

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17120

**Re: Peoples Natural Gas Company LLC –
Management Efficiency Investigation Evaluating
the Implementation of Selected Recommendations
from the 2009 Focused Management and
Operations Audit**

**Public Meeting: April 3, 2014
2328651-AUD
Docket No. D-2012-2328651**

STATEMENT OF CHAIRMAN ROBERT F. POWELSON

Before the Commission today is the Bureau of Audits' Management Efficiency Investigation (MEI) report for Peoples Natural Gas Company (Peoples or the Company). First, I would like to thank the Bureau of Audits for their hard work on this matter. Upon my review of the audit, I think it is fair to say that Peoples Natural Gas has made continual improvements to their overall operations both in terms of capital deployed for pipeline replacement and supply chain management best practices.

I commend the Company's management team for their steadfast commitment to accelerated replacement of higher risk pipelines throughout their system. Commission Audit staff noted that in response to the 2011 explosion in Allentown, Peoples proactively implemented its Smart Mobilization Plan, which targeted the removal and replacement of all cast iron and unprotected bare steel pipelines and associated service lines. In fact, Peoples was one of the first companies in the state to implement a more aggressive cast iron and bare steel replacement program.

In accordance with the requirements set forth in Act 11 of 2012, the Company has also submitted its Long Term Infrastructure Improvement Plan (LTIP) and has shown a strong commitment to making massive investments in its distribution system. The Commission strongly supports any attempts by natural gas distribution companies (NGDCs) to actively replace hazardous cast iron and bare steel pipeline.

Realizing the Company has now acquired the former Equitable Gas distribution system, the Commission strongly recommends that Peoples continue to look for new business synergies that deal with legacy unaccounted for gas issues in the EQT transmission system. Moreover, it is critically important that Company management look to refine some of Equitable's outdated back office billing systems and look to adopt rigorous training programs for the newly integrated Equitable employees.

Lastly, with the potential reauthorization of Chapter 14 on the horizon, I would encourage Peoples' management to adopt the follow-up recommendation by the Commission's Audit staff to refine the collections process so that the Company is comparable with other Pennsylvania NGDCs.

April 3, 2014


Robert F. Powelson, Chairman