



17 North Second Street
12th Floor
Harrisburg, PA 17101-1601
717-731-1970 Main
717-731-1985 Main Fax
www.postschell.com

Anthony D. Kanagy

akanagy@postschell.com
717-612-6034 Direct
717-720-5387 Direct Fax
File #: 171313

July 9, 2019

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: PA Public Utility Commission v. Peoples Natural Gas Company LLC
Docket No. R-2018-3006818

Dear Secretary Chiavetta:

Enclosed for filing is the Main Brief of Peoples Natural Gas Company LLC. The Main Brief concerns the only issue reserved for litigation, which is the Company's proposed 150-foot main line extension allowance per residential applicant. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

Anthony D. Kanagy

ADK/jl
Enclosures

cc: Honorable Joel H. Cheskis
Certificate of Service

CERTIFICATE OF SERVICE

Docket No. R-2018-3006818

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

VIA E-MAIL & FIRST CLASS MAIL

Christy M. Appleby, Esquire
Darryl Lawrence, Esquire
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

Erika L. McLain, Esquire
Carrie B. Wright, Esquire
PA Public Utility Commission
Bureau of Investigation & Enforcement
Commonwealth Keystone Building
400 North Street, 2nd Floor West
PO Box 3265
Harrisburg, PA 17105-3265

Erin K. Fure, Esquire
Office of Small Business Advocate
300 North Second Street, Suite 202
Harrisburg, PA 17101

Todd S. Stewart, Esquire
Hawke McKeon & Sniscak LLP
100 N. 10th Street
Harrisburg, PA 17101
*Natural Gas Supplier Parties and
The Retail Energy Supply Association*

Scott J. Rubin, Esquire
333 Oak Lane
Bloomsburg, PA 17815
Utility Workers Union of America, Local 612

Patrick M. Cicero, Esquire
John W. Sweet, Esquire
Elizabeth R. Marx, Esquire
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17101
*Coalition for Affordable Utility Services and
Energy Efficiency in Pennsylvania*

Kevin J. Moody, Esquire
Pennsylvania Independent Oil & Gas
Association
212 Locust Street, Suite 600
Harrisburg, PA 17101-1510
PIOGA

Joseph L. Vullo, Esquire
Burke Vullo Reilly Roberts
1460 Wyoming Avenue
Forty Fort, PA 18704
Community Action Association of Pennsylvania

Linda R. Evers, Esquire
Donald R. Wagner, Esquire
Stevens & Lee
111 N. Sixth Street
Reading, PA 19601
Duquesne Light Company

Michael A. Gruin, Esquire
Timothy K. McHugh, Esquire
Stevens & Lee
17 N. 2nd Street, 16th Floor
Harrisburg, PA 17101
Duquesne Light Company

Emily M. Farah, Esquire
Tishekia Williams, Esquire
Michael Zimmerman, Esquire
Duquesne Light Company
411 7th Avenue, 15th Floor
Pittsburgh, PA 16219
Duquesne Light Company

Tanya C. Leshko, Esquire
Buchanan Ingersoll & Rooney PC
409 North Second Street, Suite 500
Harrisburg, PA 17101-1357
Equitrans, L.P.

Brian Kalcic
Excel Consulting
225 S. Meramec Avenue, Suite 720-T
St. Louis, MO 63105
OSBA Consultant

Pamela C. Polacek, Esquire
Vasiliki Karandrikas, Esquire
Errin McCaulley, Esquire
McNees Wallace & Nurick LLC
100 Pine Street, PO Box 1166
Harrisburg, PA 17108
Snyder Brothers, Inc.
VEC Energy LLC
Snyder Armclar Gas Co., LP
Baker Gas, Inc.
Marco Drilling, Inc.
MDS Energy Development, LLC

Daniel Clearfield, Esquire
Carl R. Shultz, Esquire
Kristine E. Marsilio, Esquire
Eckert Seamans Cherin & Mellott, LLC
213 Market Street, 8th Floor
Harrisburg, PA 17101
Direct Energy

Charis Mincavage, Esquire
Alessandra L. Hylander, Esquire
McNees Wallace & Nurick LLC
100 Pine Street, PO Box 1166
Harrisburg, PA 17108
Peoples Industrial Intervenors

Glenn Watkins
Technical Associates, Inc.
1503 Santa Rosa Road, Suite 130
Richmond, VA 23229
OCA Consultant

Dante Mugrace
PCMG & Associates
90 Moonlight Court
Toms River, NJ 08753
OCA Consultant

Kevin O'Donnell
Nova Energy Consultants, Inc.
1350 SE Maynard Road, Suite 101
Cary, NC 27511
OCA Consultant

Roger Colton
Fisher, Sheehan and Colton
34 Warwick Road
Belmont, MA 02478
OCA Consultant

Diane Burgraff
37 Whittakers Mill Road
Williamsburg, VA 23185
SBI Consultant

James L. Crist
Lumen Group, Inc.
4226 Yarmouth Drive, Suite 101
Allison Park, PA 15101
PII Consultant

VIA FIRST CLASS MAIL

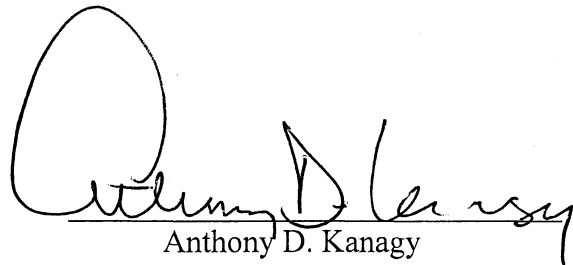
Daniel Killmeyer
184 McKay Road
Saxonburg, PA 16056

Samuel Givens
132 Thunderbird Drive
McKeesport, PA 15135

Charles F. Hagins
420 Goucher Street
Johnstown, PA 15905

Sean D. Ferris
406 Laurie Drive
Penn Hills, PA 15235

Date: July 9, 2019



Anthony D. Kanagy

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos.	R-2018-3006818
Office of Consumer Advocate	:		C-2019-3007711
Office of Small Business Advocate	:		C-2019-3007752
Daniel Killmeyer	:		C-2019-3007635
Charles Hagins	:		C-2019-3007698
Sean D. Ferris	:		C-2019-3007904
Samuel Givens	:		C-2019-3007959
Peoples Industrial Intervenors	:		C-2019-3008506
	:		
v.	:		
	:		
Peoples Natural Gas Company LLC	:		

**MAIN BRIEF OF
PEOPLES NATURAL GAS COMPANY LLC**

William H. Roberts, II (ID # 54724)
Peoples Natural Gas
375 North Shore Drive
Pittsburgh, PA 15212
Phone: 412-208-6527
E-mail: William.H.RobertsII@peoples-gas.com

Michael W. Gang (ID # 25670)
Anthony D. Kanagy (ID # 85522)
Devin T. Ryan (ID # 316602)
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, PA 17101-1601
Phone: 717-731-1970
Fax: 717-731-1985
E-mail: mgang@postschell.com
akanagy@postschell.com
dryan@postschell.com

