



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

January 31, 2018

Honorable Conrad A. Johnson
Pennsylvania Public Utility Commission
Office of Administrative Law Judge
Suite 220, Piatt Place
301 Fifth Avenue
Pittsburgh, PA 15222

Re: Pennsylvania Public Utility Commission v.
Pine Roe Natural Gas Company, Inc.
Docket No. R-2017-2618332

Dear Honorable Johnson:

Enclosed please find a **Joint Petition for Settlement of Rate Investigation** in the above-captioned proceeding.

Copies are being served on parties as identified in the attached certificate of service. If you have any questions, please contact me at 717-783-6170.

Sincerely,

Erika L. McLain
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. No.320526

ELM/wsf
Enclosure

cc: Rosemary Chiavetta, Secretary
Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility	:	R-2017-2618332
Commission	:	C-2017-2629498
	:	
v.	:	
	:	
Pine Roe Natural Gas Company, Inc.	:	
	:	

**JOINT PETITION FOR SETTLEMENT
OF RATE INVESTIGATION**

TO ADMINISTRATIVE LAW JUDGE CONRAD A. JOHNSON:

This Joint Petition for Settlement is made and entered into by, between and among the Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“PUC” or “Commission”), the Office of Consumer Advocate (“OCA”) and Pine Roe Natural Gas Company, Inc. (“Pine Roe” or “Company”), parties to the above captioned rate proceeding (hereinafter collectively referred to as “Joint Petitioners”), and is hereby submitted for consideration and recommended approval by the Administrative Law Judge for the purpose of settling the above captioned rate proceeding under the terms and conditions set forth below.

Background

1. Pine Roe is a Pennsylvania public utility that provides natural gas service to the public in the Townships of Beaver, Clarion, Monroe, and Piney, Clarion County, Pennsylvania.

2. On August 7, 2017, the Company filed Supplement No. 40 to Tariff Gas Pa. P.U.C. No. 1 (“Supplement No. 40”) to be effective November 1, 2017. If approved, Supplement No. 40 would increase Pine Roe’s annual gas revenue by \$50,000.

3. On October 12, 2017, Supplement No. 40 was voluntarily postponed to December 8, 2017 via Supplement No. 42.

4. A Formal Complaint against Supplement No. 40 was filed by the OCA at C-2017-2629498 on October 17, 2017.

5. A Notice of Appearance was filed by I&E on October 19, 2017.

6. By Order entered November 8, 2017, at Docket No. R-2017-2618332, the Commission suspended Supplement No. 40 and instituted an investigation into the reasonableness of the proposed rates.

7. Pine Roe consented to use the mediation process to try to resolve the rate investigation. As required by 52 Pa. Code § 69.392, Pine Roe filed Supplement No. 43 on November 21, 2017, voluntarily extending the effective date of Supplement No. 40 to September 8, 2018.

8. The case was assigned to Administrative Law Judge Conrad A. Johnson (“ALJ Johnson”). Tiffany A. Hunt, Esquire was assigned as Mediator.

9. On November 15, 2017, the OCA requested that the prehearing conference be held in abeyance pending mediation.

10. On November 16, 2017, ALJ Johnson granted the OCA’s request and held the prehearing conference in abeyance.

11. An initial mediation session was held on November 29, 2017. Pine Roe, the OCA, and I&E participated in the mediation session.

12. On December 7, 2017, the OCA and I&E attended a site visit at Pine Roe.

13. A second mediation session was held on December 21, 2017. Pine Roe, OCA and I&E participated in the mediation session.

14. The Parties reached a Settlement in Principle at the December 21, 2017 mediation session.

15. ALJ Johnson was informed of the Settlement through the OCA's Status Report on January 10, 2018.

Terms and Conditions of Settlement

16. Joint Petitioners agree that this rate proceeding can be settled without the need for further formal litigation. The terms and conditions comprising this Joint Petition, to which Joint Petitioners agree, are as follows:

(a) Revenue Requirement

The parties agree that, upon entry of the Commission's Order approving this Settlement without modification, effective on or before July 8, 2018, Pine Roe shall be permitted to produce an additional annual operating distribution revenue of \$35,000. This \$35,000 increase in annual distribution revenue is in lieu of the \$50,000 increase requested by Pine Roe in its August 7, 2017 Supplement No. 40 to Tariff - Gas Pa. P.U.C. No. 1.

(b) Customer Charge

The parties agree that, upon entry of the Commission's Order approving this Settlement without modification, effective on or before July 8, 2018, Pine Roe shall be permitted to implement a residential customer charge of \$10.00 per month. This \$10.00 customer charge will be applied regardless of usage (e.g. where a customer uses 0 Mcf of natural gas). The customer charge will not include 2 Mcf of natural gas and the Company will bill for each Mcf of natural gas.

