PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17105-3265

Implementation of Act 155 of 2014
Final Implementation Order

Public Meeting held April 23, 2015
2448825-LAW

Docket No. M-2014-2448825

JOINT MOTION OF CHAIRMAN ROBERT F. POWELSON AND COMMISSIONER GLADYS M. BROWN

Before the Pennsylvania Public Utility Commission (Commission) for consideration and disposition is the Final Implementation Order of Act 155 of 2014.[1] Act 155, *inter alia*, adds Section 2208(h) and Section 2809(g) to the Public Utility Code. These new sections permit the Commission to establish annual fees for Natural Gas Suppliers (NGS) and Electric Generation Suppliers (EGS). The new sections read:

> *The commission may establish, by order or rule, on a reasonable cost basis, fees to be charged for annual activities related to the oversight of natural gas suppliers. 66 Pa. C.S. § 2208(h).*
>
> *The commission may establish, by order or rule, on a reasonable cost basis, fees to be charged for annual activities related to the oversight of electric generation suppliers. 66 Pa. C.S. § 2809(g).*

The Final Implementation Order establishes the methodology by which the Commission may calculate these NGS and EGS fees. We emphasize that Act 155 mandates these fees to be designed on a "reasonable cost basis" and that these fees be "related to the oversight" of NGSs and EGSs.

This statutory directive was met with the Commission's tentative proposal to base direct NGS and EGSs costs on the direct time-keeping of Commission staff. This proposal correlates direct costs with the time spent by Commission staff on NGS and EGS tasks.

However, upon review of the record in this proceeding we are convinced that the Commission's tentative proposal for the calculation of indirect costs requires modification to meet the statutory requirements emphasized above. Our tentative proposal calculated indirect costs strictly based off of the intrastate revenues of NGSs and EGSs. We contend that this proposal does not meet the cost-causation relationship that is clearly required in Act 155. Increases in NGS and/or EGS revenues do not inherently mean the Commission will experience an increase in responsibilities and tasks related to these types of firms.

---

[1] The Commission issued a Tentative Order in this proceeding on December 18th 2014.

To that end, we propose that indirect costs be calculated in the following manner (this example will be set for NGSs). NGS indirect costs will be calculated by multiplying the ratio of NGS direct costs to total Commission direct costs by the total Commission indirect costs. In formula form, the calculation would read;

(NGS Direct Costs / Total Commission Direct Costs) *
Total Commission Indirect Costs =
Total NGS Indirect Costs

This formula would be the same for EGSs. Further, the total pool of indirect costs for the respective industries, as determined by our proposed formula above, would be allocated amongst individual NGSs and EGSs based on individual company intrastate revenues, as proposed in the tentative order.

We believe this proposal appropriately relates the amount of indirect costs to the reporting of direct costs by Commission staff. As Staff increases /decreases time spent on supplier activities, the amount of indirect costs the Commission spends on Staff responsibilities related to the supplier oversight would logically increase/decrease. Under this proposal the indirect cost component will correlate with the direct time spent by Commission Staff on supplier activities, thus making our proposal compliant with the language of Act 155.

Therefore, we move that the Law Bureau prepare a Final Implementation Order that is consistent with this Joint Motion

April 23, 2015
Date

Robert F. Powelson
Robert F. Powelson, Chairman

Gladys M. Brown
Gladys M. Brown, Commissioner