Date: July 9, 2019

Counsel for Peoples Natural Gas Company LLC

TABLE OF CONTENTS

Table of Contents

	Page
I. INTRODUCTION	1
II. STATEMENT OF THE CASE.....	2
III. QUESTION PRESENTED	5
IV. LEGAL STANDARDS	6
V. SUMMARY OF ARGUMENT	8
VI. ARGUMENT.....	11
A. BACKGROUND	11
1. The Company’s Current Main Line Extension Policy.....	11
2. Rider MLX.....	11
3. Peoples Natural’s Main Line Extension Proposal	12
B. PEOPLES NATURAL’S MAIN LINE EXTENSION PROPOSAL IS IN THE PUBLIC INTEREST AND SHOULD BE APPROVED.....	13
1. The Proposal Will Reduce Barriers to Customers Receiving Natural Gas Service	13
2. The Proposal Can Supplement Peoples Natural’s Rider MLX.....	14
3. The Proposal Is a Streamlined Approach that Is Simpler and Easier for Customers to Understand	14
4. The Proposal Is Consistent with Other NGDCs’ Main Line Extension Policies.....	15
5. The Proposal Is Supported by the Company’s Analysis of the Average Road Length Per Housing Unit in Its Service Territory	15
6. The Proposal Will Not Create Any Subsidy or Cost Shift to Existing Customers Based upon the Company’s Historic Experience	16
C. OSBA’S ARGUMENTS OPPOSING THE MAIN LINE EXTENSION PROPOSAL ARE WITHOUT MERIT AND SHOULD BE REJECTED	17

VII. CONCLUSION.....21

APPENDIX A – PROPOSED FINDINGS OF FACT

APPENDIX B – PROPOSED CONCLUSIONS OF LAW

APPENDIX C – PROPOSED ORDERING PARAGRAPHS

TABLE OF AUTHORITIES

Page

Pennsylvania Court Decisions

Allied Mech. and Elec., Inc. v. Pa. Prevailing Wage Appeals Bd., 923 A.2d 1220
(Pa. Cmwlth. 2007)..... 7

Borough of E. McKeesport v. Special/Temporary Civil Serv. Comm’n, 942 A.2d 274
(Pa. Cmwlth. 2008)..... 7

Brown v. Commonwealth, 940 A.2d 610 (Pa. Cmwlth. 2008)..... 6

Commonwealth v. Williams, 557 Pa. 207, 732 A.2d 1167 (1999)..... 6

Dist. of Columbia’s Appeal, 21 A.2d 883 (Pa. 1941) 6

Kyu Son Yi v. State Bd. of Veterinary Med., 960 A.2d 864 (Pa. Cmwlth. 2008)..... 7

Lower Frederick Twp. v. Pa. PUC, 409 A.2d 505 (Pa. Cmwlth. 1980)..... 7

Allegheny Center Assocs. v. Pa. PUC, 570 A.2d 149 (Pa. Cmwlth. 1990) 7

MacDonald v. Pa. R.R. Co., 348 Pa. 558, 36 A.2d 492 (1944) 6

Met-Ed Indus. Users Grp. v. Pa. PUC, 960 A.2d 189 (Pa. Cmwlth. 2008) 6

Samuel J. Lansberry, Inc. v. Pa. PUC, 578 A.2d 600 (Pa. Cmwlth. 1990)..... 6

Pennsylvania Administrative Agency Decisions

*Application of Pennsylvania-American Water Co. for Approval of the Right To Offer,
Render, Furnish or Supply Water Serv. to the Pub. in Additional Portions Of
Mahoning Twp., Lawrence Cnty., Pa.*, Docket No. A-212285F0148,
2008 Pa. PUC LEXIS 874 (Order entered Oct. 29, 2008)..... 6

Pa. PUC v. Aqua Pa., Inc., Docket No. R-00038805, 236 PUR 4th 218,
2004 Pa. PUC LEXIS 39 (Order entered Aug. 5, 2004)..... 7

Pa. PUC v. Breezewood Tele. Co., Docket No. R-901666, 1991 Pa. PUC LEXIS 45
(Order entered Jan. 31, 1991) 7

Pa. PUC v. Columbia Gas of Pa., Inc., Docket Nos. R-2015-2468056, *et al*
(Order entered Dec. 3, 2015) 15

<i>Pa. PUC v. Metropolitan Edison Co., et al.</i> , Docket Nos. R-00061366, <i>et al.</i> , 2007 Pa. PUC LEXIS 5 (Order entered Jan. 11, 2007)	8
<i>Pa. P.U.C. v. PECO</i> , Docket No. R-891364, <i>et al.</i> , 1990 Pa. PUC LEXIS 155 (Order entered May 16, 1990)	7
<i>Pa. P.U.C. v. Phila. Gas Works</i> , Docket Nos. R-00061931, <i>et al.</i> , 2007 Pa. PUC LEXIS 45 (Order entered Sept. 28, 2007)	8
<i>Replogle v. Pa. Elec. Co.</i> , 54 Pa. PUC 528, 1980 Pa. PUC LEXIS 20 (Order entered Oct. 9, 1980)	6

Pennsylvania Statutes & Regulations

2 Pa. C.S. § 704.....	7
66 Pa. C.S. § 332(a)	6
66 Pa. C.S. § 1308(d)	3
66 Pa. C.S. § 1301.....	7
66 Pa. C.S. § 1304.....	7
66 Pa. C.S. § 315(a)	7, 8

I. INTRODUCTION

On January 28, 2019, Peoples Natural Gas Company LLC (“Peoples Natural” or the Company”) filed with the Pennsylvania Public Utility Commission (“Commission”) its 2019 Base Rate Case Filing (“Filing”), which consisted of Retail Tariff Gas – PA PUC No. 47, Supplier Tariff Gas – PA PUC No. S-3, responses to filing requirements and standard data requests, and supporting direct testimony and exhibits. In Retail Tariff Gas – PA PUC No. 47, Peoples Natural proposed to combine the retail rates and tariffs of its Peoples and Equitable Divisions and proposed an overall net revenue increase of \$94.9 million per year.¹ In Supplier Tariff Gas – PA PUC No. S-3, Peoples Natural proposed to combine the supplier tariff provisions of its Peoples and Equitable Divisions.

Ultimately, the parties were able to reach a partial settlement that resolved all of the issues in this base rate proceeding, except the Company’s proposal to adopt a standard allowance of 150 feet of main line per residential customer to establish new service (the “Reserved Issue”). Currently, Peoples Natural does not offer customers a standard mains footage allowance to connect to its natural gas system; rather, all extensions are individually evaluated based on a detailed economic evaluation, and the footage allowance per customer can vary significantly based upon projected customer usage and estimated construction costs. However, under Peoples Natural’s main line extension proposal, the Company would install the first 150 feet of main line without charge to residential customers in normal conditions.²

As explained in this Main Brief, Peoples Natural’s main line extension proposal should be approved because it: (1) will help reduce barriers to customers converting to natural gas

¹ The Company’s proposed net revenue increase was adjusted to approximately \$94.6 million in Peoples Natural’s rebuttal testimony. (See Peoples St. No. 3-R, p. 5.)

