

COMMONWEALTH OF PENNSYLVANIA



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January 5, 2024

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: Pennsylvania Public Utility Commission
v.
Peoples Natural Gas Company, LLC
Docket No. R-2023-3044549

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Formal Complaint and Public Statement in this matter.

Copies have been served on the parties as indicated on the enclosed Certificate of Service.

Respectfully submitted,

/s/ Gina L. Miller
Gina L. Miller
Assistant Consumer Advocate
PA Attorney I.D. # 313863
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Enclosures:

cc: The Honorable Charles E. Rainey, Jr. (email only)
Certificate of Service

*4867-4024-9498

CERTIFICATE OF SERVICE

Peoples Natural Gas Company LLC (Peoples :
Natural Gas Division and Peoples Gas : Docket Nos. R-2023-3044549
Division) Base Rate Case Filing :
Original Tariff GAS – PA PUC No. 48 :

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate’s Formal Complaint and Public Statement, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below. This document was filed electronically on the Commission’s electronic filing system.

Dated this 5th day of January 2024.

SERVICE BY E-MAIL ONLY

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Dated: January 5, 2024
*4884-9078-1082

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Formal Complaint

1. COMPLAINANT INFORMATION

Patrick M. Cicero, Consumer Advocate

555 Walnut Street, 5th Floor, Forum Place
Harrisburg, PA 17101-1923
Dauphin County

Phone: (717) 783-5048

2. UTILITY NAME (RESPONDENT)

Peoples Natural Gas Company, LLC – Docket No. R-2023-3044549

3. TYPE OF UTILITY

Natural Gas

4. COMPLAINT

A. On December 29, 2023, Peoples Natural Gas Company, LLC, (Peoples or the Company) filed Original Tariff GAS – PA PUC No. 48 with the Pennsylvania Public Utility Commission (Commission) to become effective on February 27, 2024. Utilizing a Fully Projected Future Test Year ending September 30, 2025, Original Tariff GAS – PA PUC No. 48 seeks to consolidate the retail rates and tariffs of the Peoples Natural Gas Division and Peoples Gas Divisions.

B. If approved, Original Tariff GAS – PA PUC No. 48 would provide Peoples Natural Gas Division with an annual revenue increase of increase of \$148,558,437, or approximately 21.8%, and Peoples Gas Division with an annual revenue increase of \$7,466,250 million, or approximately 7.8%. The combined

total increase in revenues for both the Peoples Natural Gas and Peoples Gas is \$156,026,122, or approximately 18.7%, on a total annual revenue basis.

- C. Peoples is a natural gas distribution company that serves approximately 700,000 residential, commercial and industrial customers in southwestern and western Pennsylvania, including the following counties: Allegheny, Armstrong, Beaver, Blair, Butler, Cambria, Clarion, Fayette, Greene, Indiana, Jefferson, Lawrence, Mercer, Somerset, Venango, Washington, and Westmoreland.
- D. Through its proposed tariff, the Company requests to increase the monthly customer charge for residential customers in its Peoples Natural Gas Division from \$14.50 to \$21.50, an increase of approximately 48%. The Company also requests to increase the monthly customer charge for residential customers in its Peoples Gas Division from \$15.75 to \$21.50, an increase of approximately 37%.
- E. Under the Company's proposed tariff, the monthly bill of a residential customer in its Peoples Natural Gas Division using 80 Mcf per year would increase from \$73.16 to \$88.79 per month, or by 21.4%. The monthly bill of a residential customer in its Peoples Gas Division using 80 Mcf per year would increase from \$84 to \$90.35 per month, or by 7.6%.
- F. The proposed rate changes noted above do not reflect the changes that will be experienced by all customers; rather, they only reflect changes for customers using what Peoples has asserted to be the "average" usage for residential customers. In the OCA's experience, the increases reflected above (and on the notices sent to customers) often underestimate the impact of the rate increase for many customers.

G. For ratemaking purposes, Peoples proposes an unprecedented return on equity of 11.75% resulting in overall rates of return of 8.4% in conjunction with a capital structure of 54.67% equity and 45.33% debt. The proposed rate of return is excessive and, if accepted, would result in rates that are unjust and unreasonable in violation of Chapter 13 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 1301, et seq., sound ratemaking principles, and public policy. The proposed capital structure is also likely to be found to be excessive and, if adopted, would result in rates that are unjust and unreasonable in violation of Chapter 13 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 1301, et seq., sound ratemaking principles, and public policy.