(c) Bill Format

The parties agree that Pine Roe shall modify its current bill format to clearly and accurately identify, at minimum: (1) the billing cycle dates, (2) the customer account number, (3) a strict due date, (4) the method by which interest is calculated on late payments, and (5) any established business hours. Pine Roe will provide to the Office of Consumer Advocate (OCA) and Bureau of Investigation and Enforcement (I&E) a proposed modified bill format before Settlement rates go into effect. Upon approval by all parties, beginning in the next billing cycle, the Company shall issue customer bills in the modified format. Pine Roe will then provide to the OCA and I&E a copy of an actual customer bill with personal information redacted.

(d) Deposits

The parties agree that within 90 days of the Commission's Final Order in this case, Pine Roe shall modify its current deposit policy in a manner that is consistent with the Public Utility Code and with the Commission's regulations at

52 Pa. Code Chapter 56. Pine Roe agrees to contact the Commission's Bureau of Consumer Services if it needs assistance to comply with this term.

(e) Budget Billing

The parties agree that Pine Roe shall continue its budget billing program and, upon request, work with customers to allocate future bills in accordance with this program. The program shall not preclude the Company from collecting all charges due from customers. Pine Roe will continue to disseminate information to customers regarding the budget billing program.

(f) Company Contact

The parties agree that Pine Roe shall continue to maintain a working telephone line. A Pine Roe employee will make reasonable efforts to be available to take customer calls during any established business hours and return customer calls in a timely manner. The Company will also maintain an answering machine and/ or answering service. Further, Pine Roe shall continue to make readily available to customers an emergency contact line.

(g) Pipeline Replacement Plan

The parties agree that Pine Roe shall work toward developing a pipeline replacement plan to be presented to I&E's Pipeline Safety Division during their quarterly meetings pursuant to a separate settlement with I&E at Docket Nos. C-2014-2400485 and C-2017-2582760. See Pa. PUC v. Pine Roe Natural Gas Co., Inc., Docket Nos. C-2014-2400485, C-2017-2582760 (Order entered December 21, 2017).

(h) Financial Recordkeeping

The parties agree that Pine Roe shall maintain comprehensive financial records. These financial records will include, at minimum, all costs allocated to the Company, including, but not limited to, costs incurred by other individuals or entities for the benefit or purpose of the operations of Pine Roe. Pine Roe shall also maintain, within 90 days after the final Order, records of cellular device and service costs for business use separate from those for personal use.

(i) Capital Expenditure Report

The parties agree that, on an annual basis, for three (3) years following the Commission's Order approving this Settlement, Pine Roe will provide to the OCA and I&E a report containing, at minimum: (a) the overall number of customers gained or lost and an explanation as to why the Company lost any customers, (b) an overview of customer service issues, (c) the current gas cost, and (d) a list of capital investments and upgrades to the system and a projection of capital investments and upgrades to the system for the following calendar year.

(j) "C" Docket Settlement

The parties acknowledge that Pine Roe previously agreed to take multiple corrective actions at its sole cost and expense, pay a \$20,000 civil penalty not to be included in present or future rates, and abide by certain other terms in a separate settlement with I&E, which was adopted by Administrative Law Judge (ALJ) Joel H. Cheskis and, thereafter, by the Commission. See Pa. PUC v. Pine

Roe Natural Gas Co., Inc., Docket Nos. C-2014-2400485, C-2017-2582760 (Order entered December 21, 2017).

(k) Acknowledgement of Parties

Pine Roe has elected not to be represented by legal counsel in this proceeding despite I&E's recommendation that Pine-Roe should consider retaining counsel to represent its interests. Accordingly, Pine Roe acknowledges that, in negotiating and in executing this agreement, it has had the opportunity to seek the advice of independent legal counsel, and it has read, understood, and consented to all of the terms and provisions of this agreement.

Other Provisions

17. Under the presently suspended Supplement No. 40, the customer charge would have increased by approximately \$25.25 or 382%, from \$6.61 to \$31.86. Under the Joint Petition, the customer charge would increase by approximately \$3.39, or 51%, from \$6.61 to \$10.00.

18. The Joint Petition is in the public interest because it (a) minimizes cost-prohibitive litigation and administrative burden; (b) recognizes ratepayers' concerns; and (c) provides Pine Roe with additional and necessary cash flow. The statements of Pine Roe, I&E and OCA supporting the Joint Petition are attached as Appendices A, B and C, respectively.