² At the discretion of the Company, certain projects that contain abnormal underground conditions, such as crossing a stream or state highway, or visible ledge, or rock that will affect excavation or excessive permitting fees, would not be eligible for the 150-foot allotment. (Peoples St. No. 2, p. 39.)

service and enable them to take advantage of plentiful low-cost natural gas supplies; (2) will supplement the Company's Pilot Rider MLX, Mainline Extension Service ("Rider MLX"); (3) is a streamlined approach that is less administratively burdensome and easier for customers to understand; (4) is consistent with industry practice, including the main line extension policies of other Pennsylvania natural gas distribution companies ("NGDCs"); and (5) will not require existing customers to subsidize main extensions for new customers.

In support thereof, Peoples Natural states as follows:

II. STATEMENT OF THE CASE

On January 28, 2019, Peoples Natural filed with the Commission its 2019 Base Rate Case Filing.

On February 7, 2019, the Commission's Bureau of Investigation and Enforcement ("I&E") filed a Notice of Appearance.

On February 7, 2019, the Office of Consumer Advocate ("OCA") filed a Notice of Appearance, Formal Complaint and Public Statement at Docket No. C-2019-3007711.

On February 7, 2019, the Office of Small Business Advocate ("OSBA") filed a Notice of Appearance, Formal Complaint and Public Statement at Docket No. C-2019-3007752.

On February 15, 2019, the Community Action Association of Pennsylvania ("CAAP") filed a Petition to Intervene, and the Coalition for Affordable Utility Service and Energy Efficiency in Pennsylvania ("CAUSE-PA") filed a Petition to Intervene.

On February 22, 2019, the Natural Gas Supplier Parties ("NGS Parties") and The Retail Energy Supply Association ("RESA") filed a Petition to Intervene.

On February 25, 2019, Utility Workers Union of America, Local 612 filed a Petition to Intervene, and Duquesne Light Company ("Duquesne Light") filed a Petition to Intervene.

On February 26, 2019, the Pennsylvania Independent Oil and Gas Association (“PIOGA”) filed a Petition to Intervene.

In an Order entered February 28, 2019, the Commission initiated an investigation of the Company’s proposed general rate increase. Retail Tariff No. 47 and Supplier Tariff No. S-3 were suspended by operation of law pursuant to Section 1308(d) of the Public Utility Code, 66 Pa. C.S.A. § 1308(d), for up to seven months or until October 29, 2019, unless permitted by Commission Order to become effective at an earlier date.

By Supplement No. 1 to Retail Tariff Gas – PA PUC No. 47 and Supplement No. 1 to Supplier Tariff Gas – PA PUC No. S-3, Peoples Natural suspended the effective date of the Tariffs until October 29, 2019, as required by the Commission’s Order entered February 28, 2019.

On March 5, 2019, Snyder Brothers, Inc., VEC Energy LLC, and Snyder Armclar Gas Co, LP (collectively, “Snyder Brothers”) filed a Petition to Intervene.

On March 7, 2019, Equitrans, L.P. (“Equitrans”) filed a Petition to Intervene.

On March 12, 2019, Direct Energy Business, LLC, Direct Energy Services, LLC, and Direct Energy Business Marketing, LLC (collectively, “Direct Energy”) filed a Petition to Intervene.

On March 13, 2019, Peoples Industrial Intervenors (“PII”) filed a Formal Complaint at Docket No. C-2019-3003506.

Peoples Natural has been served with Formal Complaints by the following customers: Charles Hagins, C-2019-3007698; Daniel Killmeyer, C-2019-3007635; Samuel Givens, C-2019-3007959; and Sean D. Ferris, C-2019-3007904.

A Prehearing Conference was scheduled for March 14, 2019, before Administrative Law Judge Joel H. Cheskis (“ALJ”). The parties participated in the prehearing and filed prehearing memoranda identifying potential issues and witnesses.

A Scheduling Order dated March 19, 2019, was issued by the ALJ and established a litigation schedule.

Additional Petitions to Intervene were filed by Baker Gas, Inc. (“Baker Gas”) on March 28, 2019, Marco Drilling, Inc. (“Marco”) on March 29, 2019, and MDS Energy Development, LLC (“MDS”) on April 2, 2019.

On April 18, 2019, the ALJ issued an Order granting the Petitions to Intervene filed by Baker Gas, Marco and MDS.

The Joint Petitioners and other parties undertook extensive formal and informal discovery both before and after the Prehearing Conference.

On March 28, 2019, Public Input Hearing Notices were issued scheduling public input hearings in the Company’s service territory. Pursuant to those notices, two public input hearings were conducted. The first public input hearing was held on April 23, 2019, at Richland Township Fireman’s Banquet Hall in Johnstown, Pennsylvania. The second public input hearing was held on April 24, 2019, at the Community College of Allegheny County in Monroeville, Pennsylvania,

On April 29, 2019, CAAP, CAUSE-PA, Direct Energy, Duquesne Light, I&E, OCA, OSBA, PII, and SBI served direct testimony and accompanying exhibits. On May 28, 2019, rebuttal testimony and accompanying exhibits were served by Peoples Natural, Duquesne Light, I&E, OCA, OSBA, and PII. On May 29, 2019, OCA served supplemental direct testimony and accompanying exhibits. On June 12, 2019, surrebuttal testimony and accompanying exhibits

were served by Peoples Natural, CAUSE-PA, Duquesne Light, I&E, OCA, OSBA, PII, and SBI. On June 17, 2019, Peoples Natural served rejoinder testimony and accompanying exhibits.

On June 17, 2019, the parties advised the ALJ that they had reached a revenue requirement settlement. As requested by the parties, the ALJ canceled the hearings scheduled for June 18 and 19, 2019.

The ALJ convened a hearing on June 20, 2019. At the hearing, the parties advised the ALJ that they had achieved a settlement concerning revenue allocation issues. At this hearing, limited cross was undertaken of remaining unresolved issues and evidence was admitted into the record.

A further hearing was held June 25, 2019. At the hearing, the parties advised the ALJ that they had resolved all issues except the Reserved Issue. At the hearing, the ALJ directed that the parties submit a Petition for Approval of Settlement by July 9, 2019, including Statements in Support, Proposed Findings of Fact, Proposed Conclusions of Law, and Proposed Ordering Paragraphs. The ALJ directed that Main Briefs on the Reserved Issue be submitted on July 9, 2019 and Reply Briefs on July 22, 2019. Finally, the ALJ admitted additional evidence to the record.

On June 27, 2019, the ALJ issued a Briefing Order, which set for the requirements and schedule for the briefs to be submitted on the Reserved Issue.

III. QUESTION PRESENTED

1. Whether Peoples Natural's proposal to adopt an allowance of 150 feet of main line per residential customer to extend mains to establish new service should be approved.

