model that is used in annual planning and budgeting for applications involving the forecasting of related gas sales, and in estimating the impact of weather on sales. This sales model is developed, maintained and used by the Economics and Forecasting Department. The Weather Normalization Factors used in this filing are 0.001687 MCF/customer/HDD for the Residential Non-Space Heat customer class, 0.018638 MCF/customer/HDD for the Residential Space Heat customer class, and 0.077894 MCF/customer/HDD for the General customer class.

16. **Q:** What weather normalization adjustments to natural gas sales have been prepared?

**A:** Adjustments to test year 2009 sales by month and revenue class were calculated to reflect the impact on natural gas sales associated with the difference of actual 2009 weather from the assumed 30 year normal weather. These adjustments are contained in Schedule PLP–5. The Schedule presents the adjustments by month and revenue class. Each monthly value is equal to the departure from normal weather multiplied by the appropriate Weather Normalization Factor and the number of customers. The column titled Total
Effect is the sum of the Weather Normalization Adjustments for the three revenue classes.

17. Q: **Has the Company prepared an estimate of the Delmarva Gas Delivery system peak day throughput?**

   A: Yes. I am sponsoring the Company’s preparation of the estimated Delmarva Gas Delivery peak day firm throughput. This estimate was prepared using a National Association of Regulatory Commissioners (NARUC) methodology.

18. Q: **Please explain the results and components of the peak day throughput estimate.**

   A: The calculated peak day sendout estimate for January 2010 is 214,207 MCF. The details of this estimate are provided in Schedule PLP-6. The Residential Class component is 2,563 MCF, the Residential Space Heat Class component is 114,187 MCF, and the General Class is 57,349 MCF. The total firm customers with Contract (MDQ) based rates total 40,107 MCF. The components are General: 3,892 MCF, Medium: 12,580 MCF and Large: 23,635 MCF.

19. Q: **Does this conclude your testimony?**

   A: Yes, it does.