19. This Joint Petition is proposed to settle the instant matter and is made without any admission against or prejudice to any positions that any Joint Petitioner might adopt during subsequent litigation in any case, including further litigation in this

case if this Joint Petition is rejected by the Commission or withdrawn by any one of the Joint Petitioners as provided below. This Joint Petition is conditioned upon the Commission's approval of all terms and conditions contained herein. Joint Petitioners agree that the Joint Petition does not expressly or implicitly represent approval of any specific claim or claims made in this proceeding and agree not to contend otherwise in any subsequent proceeding. If the Commission should fail to grant such approval or should modify the terms and conditions herein, this Joint Petition may be withdrawn by any Joint Petitioner upon written notice to the Commission and all parties within three business days. In such event, the Joint Petition shall be of no force and effect. In the event that the Commission does not approve the Joint Petition or any Joint Petitioner elects to withdraw as provided above and the proceeding continues to hearing, the Joint Petitioners reserve their respective right to produce, distribute and offer into the record direct testimony as well as rebuttal and surrebuttal testimony and to conduct full cross-examination of other parties witnesses at hearing, briefing and argument in this rate proceeding.

20. If the Administrative Law Judge in his Recommended Decision recommends that the Commission adopt the Joint Petition without modification as herein proposed, the Joint Petitioners agree to waive the filing of Exceptions. However, the Joint Petitioners do not waive their right to file Exceptions with respect to any modifications to the terms and conditions of this Joint Petition, or any additional matters, proposed by Judge Johnson in his Recommended Decision. The Joint Petitioners reserve their rights to file Reply Exceptions to any Exceptions which may be filed.

21. This Joint Petition may be executed in one or more counterparts, each of which is an original and all of which together constitute one and the same instrument.

22. In recognition of the foregoing, the Joint Petitioners respectfully request that:

- (a) The Commission's investigation at R-2017-2618332 be terminated and marked closed; and
- (b) The Complaint of the Office of Consumer Advocate at C-2017-2629498 be marked closed consistent with this Joint Petition for Settlement.

IN WITNESS WHEREOF, the Joint Petitioners hereto have duly executed this Joint Petition for Settlement as of the date indicated herein.

BUREAU OF INVESTIGATION AND ENFORCEMENT

By: _____
Erika L. McLain
Prosecutor

OFFICE OF CONSUMER ADVOCATE

By: _____
Hayley E. Dunn
Assistant Consumer Advocate

Darryl A. Lawrence
Senior Assistant Consumer Advocate

PINE ROE NATURAL GAS COMPANY, INC.

By: Pauline Griebel
Pauline Griebel
Secretary/ Treasurer


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BUREAU OF INVESTIGATION AND ENFORCEMENT

By: 
Erika L. McLain
Prosecutor

OFFICE OF CONSUMER ADVOCATE

By: _____
Hayley E. Dunn
Assistant Consumer Advocate

Darryl A. Lawrence
Senior Assistant Consumer Advocate

PINE ROE NATURAL GAS COMPANY, INC.

By: _____
Pauline Griebel
Secretary/ Treasurer

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BUREAU OF INVESTIGATION AND ENFORCEMENT

By: _____
Erika L. McLain
Prosecutor

OFFICE OF CONSUMER ADVOCATE

By: Hayley E. Dunn
Hayley E. Dunn
Assistant Consumer Advocate

Darryl A. Lawrence
Senior Assistant Consumer Advocate

PINE ROE NATURAL GAS COMPANY, INC.

By: _____
Pauline Griebel
Secretary/ Treasurer

APPENDIX A

January 9, 2018

STATEMENT OF SUPPORT IF SETTLEMENT AGREEMENT OF PINE-ROE NATURAL GAS

To avoid further action, the parties have engaged in settlement discussion to reach an amicable resolution of the investigation. As set forth in the Settlement Agreement Pine-Roe Natural Gas Company, Inc. intends to fully comply with the agreement. Pine-Roe's main concern is the public interest. We recognize the ratepayer's concerns.

For the reasons set forth in the Settlement Agreement between Pine-Roe Natural Gas Company, Office of Consumer Advocate and Bureau of Investigation and Enforcement, I request that the Commission accept and approve the Settlement Agreement and adopt an order approving the terms and conditions in their entirety as being in the public interest.

I thank the Commission for its consideration of this filing. If you should have any questions, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Pauline Griebel".

Pauline Griebel

Secretary/Treasurer

Pine-Roe Natural Gas Company

APPENDIX B

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility	:	R-2017-2618332
Commission	:	C-2017-2629498
	:	
v.	:	
	:	
Pine Roe Natural Gas Company, Inc.	:	
	:	

**BUREAU OF INVESTIGATION AND ENFORCEMENT
STATEMENT IN SUPPORT OF
JOINT PETITION FOR SETTLEMENT**

TO ADMINISTRATIVE LAW JUDGE CONRAD A. JOHNSON:

The Bureau of Investigation and Enforcement (I&E) of the Pennsylvania Public Utility Commission (Commission), by and through its Prosecutor Erika L. McLain, hereby respectfully submits that the terms and conditions of the foregoing Joint Settlement Petition (Joint Petition or Settlement) are in the public interest and represent a fair, just, and reasonable balance of the interests of Pine Roe Natural Gas Company, Inc. (Pine Roe or Company) and its customers:

I. BACKGROUND

1. I&E is charged with representing the public interest in Commission proceedings related to rates, rate-related services, and applications affecting the public interest. In negotiated settlements, it is incumbent upon I&E to identify how amicable resolution of any such proceeding benefits the public interest and to ensure that the public

interest is served. Based upon I&E's analysis of the Company's base rate filing, acceptance of this proposed Settlement is in the public interest and I&E recommends that the Administrative Law Judge and the Commission approve the Settlement in its entirety.