Suggested answer: *in the affirmative.*

IV. LEGAL STANDARDS

Under Section 332(a) of the Public Utility Code, 66 Pa. C.S. § 332(a), “the proponent of a rule or order has the burden of proof.” It is well-established that “[a] litigant’s burden of proof before administrative tribunals as well as before most civil proceedings is satisfied by establishing a preponderance of evidence which is substantial and legally credible.” *Samuel J. Lansberry, Inc. v. Pa. PUC*, 578 A.2d 600, 602 (Pa. Cmwlth. 1990). The preponderance of evidence standard requires proof by a greater weight of the evidence. *Commonwealth v. Williams*, 557 Pa. 207, 732 A.2d 1167 (1999). This standard is satisfied by presenting evidence more convincing, by even the smallest amount, than that presented by another party. *Brown v. Commonwealth*, 940 A.2d 610, 614 n.14 (Pa. Cmwlth. 2008).

If the party seeking a rule or order from the Commission sets forth a *prima facie* case, then the burden shifts to the opponent. *MacDonald v. Pa. R.R. Co.*, 348 Pa. 558, 36 A.2d 492 (1944). Establishing a *prima facie* case requires either evidence sufficient to make a finding of fact permissible or evidence to create a presumption against an opponent which, if not met, results in an obligatory decision for the proponent. Once a *prima facie* case has been established, if contrary evidence is not presented, there is no requirement that the party seeking a rule or order from the Commission must produce additional evidence to sustain its burden of proof. *See Replogle v. Pa. Elec. Co.*, 54 Pa. PUC 528, 1980 Pa. PUC LEXIS 20 (Order entered Oct. 9, 1980); *see also Dist. of Columbia’s Appeal*, 21 A.2d 883 (Pa. 1941); *Application of Pennsylvania-American Water Co. for Approval of the Right To Offer, Render, Furnish or Supply Water Serv. to the Pub. in Additional Portions Of Mahoning Twp., Lawrence Cnty., Pa.*, Docket No. A-212285F0148, 2008 Pa. PUC LEXIS 874 (Order entered Oct. 29, 2008).³

³ In addition, any finding of fact necessary to support an adjudication of the Commission must be based upon substantial evidence. *Met-Ed Indus. Users Grp. v. Pa. PUC*, 960 A.2d 189, 193 n.2 (Pa. Cmwlth. 2008) (citing 2 Pa.

Under the Public Utility Code, a public utility's rates must be just and reasonable and cannot result in unreasonable rate discrimination. 66 Pa. C.S. §§ 315(a), 1301, 1304. A public utility seeking a general rate increase has the burden of proof to establish the justness and reasonableness of every element of the rate increase request. 66 Pa. C.S. § 315(a); *Pa. PUC v. Aqua Pa., Inc.*, Docket No. R-00038805, 236 PUR 4th 218, 2004 Pa. PUC LEXIS 39, at *48 (Order entered Aug. 5, 2004). "It is well-established that the evidence adduced by a utility to meet this burden must be substantial." *Lower Frederick Twp. v. Pa. PUC*, 409 A.2d 505, 507 (Pa. Cmwlth. 1980).

However, a public utility, in proving that its proposed rates are just and reasonable, does not have the burden to affirmatively defend claims made in its filing that no other party has questioned. As the Commonwealth Court has explained:

While it is axiomatic that a utility has the burden of proving the justness and reasonableness of its proposed rates, it cannot be called upon to account for every action absent prior notice that such action is to be challenged.

Allegheny Center Assocs. v. Pa. PUC, 570 A.2d 149, 153 (Pa. Cmwlth. 1990).

Although the ultimate burden of proof does not shift from the utility seeking a rate increase, a party proposing an adjustment to a ratemaking claim of a utility bears the burden of presenting some evidence or analysis tending to demonstrate the reasonableness of the adjustment. *See, e.g., Pa. P.U.C. v. PECO*, Docket No. R-891364, *et al.*, 1990 Pa. PUC LEXIS 155 (Order entered May 16, 1990); *Pa. PUC v. Brezewood Tele. Co.*, Docket No. R-901666, 1991 Pa. PUC LEXIS 45 (Order entered Jan. 31, 1991). In addition, tariff provisions previously

C.S. § 704). Substantial evidence is such relevant evidence as a reasonable mind might accept as adequate to support a conclusion. *Borough of E. McKeesport v. Special/Temporary Civil Serv. Comm'n*, 942 A.2d 274, 281 n.9 (Pa. Cmwlth. 2008) (citation omitted). Although substantial evidence must be "more than a scintilla and must do more than create a suspicion of the existence of the fact to be established," *Kyu Son Yi v. State Bd. of Veterinary Med.*, 960 A.2d 864, 874 (Pa. Cmwlth. 2008) (citation omitted), the "presence of conflicting evidence in the record does not mean that substantial evidence is lacking." *Allied Mech. and Elec., Inc. v. Pa. Prevailing Wage Appeals Bd.*, 923 A.2d 1220, 1228 (Pa. Cmwlth. 2007) (citation omitted).

approved by the Commission are deemed just and reasonable and, therefore, a party challenging a previously-approved tariff provision bears the burden to demonstrate that the Commission's prior approval is no longer justified. *See, e.g., Pa. P.U.C. v. Phila. Gas Works*, Docket Nos. R-00061931, *et al.*, 2007 Pa. PUC LEXIS 45, at *165-68 (Order entered Sept. 28, 2007) (adopting the ALJ's discussion on burden of proof).

Further, a party that raises an issue that is not included in a public utility's general rate case filing bears the burden of proof. For example, in *Pa. PUC v. Metropolitan Edison Co., et al.*, Docket Nos. R-00061366, *et al.*, 2007 Pa. PUC LEXIS 5 (Order entered Jan. 11, 2007), a party offered proposals to have the companies incur expenses not included in their filings. The ALJ held that, as the proponent of a Commission order with respect to its proposals, the party bears the burden of proof as to proposals that are not included in the companies' filings. The Commission agreed and adopted the ALJ's conclusion that Section 315(a) of the Public Utility Code cannot reasonably be read to place the burden of proof on the utility with respect to an issue the utility did not include in its general rate case filing and which, frequently, the utility would oppose. *Id.*, at *111-12.

V. SUMMARY OF ARGUMENT

Peoples Natural's proposal to install the first 150 feet of main line without charge for each residential applicant is in the public interest, is supported by substantial record evidence, and should be approved.

The Company's proposal will reduce barriers to customers receiving natural gas service. The Company's proposal will: (1) reduce the overall cost to a residential applicant for a main line extension; (2) create no subsidy or cost shift to existing customers based upon the

Company's historic experience; and (3) enable more residential customers to convert to natural gas and take advantage of Pennsylvania's abundant low-cost natural gas supplies.

In addition, the 150-foot allotment can complement the Company's existing Rider MLX and provide greater flexibility to customers in determining how to pay for any required contribution. Specifically, when the main line extension is over 150 feet long per added residential customer and the Company's economic evaluation determines that a contribution is required, customers can elect, subject to Peoples Natural's discretion, to take service under Rider MLX and pay the required contribution over time rather than upfront. This advantageous combination will further encourage customers to convert to natural gas and capitalize on the plentiful supply of low-cost gas supplies.

