

Testimony of William Roland
Director of Regulatory Affairs, Peoples Natural Gas
House Majority Policy Committee
August 30, 2022

Question 1: Describe Peoples Natural Gas (“Peoples”) and your role within the company.

Answer 1: Peoples, the natural gas operating segment of Essential Utilities, serves approximately 740,000 customers in southwestern Pennsylvania, northern West Virginia and eastern Kentucky. We operate more than 14,500 miles of distribution and transmission pipelines in these areas. Peoples also owns and operates more than 2,000 miles of gathering pipelines, 29 compressor stations and seven underground storage fields.

As Director of Government and Regulatory Affairs, I am responsible for maintaining and fostering relationships with local, state and federal elected officials in an effort to allow Peoples to operate in a positive legislative and regulatory environment that supports its customers and employees.

Question 2: What is the potential impact of Hydrogen as it relates to Peoples as a natural gas utility?

Answer 2: To the extent hydrogen can be blended into the methane currently being delivered to customers within the Peoples distribution system, combustion of carbon would be reduced and customer emissions would be correspondingly reduced.

Question 3: Has Peoples performed any analysis or research on the impact of blending hydrogen into its natural gas distribution system?

Answer 3: To model the potential impact of hydrogen blending, Peoples has used information obtained from case studies and other public sources to ascertain the

potential range of safely blending hydrogen into the methane delivery system. Peoples believes that between 5% - 15% hydrogen can be blended safely.

Question 4: Does Peoples believe there are potential safety concerns with the delivery of blended hydrogen and methane to customers?

Answer 4: While publicly available information indicates that hydrogen can be safely blended into existing natural gas delivery systems, Peoples is partnering with local entities to perform additional research and testing to validate this information. It is important that Peoples understands the unique characteristics of blending hydrogen and natural gas to ensure safe and reliable delivery to its customers.

Question 5: Does Peoples believe that blending hydrogen into the natural gas delivery system will create additional costs for customers?

Answer 5: Yes. The actual cost impact to customers will depend upon the actual amount or percentage of hydrogen that is blended.

Question 6: Is Peoples able to pass along, or recover these incremental costs to customers?

Answer 6: Currently, under the Pennsylvania Public Utility Code (66 Pa. C.S. § 1318), Peoples is required to pursue a “least cost fuel procurement” methodology to ensure that its customers receive the benefit of the cheapest fuel available within the market.

Question 7: Referring to “least cost fuel procurement;” does this mean the statute will require legislative change in order to recover the incremental cost of hydrogen blending?

Answer 7: Yes, if a hydrogen blend is not considered the least cost fuel option. The Pennsylvania Public Utility Commission follows the Pennsylvania Public Utility Code which states that a utility must pursue “least cost fuel procurement” in conjunction

with the utility's obligation to provide safe, adequate and reliable service to its customers. It follows then that if gas with a hydrogen blend is not the cheapest fuel available, a utility may not be able to recover that hydrogen blend fuel, without a legislative change.

Question 8: Is Western PA uniquely situated to take advantage of the designation of a "Hydrogen Hub?"

Answer 8: Yes, the Western PA region is uniquely situated with an abundance of feedstock for the creation of hydrogen. Our region is also home to the expertise to manufacture and transport hydrogen.

Question 9: Does this conclude your testimony?

Answer 9: Yes, thank you for your consideration.