PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17105-3265

RE: Peoples Natural Gas Company LLC – Equitable Division, the Commission's Bureau of Investigation and Enforcement, the Office of Consumer Advocate, and the Office of Small Business Advocate Joint Petition for Settlement of the Rate Investigation

Public Meeting: August 21, 2014
2403935-ALJ
Docket: R-2014-2403935

STATEMENT OF COMMISSIONER JAMES H. CAWLEY

Before us is the Peoples Natural Gas Company LLC – Equitable Division (Equitable) 2014 Purchased Gas Cost filing (PGC Filing) for the period ending September 30, 2014, the Joint Petition for Settlement (Settlement) filed on June 18, 2014, and the Recommended Decision of Administrative Law Judge Katrina L. Dunderdale, supporting approval of the Settlement.

While I commend the parties for reaching agreement on a number of complex issues, one aspect of the Settlement raises competitive concerns, and is inconsistent with past practices. Specifically, the parties to the Settlement have agreed to maintain the 6% retainage rate, whereas estimated historical Lost and Unaccounted For (LAUF) and Company Use were 4.92%, 4.75%, and 5.24% over the last three years. In most cases, the 3-year historical average is used to establish the retainage rate charged to Natural Gas Suppliers (NGSs) to compensate the utility for its share of system loss and use of natural gas. In this instance, the 3-year average is approximately 5%. Another factor that may be taken into consideration when setting the retainage rate is adjusting this LAUF and Company Use for the NGS's share of discounted retainage by customers whose continued natural gas service is subject to alternative fuel competitive pressures. In the instant case, this adjustment for discounted accounts, based on the record, is approximately 0.15%. Therefore the record supports a reduced retainage rate of approximately 5.15%.

It should be noted that NGSs did not participate in this proceeding, apparently to their detriment. This, however, should not result in uncompetitive outcomes to these proceedings. I urge the parties in the future to be more cognizant of competitive fairness.

Lastly, historically, Equitable was relatively successful in reducing LAUF at the urging of this Commission. Over the last five years, LAUF and Company Use was reduced from about 9% to 5%. The recent stagnation over the past two years, and actual increase in 2013, is concerning, and I strongly urge Equitable to redouble its efforts to improve LAUF. While a 3.75% distribution-only LAUF meets our current minimum standard of 5%, this is by no means optimal, nor best in class.

James H Cawley

DATE: August 21, 2014 **James H. Cawley, Commissioner**