Further, the 150-foot main line extension proposal is a streamlined approach that is simpler and easier for customers to understand. Peoples Natural's current policy employs a detailed economic analysis for all prospective residential main line extensions, which creates a different contribution in aid of construction ("CIACs") for each line that Peoples Natural extends. Customers do not understand why they have to pay more to extend service than customers of neighboring utilities that employ the 150 foot rule, who they view as being similarly situated. By adopting this simple and straightforward 150-foot rule, the main extension application process for residential customers will be more transparent and easier to understand.

Moreover, the Company's proposal is consistent with other NGDCs' policies. Columbia Gas of Pennsylvania, Inc. ("Columbia") offers a 150-foot per customer main line allowance, and Valley Energy, Inc. ("Valley Energy") offers a combination of up to 200 feet of service, main extension, or both. Thus, Peoples Natural's proposal is consistent with industry practice, including the policies of other Pennsylvania NGDCs.

Peoples Natural's proposal also is based on sound analysis of the average road length per housing unit in the Company's service territory. Specifically, the Company calculated the miles of road and housing units in its service territory and determined that there was an average of 128 feet of road per every housing unit, while the more rural areas outside of Allegheny County had an average of 180 feet of road per every housing unit. Therefore, Peoples Natural's proposed 150-foot allowance is based upon the approximate average distance of extending its main from one housing unit to the next in its service territory. In this regard, Peoples Natural is in the process of replacing significant portions of its aged distribution lines. The Company does not decline to replace lines or require contributions from existing customers that have above average road lengths in front of their homes.

Lastly, Peoples Natural's proposal would not create subsidies based upon historic analysis. Indeed, historical analysis demonstrates that the average "allowable" project cost per residential customer under the Company's proposal will be substantially lower than the allowable investment under the current main extension policy.

Both OCA and I&E support the Company's 150-foot main line extension proposal. OSBA is the only party that opposes the proposal. OSBA is concerned that the proposal will cause existing customers to subsidize new customer extensions. OSBA's subsidization concerns are not justified based upon the Company's historic analysis. Moreover, if any subsidization is necessary, which the Company does not believe will happen, this issue can be evaluated and addressed prospectively in the Company's next base rate proceeding through both cost allocation and prospective modification of the rule.

For these reasons, the Company's 150-foot main line extension proposal is reasonable and appropriate and supported by substantial record evidence. Accordingly, and as further

explained in detail below, the ALJ should recommend approval of and the Commission should approve Peoples Natural's main line extension proposal without modification.

VI. ARGUMENT

A. BACKGROUND

1. The Company's Current Main Line Extension Policy

Currently, Peoples Natural uses an economic analysis when a customer requests the Company to extend its natural gas facilities to serve that customer. (Peoples St. No. 2, p. 36.) Peoples Natural compares the net present value ("NPV") of the customer's projected future revenue to the cost the Company would incur to add that customer. (Peoples St. No. 2, p. 36.) There are two outcomes to this analysis.

First, if the projected revenues exceed the projected costs, Peoples Natural will extend its facilities without cost to that customer. (Peoples St. No. 2, p. 36.) On the other hand, if the projected costs exceed the projected revenues, the Company requires the customer to pay a CIAC equal to the revenue deficiency or, subject to Peoples Natural's discretion, take service under Rider MLX. (Peoples St. No. 2, p. 36.) If multiple customers ask to be served off of a single extension of facilities, Peoples Natural performs an economic analysis for those customers as a group. (Peoples St. No. 2, p. 36.)

2. Rider MLX

At the Company's discretion, customers have the option to pay the required contribution over time rather than upfront. Specifically, Rider MLX enables customers to pay a higher delivery rate, as set forth in the tariff, in lieu of providing a CIAC for Peoples Natural to extend natural gas facilities to serve them. (Peoples St. No. 2, p. 37.) Peoples Natural selects the customer's applicable rate tier based upon the minimum delivery rate required for the Company

to cover its investment costs to extend facilities. (Peoples St. No. 2, pp. 36-37.) All customers who take service from this new extension pay the same Rider MLX delivery rate. (Peoples St. No. 2, p. 37.)

3. Peoples Natural's Main Line Extension Proposal

In this proceeding, Peoples Natural has proposed a streamlined approach to install the first 150 feet of main line without charge for each residential applicant that applies for a line extension in normal situations. (Peoples St. No. 2, pp. 39, 41.) At the discretion of the Company, certain projects that contain abnormal underground conditions, such as crossing a stream or state highway, or visible ledge, or rock that will affect excavation or excessive permitting fees, would not be eligible for the 150-foot allotment. (Peoples St. No. 2, p. 39.) When there are no abnormal conditions, and as more applicants join in a single project to extend gas facilities, Peoples Natural can install a greater length of main without charge to the residential applicants. (Peoples St. No. 2, p. 39.) For example, on a single project with four customers electing to receive natural gas, the Company will install up to 600 feet of main line without requiring a CIAC. (Peoples St. No. 2, p. 39.)

If the extension project is greater than 150 feet per customer, the Company will determine the required customer contribution by subtracting 150 feet per customer from the actual average foot per customer associated with the specific main line extension project. (Peoples St. No. 2, p. 39.) That difference of footage would then be multiplied by the actual cost per foot associated with the extension project to determine each customer's required contribution. (Peoples St. No. 2, p. 39.) For example, if a residential applicant required a 200-foot main line extension, the Company would calculate the contribution based on the cost to extend facilities by 50 feet. (Peoples St. No. 2, p. 39.) Those applicants would then be required to pay that contribution upfront or through Rider MLX. (Peoples St. No. 2, p. 39.)

In addition, Peoples Natural's main line extension proposal is not intended to replace Rider MLX. As mentioned previously, the Company will continue to offer Rider MLX to customers as an option to pay the contribution for the extension over time. (Peoples St. No. 2, p. 41.) Moreover, in situations where the Company has determined that the residential applicant is ineligible for the 150-foot allotment because there are abnormal conditions, the applicant can still utilize Rider MLX to pay for the required contribution. (Peoples St. No. 2, pp. 39, 41.)

B. PEOPLES NATURAL'S MAIN LINE EXTENSION PROPOSAL IS IN THE PUBLIC INTEREST AND SHOULD BE APPROVED

Peoples Natural's proposal to install the first 150 feet of main line without charge for each residential applicant is in the public interest, is supported by substantial record evidence, and should be approved for several reasons.

1. The Proposal Will Reduce Barriers to Customers Receiving Natural Gas Service

The Company's proposal is designed to reduce barriers to customers receiving natural gas service. As explained by Peoples Natural witness Gregorini, "One of the more significant barriers for residential customers to receive or convert to natural gas is the CIAC." (Peoples St. No. 2, p. 37.) Although Rider MLX helps in overcoming this barrier by spreading the cost of the CIAC over a period of time, it does not reduce the overall cost a customer must pay for the main extension. (Peoples St. No. 2, p. 37.)