2. On August 7, 2017, Pine Roe filed Supplement No. 40 to Tariff Gas Pa. P.U.C. No. 1 (Supplement No. 40) to be effective November 1, 2017, calculated to produce approximately \$50,000 in additional annual revenue.

3. The Office of Consumer Advocate (OCA) filed a Formal Complaint against Supplement No. 40 at docket C-2017-2629498 on October 17, 2017.

4. I&E entered Notice of Appearance of Prosecutor Erika L. McLain in this proceeding on October 19, 2017.

5. By Order entered November 8, 2017 at docket R-2017-2618332, the Commission instituted a formal investigation to determine the lawfulness, justness, and reasonableness of the Company's existing and proposed rates, rules, and regulations.

6. Pursuant to 66 Pa. C.S. §1308 (d), Supplement No. 40 was suspended by operation of law until July 8, 2018, unless permitted by Commission Order to become effective at an earlier date.

7. Administrative Law Judge (ALJ) Conrad A. Johnson was assigned to this proceeding for purposes of conducting hearings and issuing a Recommended Decision.

8. The Parties consented to mediation and on November 21, 2017, the Company filed Supplement No. 43 with the Commission suspending the application of rates proposed in Supplement No. 40 until September 8, 2018.

9. ALJ Johnson issued an Order on November 16, 2017 holding the prehearing conference in abeyance pending mediation.
10. The Parties participated in an initial mediation session on November 29, 2017.
11. On December 7, 2017, I&E and the OCA attended a site visit at Pine Roe.
12. The parties participated in a subsequent mediation session on December 21, 2017, which ultimately culminated in the instant settlement.
13. ALJ Johnson was informed of the Settlement through the OCA's Status Report on January 10, 2018.
14. Prior to agreeing to the settlement, I&E conducted a thorough review of the Company's filing and supporting information, discovery responses and contributed to the forthright discussions amongst the Parties during settlement discussions.
15. The provisions of the settlement represent a revenue increase that I&E agrees is just, reasonable, and in the public interest.
16. In accordance with Commission policy favoring settlements at 52 Pa. Code §5.231, I&E participated in settlement discussions with the Company and other Parties to the proceeding. Following extensive settlement negotiations, the Parties reached a full and complete settlement of all issues.

II. TERMS AND CONDITIONS OF SETTLEMENT

17. The Commission encourages settlements, which eliminate the time, effort, and expense of litigating a matter to its ultimate conclusion.¹ Here, the Joint Petitioners successfully achieved a Settlement Agreement of all issues.

18. The Commission has recognized that a settlement “reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest.”²

19. All signatories to the Joint Petition actively participated in all settlement discussions and mediation sessions during the course of the settlement process. As such, the issues raised by I&E have been satisfactorily resolved through discovery, discussions, and mediation sessions with the Parties and are incorporated in the Joint Petition. I&E represents that the Settlement satisfies all applicable legal standards and results in terms that are preferable to those that may have been achieved at the end of a fully litigated proceeding. Accordingly, for the reasons articulated below, I&E maintains that the proposed Settlement is in the public interest and requests that the following terms be approved by the ALJ and the Commission without modification:

A. Revenue Requirement (Joint Petition, para. 16(a))

The Parties agreed to a \$35,000 increase in annual distribution revenue to become effective upon the Commission Order’s approving the Settlement in this proceeding. This Settlement balances the interests of ratepayers and the Company. Pine Roe will

¹ *Pa. PUC v. Venango Water Co.*, Docket No. R-2014-2427035, 2015 WL 2251531, at *3 (Apr. 23, 2015 ALJ Decision) (adopted by Commission via Order entered June 11, 2015); *See* 52 Pa. Code §5.231.

² *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 PA PUC 767, 771 (1991).

receive sufficient operating funds in order to provide safe and adequate service while ratepayers are protected as the resulting increase minimizes the impact of the Company's initial request of \$50,000, all of which was to be collected from a customer charge. Mitigation of the level of the rate increase benefits ratepayers and results in "just and reasonable" rates in accordance with the Public Utility Code, regulatory standards, and governing case law.³

B. Customer Charge (Joint Petition, para. 16(b))

The Settlement Agreement provides that a residential Customer Charge of \$10.00 per month will also become effective upon initial Commission Order in this proceeding. It is important to allow the utility to recover the fixed portion of providing service through the implementation of the proper Customer Charge. This provides the Company the opportunity to address its fixed recurring cost necessary to operate its system through a steady, predictable level of income. This will allow for the proper maintenance and upkeep of Pine Roe's system. Establishing the proper levels protects ratepayers by ensuring that the Company is not being overcompensated. The establishment of a mitigated level of Customer Charge demonstrates a compromise of the interests of the parties. As such, this provision is in the public interest.