Here, the Company's proposal would reduce the overall cost a residential applicant must pay for a main line extension. (Peoples St. No. 2-R, pp. 3-4.) Given the plentiful supply of low-cost gas from the Marcellus Shale, this is an ideal opportunity to help more people convert to natural gas and enjoy the cost savings of this efficient natural resource. (Peoples St. No. 2, p. 37.) Thus, by reducing the barriers to converting to natural gas service, Peoples Natural's

proposal helps potential customers take advantage of this abundant supply of low-cost natural gas in Pennsylvania.

2. The Proposal Can Supplement Peoples Natural's Rider MLX

Peoples Natural's proposal can supplement its existing Rider MLX and provide greater flexibility to customers in determining how to pay for the required contribution. As explained previously, Rider MLX can be combined with the Company's proposal, such that customers utilize Rider MLX to pay the required contribution for any main line footage in excess of 150 feet over time. (Peoples St. No. 2, pp. 38, 41.) Therefore, through the combined benefit of the Company's proposal and Rider MLX, Peoples Natural will be able to further encourage customers to convert to natural gas and capitalize on the plentiful supply of low-cost gas supplies.

3. The Proposal Is a Streamlined Approach that Is Simpler and Easier for Customers to Understand

Under Peoples Natural's current extension policy, the Company performs a detailed economic analysis for all extensions, and customers receive a mains footage allowance that is specific to each line extension. (Peoples St. No. 2, pp. 36, 38; Peoples Natural's Answer to OSBA-II-1, attached to OSBA St. No. 1.) Customers often receive different footage allowances than their neighbors, including both neighbors who are Peoples Natural customers and neighbors who are customers of different utilities. *See* Section VI.B.4., *infra*. Thus, it can be very confusing for customers and difficult to understand why they receive less of a mains footage allowance than their neighbors.

The 150-foot main line extension proposal is a streamlined approach that is simpler and easier for customers to understand than the current policy. (Peoples St. No. 2, p. 38.) By adopting a simple and straightforward 150-foot rule, the main extension application process for

residential customers will be more transparent and easier to understand. (Peoples St. No. 2, p. 38.) Unquestionably, a person can better understand a standard allowance of 150 feet of main line per residential customer, rather than a footage allowance that can vary significantly among seemingly similarly-situated customers.

4. The Proposal Is Consistent with Other NGDCs' Main Line Extension Policies

The Company's proposal is consistent with other NGDCs. Columbia, whose service territory abuts and overlaps portions of Peoples Natural's service territory,⁴ offers a similar 150-foot per customer main line allowance.⁵ (Peoples St. No. 2, p. 38.) Further, Valley Energy offers a combination of up to 200 feet of service, main extension, or both. (Peoples St. No. 2, p. 38.) Many other natural gas utilities in bordering states offer extensions of main line without charge to applicants. (Peoples St. No. 2, p. 39.) Thus, Peoples Natural's proposal is consistent with industry practice, particularly including the policies of other NGDCs operating in Pennsylvania.

5. The Proposal Is Supported by the Company's Analysis of the Average Road Length Per Housing Unit in Its Service Territory

Peoples Natural's proposal is supported by the Company's sound analysis of the average road length per housing unit. As seen in Peoples Exhibit JAG-3, the Company calculated the miles of road and housing units in its service territory and determined that there was an average of 128 feet of road per every housing unit. (Peoples St. No. 2, p. 40; Peoples Exhibit JAG-3.) For the more rural areas outside of Allegheny County, there was an average of 180 feet of road

⁴ Compare Columbia Tariff – Pa. P.U.C. No. 9, Supp. No. 282, Tenth Revised Page No. 7 through Supp. No. 221, Third Revised Page No. 10, with Peoples Natural Tariff Gas – PA PUC No. 45, Supp. No. 2, Original Page No. 11 through Supp. No. 2, Original Page No. 16, and Equitable Division Tariff Gas – PA PUC No. 46, Original Page No. 4 through Original Page No. 4B.

⁵ Peoples Natural notes that the Columbia proposal was adopted in a Settlement. See *Pa. PUC v. Columbia Gas of Pa., Inc.*, Docket Nos. R-2015-2468056, *et al.*, pp. 14, 21-23, 52-53 (Order entered Dec. 3, 2015). Peoples Natural is not citing the Columbia proposal as precedent but rather to show that Peoples Natural's proposal is consistent with main line policies of neighboring utilities.

per every housing unit. (Peoples St. No. 2, p. 40; Peoples Exhibit JAG-3.) Therefore, by offering a 150-foot allowance to each applicant, Peoples Natural is providing an allowance that is approximately the average distance of extending its main from one housing unit to the next in its service territory. (Peoples St. No. 2, p. 40.) In this regard, Peoples Natural is in the process of replacing significant portions of its aged distribution lines. (Peoples St. No. 2, pp. 25-28.) The Company does not decline to replace lines or require contributions from existing customers that have above average road lengths in front of their homes. (Peoples St. No. 2, pp. 36, 38-39.) Ratemaking in general does not assign individual costs to individual customers but is done on an average basis to each class. The Company's proposal is consistent with this basic ratemaking concept.

6. The Proposal Will Not Create Any Subsidy or Cost Shift to Existing Customers Based upon the Company's Historic Experience

When properly examining the projects under the current policy that do and do not require CIACs, it is evident that the Company's proposal will not create any subsidy or cost shift to existing customers based upon the Company's historic experience. (Peoples St. No. 2-R, p. 3.) Indeed, Peoples Natural witness Gregorini testified that "when all residential mainline extensions are reviewed, the average cost (including the added cost under our proposed 150-foot rule) is considerably well below the average allowable cost under our existing allowable investment model." (Peoples St. No. 2-R, p. 3) (emphasis in original). Specifically, Peoples Natural examined all of its historical residential main line extensions in 2017 and 2018. For the 3,297 residential customers that did not require a CIAC, the average project cost per customer was \$2,945. (Peoples St. No. 2-R, p. 3.) For the 111 residential customers that did require a CIAC, the "allowable" project costs under the Company's 150-foot main line extension proposal would

have been \$6,594 per customer.⁶ (Peoples St. No. 2-R, p. 4.) When evaluating the extension costs for all of these customers together (both the 3,297 customers who did not require a CIAC and the 111 customers who required a CIAC), the average “allowable” project cost per residential customer would have been only \$3,064. (Peoples St. No. 2-R, p. 4.) This is substantially less than: (1) the average allowable investment for residential customers of \$5,906 under the Company’s current policy using proposed rates; and (2) the average allowable investment for residential customers of \$4,177 for Peoples Division and \$4,049 for Equitable Division under the Company’s current policy using present rates. (Peoples St. No. 2-R, p. 4.) This demonstrates that under a historic economic analysis, the 150-foot proposal will benefit newly added customers without harming existing customers. (Peoples St. No. 2-R, p. 4.)

C. OSBA’S ARGUMENTS OPPOSING THE MAIN LINE EXTENSION PROPOSAL ARE WITHOUT MERIT AND SHOULD BE REJECTED

As explained previously, Peoples Natural’s proposal is reasonable and in the public interest and supported by substantial record evidence. The OCA fully supports the Company’s proposal. (OCA St. No. 3-R, pp. 2-3.)

OSBA is the only party who opposes the Company’s 150-foot main line extension proposal.⁷ The principal reason for OSBA’s opposition is its belief that Peoples Natural’s proposal will shift additional costs onto other ratepayers. (OSBA St. No. 1, pp. 13-17.) Specifically, OSBA witness Kalcic claimed that the Company’s proposal “would increase a residential applicant’s allowable investment level (and therefore lower any otherwise applicable CIAC) by \$868 or approximately 15%.” (OSBA St. No. 1, p. 16.) OSBA also disagreed with

⁶ The average project cost under the 150-foot rule is \$6,594. (Peoples St. No. 2-R, p. 4.)

⁷ I&E also generally supported the Company’s proposal but suggested that a \$2,000 penalty to be imposed on residential customers who do not convert to their home to natural gas when the main line extension is complete or who fail to make payments under Rider MLX. (I&E St. No. 1, p. 35; I&E St. No. 1-SR, pp. 38-40.) However, I&E has advised the Company that it is no longer pursuing that proposed modification.

Peoples Natural's analysis that when considering all of the Company's historical residential main line extensions in 2017 and 2018, there will be no subsidy or cost shift to other customers created. (OSBA St. No. 1-S, p. 8.) To OSBA, the results of that analysis should be disregarded because: (1) the purpose of the Company's main line extension rule "is to evaluate whether a given project is economic" before it is constructed, not afterward; and (2) Peoples Natural relied upon average figures of all historical residential main line extensions (both those with and without CIACs) in its analysis. (OSBA St. No. 1-S, p. 7.) Moreover, OSBA does not agree that the Company's proposal will be more transparent to customers. (OSBA St. No. 1-S, p. 7.) Mr. Kalcic averred that "Peoples believes it is somehow more 'transparent' to inform a residential applicant that [the] Company will provide an upfront allowance equal to the first 150 feet of the main extension, rather than a credit of \$5,906.20 towards the cost of the extension." (OSBA St. No. 1-S, p. 7.) However, "[i]n either case, the applicant could question how the Company arrived at the quoted amount." (OSBA St. No. 1-S, p. 7.)

OSBA's arguments should be rejected. First, OSBA's claim that Peoples Natural's proposal will create a subsidy or cost shift to existing customers completely lacks merit. As explained previously, no such subsidy or cost shift will be created. *See* Section VI.B.6., *supra*. In fact, the record demonstrates that the average "allowable" project cost per residential customer under the Company's proposal is substantially lower than the average allowable investment under the current policy. (Peoples St. No. 2-R, pp. 3-4.)

Moreover, even if existing customers would be required to pay a cost subsidy for new residential customers' extensions, which Peoples Natural denies, the costs for these new residential customers will be assigned to the residential class, and the small business classes will

not pay any subsidy. OSBA is improperly challenging a residential issue that will not affect small business customers.

Further, in the Company's next base rate proceeding, parties can review the Company's residential extensions and propose to both: (1) allocate extension costs as they deem appropriate; and (2) modify the rule on a prospective basis, if necessary. This is a reasonable approach given the substantial benefit to all residential customers as a result of the proposal.

Second, OSBA erroneously contends that Peoples Natural's analysis of all the historical residential main line extensions in 2017 and 2018 should be disregarded. It is completely unreasonable for OSBA to contend that the Company's recent historical experience with all residential main line extensions (both those with and without CIACs) should be ignored when trying to analyze the future application of Peoples Natural's proposal. The historic number of projects that did not require CIACs under the currently policy should be considered in determining whether existing customers will be required to subsidize new customers. (Peoples St. No. 2-R, pp. 3-4.) As demonstrated by Peoples Natural witness Gregorini, based upon the Company's historic experience, there will be no subsidy or cost shift to existing customers when properly viewing the impact of the Company's proposal in this manner. (Peoples St. No. 2-R, pp. 3-4.)

Third, OSBA incorrectly asserts that Peoples Natural's proposal will not be more transparent. Although customers may still have questions about how the Company derives any required CIAC under the new policy, OSBA cannot dispute that customers will have an easier time understanding and accepting that the Company provides an allowance of 150 feet of main line per residential customer. *See* Section VI.B.3., *supra*. Peoples Natural's current policy requires the Company to undertake a detailed economic analysis of every residential main line

extension application, which can result in the footage per customer varying significantly based upon projected customer usage and estimated construction costs. (See Peoples Natural's Answer to OSBA-II-1, attached to OSBA St. No. 1.) For example, one customer's footage allowance could be 100 feet while another's is 200 feet. As a result, customers may not understand why they have to pay more to extend service than their neighbors, or customers of neighboring utilities, who they view as being similarly situated. Therefore, by adopting this simple and straightforward 150-foot rule, the main extension application process for residential customers will be more transparent and easier to understand.

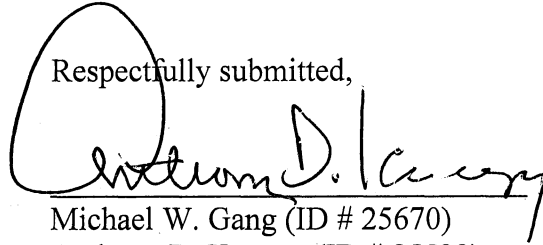
Finally, OSBA fails to recognize (and refute) the other reasons supporting the Company's proposal. For example, OSBA does not dispute that the Company's proposal will reduce barriers to customers receiving natural gas service and is consistent with other NGDCs' main line extension policies. See Section VI.B., *supra*. These undisputed benefits must be taken into consideration when evaluating Peoples Natural's proposal.

Thus, OSBA's arguments against the Company's proposal are without merit and should be rejected.

VII. CONCLUSION

WHEREFORE, Peoples Natural Gas Company LLC respectfully requests that Administrative Law Judge Joel H. Cheskis recommend approval of and the Pennsylvania Public Utility Commission approve the Company's main line extension proposal.