C. Bill Format (Joint Petition, para. 16(c))

As part of the Settlement, Pine Roe has agreed to modify their current billing format to include, at minimum, the billing cycle dates, the customer account number, a

³

66 Pa. C.S. § 1301,

strict due date, the method by which interest is calculated on late payments and outlining established business hours. These additions to Pine Roe's bill will not only help customers to clearly identify charges and to know when the Company will be available for questions, but they will also help the Company with bill tracking; therefore, this term is in the public interest.

D. Deposits (Joint Petition, para. 16(d))

Pine Roe has also agreed to modify its deposit policy in a manner that is consistent with the Public Utility Code and with Commission's regulations at 52 Pa. Code Chapter 56. If the Company needs assistance complying with this term it agreed to contact the Commission's Bureau of Consumer Services. These changes to the Company's deposit policy are in the public interest because it ensures that all Pine Roe ratepayers will be treated in conformity with the Commission's Rules and Regulations. Public utility ratepayers should be afforded the same protections set in place by the Public Utility Code.

E. Budget Billing (Joint Petition, para. 16(e))

Pine Roe has agreed to continue its budget billing program and to work with customers to allocate future bills in accordance with this program. The Company will also continue to disseminate information to customers regarding the budget billing program. The public interest is served when customers are informed of this billing option. I&E supports this term because access to budget billing may ease the financial burden on Pine Roe's customers by allowing them to spread the cost of gas bills over a

longer period of time, thereby making their utility bills more affordable, which is in the public interest.

F. Company Contact (Joint Petition, para. 16(f))

The Company agreed it will continue to maintain a working telephone line, make reasonable efforts to be available to customers during established business hours, and return customer calls in a timely manner. Pine Roe also agreed to maintain an answering machine or answering service and to make readily available to customers an emergency line. These terms are in the public interest because they will provide ratepayers access to their utility for any questions or concerns they may have with their service. The emergency line is especially important when dealing with natural gas, as customers will now have a means to rectify critical problems.

G. Pipeline Replacement Plan (Joint Petition, para. 16(g))

Pine Roe agreed to work toward developing a pipeline replacement plan to be presented to I&E's Pipeline Safety Division during quarterly meetings. Currently, Pine Roe's system consists of all plastic pipeline that was placed in service approximately 30 years ago. A public utility shall provide safe and reliable service by furnishing and maintaining adequate facilities and reasonable services any by making the necessary improvements thereof.⁴ Making a plan to replace the existing pipeline now will benefit the Company in the future. In agreeing to develop a pipeline replacement plan, Pine Roe is taking steps toward a safer system which is in the public interest.

⁴

66 Pa. C.S. § 1501.

H. Financial Recordkeeping (Joint Petition, para. 16(h))

The Settlement Agreement provides that Pine Roe will maintain comprehensive financial records which include, at minimum, all costs allocated to the Company, including, but not limited to, costs incurred by other individuals or entities for the benefit or purpose of the operations of Pine Roe. Also, within 90 days after the Final Order, Pine Roe will separate records of cellular device and service costs for business use from those for personal use. It is important to I&E to have clear and complete records when evaluating what a company needs in order to operate the business. By the Company maintaining these records and separating the cellular device and service costs, I&E is in a better position to analyze and assess Pine Roe's filing in the next base rate case.

I. Capital Expenditure Report (Joint Petition, para. 16(i))

Pine Roe agrees that on an annual basis, for three years following the Commission's Order approving this Settlement, it will provide to the OCA and I&E a report containing, at minimum, the overall number of customers gained or lost and an explanation as to why the Company lost any customers, an overview of customer service issues, the current gas cost, and a list of capital investments and upgrades to the system and a projection of capital investments and upgrades to the system for the following calendar year. I&E supports this term because the customer count will assist the Company with tracking customers, evaluating its operations, improving customer relations, and reporting necessary data to the Commission and interested stakeholders. Similarly, the capital expenditure report will not only benefit the Company with expense

tracking but will also benefit I&E by making it easier to evaluate Pine Roe's filing in the next base rate case.

J. "C" Docket Settlement (Joint Petition, para. 16(j))

In the Settlement Agreement, the Parties acknowledge a separate settlement Pine Roe entered into with I&E's Enforcement Division. By recognizing the separate settlement in this matter, it allows for future parties to also become apprised of the terms agreed upon within that action to better address any issues that may arise in the next base rate case.