Respectfully submitted,



William H. Roberts, II (ID # 54724)
Peoples Natural Gas
375 North Shore Drive
Pittsburgh, PA 15212
Phone: 412-208-6527
E-mail: William.H.RobertsII@peoples-gas.com

Michael W. Gang (ID # 25670)
Anthony D. Kanagy (ID # 85522)
Devin T. Ryan (ID # 316602)
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, PA 17101-1601
Phone: 717-731-1970
Fax: 717-731-1985
E-mail: mgang@postschell.com
akanagy@postschell.com
dryan@postschell.com

Date: July 9, 2019

Counsel for Peoples Natural Gas Company LLC

APPENDIX A

PROPOSED FINDINGS OF FACT

1. On January 28, 2019, Peoples Natural Gas Company (“Peoples” or the “Company”) filed Retail Tariff Gas – Pa. P.U.C. No. 47 and Supplier Tariff Gas – Pa. P.U.C. No. S-3 to become effective on March 29, 2019. Peoples St. 1 at 5.
2. In the Company’s initial filing, Peoples used a Fully Forecasted Future Test Year ending October 31, 2020. Peoples St. 7 at 4; OCA St. 1 at 4, 6.
3. Peoples proposed an increase to the Company’s overall rates of \$94.9 million per year, or approximately 14% on a total annual revenue basis. OCA St. 1 at 5.
4. Peoples currently has a main line extension policy. Peoples St. 2 at 36; OCA St. 3-R at 2.
5. In the Company’s initial filing of Retail Tariff Gas – Pa. P.U.C. No. 47, the Company proposed to modify the extension policy. Peoples St. 2 at 38.
6. All issues in this proceeding with the exception of the Company’s proposed new Extension Policy have been resolved through settlement. *See* Joint Petition for Approval of Settlement Stipulation.
7. Under the current extension policy, the Company performs an economic analysis to compare the net present value of a customer’s projected future revenue stream to the cost that the Company would incur to connect the customer to Peoples’ natural gas distribution system. Peoples St. 2 at 36.
8. All main extension applications are evaluated with an economic analysis before the Company decides to extend a main to the prospective customer. Peoples St. 2 at 38.
9. If the economic analysis performed pursuant to the current extension policy demonstrates that the projected future revenues a customer would provide are greater than the cost the Company would incur to connect that customer, no contribution-in-aid-of-construction (CIAC) payment is required from the customer. Peoples St. 2 at 36; OSBA St. 1 at 14.
10. If the economic analysis performed pursuant to the extension policy demonstrates that the projected future revenues a customer would provide are less than the cost the Company would incur to connect that customer, the customer must pay a CIAC. Peoples St. 2 at 36; OSBA St. 1 at 14.
11. The CIAC amount owed by a customer may be paid either as a one-time payment or over time through Rider MLX. Peoples St. 2 at 36; OSBA St. 1 at 15.

12. If a customer chooses to pay the CIAC over time through Rider MLX, the customer will pay a higher delivery rate instead of a one-time payment. Peoples St. 2 at 37.
13. All customers taking service from the same mains extension through Rider MLX pay the same MLX higher delivery rate. Peoples St. 2 at 37.
14. The Extension Policy, as currently designed, has been unsuccessful at incentivizing prospective residential customers to receive a main extension and take natural gas service from Peoples. OCA St. 3-R at 2.
15. In its initial filing, the Company proposed a modification to the extension policy (Extension Policy) which would provide an allowance of 150 feet of main per customer without the need to perform an economic analysis in normal situations. In effect, the Company would install the first 150 feet of main without charge to the customer in normal situations. Peoples St. 2 at 38; OSBA St. 1 at 15.
16. The proposed allowance of 150 feet of main per customer would apply only to prospective residential customers. Peoples St. 2 at 38-39; OCA St. 3 at 1.
17. Peoples currently does not offer a standard mains footage allowance to any of the Company's customers. Peoples St. 2 at 38.
18. The proposed Extension Policy is intended to encourage more residential customers to receive a main extension and connect to Peoples natural gas distribution system. Peoples St. 2 at 37-38.
19. Other NGDCs within the Commonwealth and outside of the Commonwealth currently provide main footage allowances. Peoples St. 2 at 38-39; OCA St. 3-R at 3.
20. Should abnormal conditions exist, a customer may not be eligible for receiving the first 150 feet of main without cost to the customer. Peoples St. 2 at 39.
21. Abnormal conditions may include crossing streams or rivers, encountering visible ledges or rocks that may affect excavation conditions, or excessive permitting fees. Peoples St. 2 at 39.
22. The 150 feet of main allowance will offset main extensions that require more than 150 feet. For example, should a customer that is eligible for the 150 feet main allowance require 200 feet of main, the customer will only need to pay a CIAC equal to 50 feet of main. Peoples St. 2 at 39; OSBA St. 1 at 15.
23. Should a customer eligible for the 150 feet of main allowance require more than 150 feet of main, the customer may pay the offset CIAC amount either as an up-front payment or through Rider MLX. Peoples St. 2 at 39.

24. Peoples calculated the average distance of road per housing unit in the Company's service territory to assist its determination that an allowance of 150 feet of main per customer was an appropriate main allowance distance. Peoples St. 2 at 40.
25. Peoples calculated the average distance of road per housing unit in the Company's service territory specifically in rural areas outside of Allegheny County to assist its determination that an allowance of 150 feet of main per customer was an appropriate main allowance distance. Peoples St. 2 at 40.
26. The proposed 150 feet of main allowance represents an average distance of extending a main from one housing unit to the next within the Company's service territory. Peoples St. 2 at 40.
27. The cost of installed main and the revenues associated with new customers will be included in the Company's future rate base proceedings. Peoples St. 2 at 40.
28. No rate credit will be provided to original customers added as part of a particular extension if further customers are later connected to facilities constructed within the 150 feet allowance. Peoples St. 2 at 40.
29. Should a CIAC be required and customers are later added to a particular extension, Peoples' existing rules governing a rate credit will continue to apply. Peoples St. 2 at 40.
30. Rider MLX will continue to be an option for potential customers if the customer requires an extension beyond 150 feet. Peoples St. 2 at 41.
31. Rider MLX will continue to be an option for potential customers even if the customer is not eligible for the 150 foot allowance. Peoples St. 2 at 41.

APPENDIX B

PROPOSED CONCLUSIONS OF LAW

1. Peoples has the burden of establishing the justness and reasonableness of every element of its request rate increase. 66 Pa. C.S. § 315(a); Lower Frederick Twp. v. Pa. P.U.C., 48 Pa. Commw. 222, 226-27, 409 A.2d 505, 507 (1980) (citations omitted).
2. Peoples may satisfy its burden of proof by a preponderance of the evidence. Samuel J. Lansberry, Inc. v. Pa. P.U.C., 134 Pa. Commw. 218, 221-22, 578 A.2d 600, 602-03 (1989).
3. Peoples must provide substantial evidence to support its proposed Extension Policy. Burleson v. Pa. P.U.C., 461 A.2d 1234, 1236 (Pa. 1983).
4. Peoples has met its burden of proof by a preponderance of the evidence that the Company's proposed Extension Policy represents sound public policy and is in the public interest.
5. Peoples has provided substantial evidence to demonstrate that the proposed Extension Policy will provide the benefit of low-cost natural gas service to new residential customers without negatively affecting the Company's existing customers.
6. The Extension Policy is in the public interest because the Extension Policy is intended to expand low-cost natural gas service to unserved and underserved areas of the Commonwealth.
7. An analysis of a utility's mains extension policy requires looking at topics such as geography, demographics and the composition of a utility's service territory in addition to the program's economics.

APPENDIX C

PROPOSED ORDERING PARAGRAPHS

It is hereby ORDERED THAT:

1. Peoples' 150-foot main line extension proposal is approved without modification.
2. With resolution of the issue reserved for litigation as well as approval of the Joint Petition for Approval of Settlement Stipulation, the investigation into this matter is terminated and the matter is marked closed.

DATE: _____

Joel H. Cheskis
Deputy Chief Administrative Law Judge