K. Acknowledgement of Parties (Joint Petition, para. 16(k))

The Settlement Agreement includes an Acknowledgement of Parties, in which it makes clear that Pine Roe elected not to be represented in this matter despite I&E's recommendation that the Company consider retaining counsel. Pine Roe also acknowledges that, in negotiating and executing the Settlement Agreement, it has had the opportunity to seek the advice of counsel, and it has read, understood, and consented to all of the terms and provisions of this agreement. I&E believes it is important for a Pro Se Company to understand that the opportunity to retain counsel to represent its interests is always available. I&E made this very clear on multiple occasions throughout the mediation and settlement process.

III. THE SETTLEMENT SATISFIES THE PUBLIC INTEREST

20. I&E represents that all issues raised in the Company's rate case filing have been satisfactorily resolved through discovery and discussions with the Company or are incorporated or considered in the resolution proposed in the Settlement. The very nature

of a settlement requires compromise on the part of all Parties. This Settlement exemplifies the benefits to be derived from a negotiated approach to resolving what can appear at first blush to be irreconcilable regulatory differences. Joint Petitioners have carefully discussed and negotiated all issues raised in this proceeding, and specifically those addressed and resolved in this Settlement. Further line-by-line identification of the ultimate resolution of the disputed issues beyond those presented in the Settlement is not necessary as I&E represents that the Settlement maintains the proper balance of the interests of all Parties. I&E is satisfied that no further action is necessary and considers its investigation of this rate filing complete.

21. Based upon I&E's analysis of the filing, acceptance of this proposed Settlement is in the public interest. Resolution of this case by settlement rather than litigation will avoid the substantial time and effort involved in continuing to formally pursue all issues in this proceeding at the risk of accumulating excessive expense.

22. I&E further submits that the acceptance of this Settlement will negate the need for evidentiary hearings, which would compel the extensive devotion of time and expense for the preparation, presentation, and cross-examination of multiple witnesses, the preparation of Main and Reply Briefs, the preparation of Exceptions and Replies, and the potential of filed appeals, all yielding substantial savings for all Parties, and ultimately all customers, as well as certainty on the regulatory disposition of issues. This Settlement thereby conserves time and expenses for all involved.

IV. RESERVATION OF RIGHTS

23. The Settlement is conditioned upon the Commission's approval of all terms without modification. Should the Commission fail to grant such approval or otherwise modify the terms and conditions of the Settlement, it may be withdrawn by the Company, I&E, or any other Joint Petitioner.

24. I&E's agreement to settle this case is made without any admission or prejudice to any position that I&E might adopt during subsequent litigation in the event that the Settlement is rejected by the Commission or otherwise properly withdrawn by any other Parties to the Settlement.

25. If the ALJ recommends that the Commission adopt the Settlement as proposed, I&E agrees to waive the filing of Exceptions. However, I&E does not waive its right to file Replies to Exceptions with respect to any modification to the terms and conditions of the Settlement or any additional matters that may be proposed by the ALJ in the Recommended Decision. I&E also does not waive the right to file Replies in the event any party files Exceptions.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement represents that it supports the Joint Petition for Settlement as being in the public interest and respectfully request that Administrative Law Judge Conrad A. Johnson recommend, and the Commission approve, the terms and conditions contained in the Settlement.

Respectfully submitted,



Erika L. McLain

Prosecutor

Attorney I.D. # 320526

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265
(717) 783-6170

Dated: January 31, 2018

APPENDIX C

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:		
Office of Consumer Advocate	:		
	:	Docket No.	R-2017-2618332
v.	:		C-2017-2629498
	:		
Pine Roe Natural Gas Company, Inc.	:		

STATEMENT OF THE OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF THE JOINT PETITION
FOR SETTLEMENT OF RATE INVESTIGATION

The Office of Consumer Advocate (OCA), a Joint Petitioner in the Joint Petition for Settlement of Rate Investigation (Settlement), provides this Statement in Support of the Settlement and submits that the Settlement is in the public interest for the followings reasons:

I. INTRODUCTION AND PROCEDURAL HISTORY

Pine Roe Natural Gas Company, Inc. (Pine Roe) is a natural gas distribution company (NGDC) that serves approximately 165 residential customers in portions of Beaver, Clarion, Monroe, and Piney Townships in Clarion County, Pennsylvania. On August 7, 2017, Pine Roe filed with the Pennsylvania Public Utility Commission (Commission) Supplement No. 40 to Tariff Gas Pa. PUC No. 1 in which it requested an overall rate increase. Under its rate filing, Pine Roe would receive additional revenues of \$50,000 through an increase in its customer charge.

On October 12, 2017, Pine Roe voluntarily postponed its rate filing to December 8, 2017 through Supplement No. 42. On October 17, 2017, the OCA filed its Formal Complaint and Public Statement. On October 19, 2017, the Bureau of Investigation and Enforcement (I&E) entered its appearance in this matter. On November 8, 2017, the Commission entered an Order by

which it suspended Pine Roe's rate filing until July 8, 2018; pursuant to Section 1308(d) of the Public Utility Code, 66 Pa. C.S. § 1308(d).

Pine Roe's rate filing was assigned to the Office of Administrative Law Judge (OALJ) and further assigned to Administrative Law Judge (ALJ) Conrad A. Johnson. On November 9, 2017, ALJ Johnson issued a Prehearing Conference Order and scheduled a Call-In Telephonic Prehearing Conference for November 20, 2017. On November 15, 2017, the OALJ issued a Mediation Notice stating that the parties consented to use the mediation process in this matter. Subsequently, on November 15, 2017, the OCA requested that the Prehearing Conference be held in abeyance pending mediation. On November 16, 2017, in his First Interim Order, ALJ Johnson granted the OCA's request. In addition, ALJ Johnson directed the OCA to provide a status report regarding the mediation process by January 19, 2018.

On November 29, 2017, the parties participated in an initial mediation session with Mediator Tiffany A. Hunt, Esquire. On December 7, 2017, the OCA and I&E attended a site visit at Pine Roe. On December 21, 2017, the parties participated in a second mediation session at which a Settlement in Principle was reached. On January 10, 2018, the OCA provided ALJ Johnson with a status report regarding mediation and informed him that the parties reached a Settlement. The OCA now provides this Statement in Support of the Settlement and submits that the Settlement should be adopted for the reasons identified below.

II. TERMS AND CONDITIONS OF SETTLEMENT

A. Revenue Requirement

As noted above, in its rate filing, Pine Roe requested to receive additional revenues of \$50,000 through an increase in its customer charge. Under the Company's proposal, a typical residential customer of Pine Roe using 7.56 Mcf of natural gas per month would experience a

98% total bill increase from \$25.78 to \$51.03.¹ The Settlement provides that Pine Roe will produce an additional annual operating distribution revenue of \$35,000. Settlement ¶ 16(a). The \$35,000 increase is in lieu of the proposed \$50,000 increase. Under the Settlement, a typical residential customer of Pine Roe using 7.56 Mcf of natural gas per month will experience a 91.2% total bill increase from \$25.78 to \$49.30.² Based on the OCA's analysis of Pine Roe's rate filing, the \$35,000 distribution revenue increase under the Settlement represents an amount comparable to the range of outcomes likely in the event of full litigation of this matter. The distribution revenue increase is \$15,000 less than the Company's \$50,000 request and, thus, will mitigate the impact on ratepayers.

B. Customer Charge

Pine Roe's current customer charge includes the first 2 Mcf of natural gas. In its rate filing, Pine Roe proposed to continue this practice, while increasing its customer charge by 381.997% from \$6.61 to \$31.86. Under the Settlement, Pine Roe will implement a residential customer charge of \$10.00 per month and discontinue its practice of including the first 2 Mcf of natural gas.³ Settlement ¶ 16(b). In addition, Pine Roe will apply the customer charge regardless of usage and bill for each Mcf of natural gas. Settlement ¶ 16(b). The \$10.00 customer charge under the Settlement represents an appropriately designed rate structure in which the majority of costs are

¹ In its Complaint, the OCA provided that, under the Company's proposal, "[a] typical residential customer using 8.5 Mcf of natural gas per month would see a total bill increase from \$29.01 to \$54.26 per month, or 87%." OCA Complaint at 1. The figures in Section II.A above are based on the usage of a typical residential customer of Pine Roe, rather than a typical residential customer of any natural gas company as in the OCA's Complaint.

² As mentioned in Footnote 1, the figures in the OCA's Complaint are based on customer usage of 8.5 Mcf per month, rather than customer usage of 7.56 Mcf per month. In that regard, under the Settlement, a Pine Roe customer using 8.5 Mcf of natural gas per month will experience a 86.8% total bill increase from \$29.01 to \$54.19.

³ A customer charge is a "monthly charge to cover NGDC costs such as maintaining the gas lines, meter reading and billing." See Pa. PUC, *Consumer's Dictionary for Natural Gas Competition* at 2 (2001). Distribution charges are charges "for the delivery of natural gas from the point of receipt into the NGDC's system." *Id.* at 3. A customer charge is a flat rate charge, whereas distribution charges reflect usage. Accordingly, including the commodity in the flat rate charge is not in accordance with current rate design practices.

recovered through variable distribution charges rather than the customer charge. In addition, the customer charge increase is \$21.86 less than the Company's request and, importantly, avoids a 381.997% increase in the customer charge.

C. Bill Format

The Settlement provides that Pine Roe will modify its bill format to include: (1) the billing cycle dates, (2) the customer account number, (3) a strict due date, (4) the method by which interest is calculated on late payments, and (5) any established business hours. Settlement ¶ 16(c). The Company will clearly and accurately identify this information. Settlement ¶ 16(c). Changes in Pine Roe's bill format will benefit customers in that the Company will provide information necessary to understand the bill, submit timely payments, and contact the Company.

D. Deposits

The Settlement provides that, within 90 days of the Commission's final Order in this matter, Pine Roe will modify its deposit policy to be consistent with the Public Utility Code and the Commission's regulations. Settlement ¶ 16(d). If necessary, Pine Roe will work with the Commission's Bureau of Consumer Services (BCS) to modify its deposit policy. Settlement ¶ 16(d). Changes in Pine Roe's deposit policy will benefit customers in that customers will be subject only to deposits that are in accordance with the Public Utility Code and the Commission's regulations, which offer certain consumer protections.

E. Budget Billing

Under the Settlement, Pine Roe will continue its budget billing program. Settlement ¶ 16(e). Pine Roe will work with customers upon request to allocate future bills pursuant to its budget billing program. Settlement ¶ 16(e). In addition, Pine Roe will distribute information to customers regarding the program. Settlement ¶ 16(e). A continuation of the Company's budget

billing program will benefit customers as budget billing can be a useful option and customers will be provided with an opportunity to assess whether the program is an appropriate option for them.

F. Company Contact

Under the Settlement, Pine Roe will maintain a working telephone line, make reasonable efforts to timely answer customer calls during business hours, return customer calls in a timely manner, and maintain an answering machine and/or answering service. Settlement ¶ 16(f). The Company will also continue to make available an emergency contact line. Settlement ¶ 16(f). This aspect of the Settlement will benefit customers by helping to ensure that the Company addresses all customer complaints and responds to emergencies in a timely manner.

G. Pipeline Replacement Plan

The Settlement provides that Pine Roe will take steps toward establishing a pipeline replacement plan to present to I&E's Pipeline Safety Division at quarterly meetings, which occur pursuant to a separate settlement with I&E. Settlement ¶ 16(g); See Pa. PUC v. Pine Roe Natural Gas Co., Inc., Docket Nos. C-2014-2400485, C-2017-2582760 (Order entered December 21, 2017). Pine Roe's development of a pipeline replacement plan will benefit customers by helping to ensure that the Company maintains its pipelines in a safe manner in order to continue providing service to customers.

H. Financial Recordkeeping

The Settlement provides that Pine Roe will maintain comprehensive financial records including, within 90 days of the Commission's final Order in this matter, records of cellular device and service costs for business use separate from those for personal use. Settlement ¶ 16(h). This aspect of the Settlement will benefit the parties in that it will allow Pine Roe to readily provide financial information in the Company's future rate proceedings.

I. Capital Expenditure Report

Under the Settlement, Pine Roe will provide to the OCA and I&E, on an annual basis, for three years following the Commission's final Order in this matter, a capital expenditure report. Settlement ¶ 16(i). The Company's capital expenditure report will include: (a) the number of customers gained and lost with an explanation of why any customers were lost, (b) an overview of customer service issues, (c) the current gas cost, and (d) a list of capital investments and upgrades to the system and a projection of the same for the following calendar year. Settlement ¶ 16(i). This aspect of the Settlement will benefit the parties in that it will allow Pine Roe to readily provide information regarding capital expenditures in the Company's future rate proceedings.

J. Other Settlement Terms and Conditions

Under the Settlement, the parties acknowledged that Pine Roe previously agreed to take corrective actions, pay a civil penalty, and abide by certain other terms and conditions in a separate settlement with I&E. Settlement ¶ 16(j); See Pa. PUC v. Pine Roe Natural Gas Co., Inc., Docket Nos. C-2014-2400485, C-2017-2582760 (Order entered December 21, 2017).

III. CONCLUSION

The OCA submits that the Settlement represent a fair and reasonable resolution of the issues arising in this rate proceeding. If approved, the Settlement will permit Pine Roe to receive additional annual distribution revenues of \$35,000, which is less than Pine Roe's requested \$50,000 increase. The Settlement also permits Pine Roe to implement a \$10.00 customer charge. The Settlement will benefit customers with regard to issues including, bill format, budget billing, and company contact. The Settlement will also assist Pine Roe in maintaining financial and other records. Further, the Settlement will benefit the parties and the Commission due to the avoidance of litigation costs and the minimization of administrative burdens.

WHEREFORE, for the foregoing reasons, the OCA submits that the proposed Settlement in this rate proceeding is in the public interest.

Respectfully Submitted,



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Dated: January 30, 2018

243779

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
 :
 v. : Docket No. R-2017-2618332
 :
 Pine Roe Natural Gas Company, Inc. :


CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Joint Petition for Settlement of Rate Investigation** dated January 31, 2018, in the manner and upon the persons listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party):

Served via First Class and Electronic Mail

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