H. Peoples is also requesting permission to implement an alternative ratemaking proposal identified as a Weather Normalization Adjustment (WNA). Peoples proposes to implement the WNA to adjust customers' delivery charges based on "normal historic weather patterns." Peoples is proposing that the WNA apply to residential customers, including CAP customers, as well as commercial SGS and commercial MGS customers, as Peoples alleges that these customer classes are "predominantly weather sensitive." As proposed, the WNA would apply to the designated customer classes on a service rendered basis during the period of October 1 through May 31. The WNA will be calculated on an individual customer basis using the actual and expected heating degree days pertaining to the days in the customer's billing cycle. Finally, the WNA adjustment amount for each billing cycle will be included in the distribution charge component of the customer's bill and it will be displayed as part of the delivery line item on the bill.

- I. Peoples is proposing changes to its Tax Cuts and Jobs Act (TCJA) surcharge, which is applicable only to customers in the Peoples Gas Division. Peoples proposes that upon the effective date of rates in this case, the TCJA Rider will continue to only apply to the customers of Peoples Gas Division and the rate will be changed to only reflect the over/under collection recovery and remove the prospective impact of the TCJA, as this will be rolled into base rates to recover any over or under collection amount over a twelve-month period. Finally, Peoples proposes that any over or under collection amounts remaining at the end of the applicable twelve-month period should be flowed through to customers in Peoples' next 1307f gas cost proceeding.
- J. Peoples is proposing changes to its Tax Repair Surcredit Rider, which was once applicable only to Peoples Natural Gas Division customers and is now proposed to also apply to Peoples Gas Division customers. The Company proposes to revise the Tax Repair Surcredit Rider within 90 days of the effective date of new rates in this proceeding to make adjustments that it alleges are necessary to reflect the following: (1) the reduced tax benefits as a result of the reduction in the State corporate net income tax rate; (2) to reflect the impact of new IRS "Natural Gas Safe Harbor" regulations; (3) to reflect adjustments for Mandatory Relocations; (4) to reflect adjustments for the Peoples Gas Division; (5) and to extend the amortization period from 5 years to 10 years.
- K. Peoples is proposing to assess its Allegheny Valley Capacity Charge (AVC) rate, which was previously a gas cost-related surcharge applicable only to sales and transportation customers of the Peoples Natural Gas Division, to all customer

classes of the Peoples Gas Division as well. Peoples claims the blending of the AVC rate is necessary to bring the Peoples Natural Gas and Peoples Gas Divisions “together on the same footing.”

- L. Peoples is proposing to recover 76.1%, or approximately \$118.7 million of its total proposed \$156 million, from residential customers. Broken further down by divisions, the Peoples Natural Gas Division is proposing to recover 76.9%, or approximately \$114.3 million of its proposed \$148.5 million increase from residential customers, and the Peoples Gas Division is proposing to recover 59.8%, or approximately \$4.5 million of its \$7.5 million increase from residential customers.
- M. The OCA has significant concerns about each of the Company’s proposals listed above and presented in its rate filing. In totality, as well as in their various parts, the Company’s proposals seek to shift risk away from the Company and on to its customers in excessive and extraordinary ways through a combination of a test year selection that aspirationally projects future plant in service coupled with a proposed return on equity that far exceeds reasonable bounds, and alternative ratemaking that shifts seasonal weather risks from the utility to its customers. The OCA will thoroughly review each of the Company’s proposed allocation of increased costs to all customer classes to determine whether the proposals meet all legal requirements and sound ratemaking principles.
- N. The Consumer Advocate is empowered to represent the interests of consumers before the Pennsylvania Public Utility Commission, pursuant to Act 161 of the General Assembly, as amended, 71 P.S. §§ 309-1, *et seq.*

- O. In reaching a decision on whether to grant Peoples’ rate increase as well as its various rule and tariff changes, the Public Utility Commission must give “due consideration to the interests of consumers.” 71 Pa. Stat. Ann. §309-5(2).
- P. A preliminary examination of the Company’s filed Original Tariff GAS – PA PUC No. 48 indicates that:
1. The proposed changes and increase in rates, proposed rate schedule modifications and transfers, and proposed changes in rate policy, rules and regulations contained in the proposed Tariff may be unjust, unreasonable, in violation of the law and may produce an excessive return on investment in violation of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 1301, *et seq.*;
 2. The proposed tariff changes and proposed rate structure and rate design may be unlawfully discriminatory, in violation of the Public Utility Code, 66 Pa. C.S. §§ 1301 and 1304, *et seq.*, and are otherwise contrary to sound ratemaking principles and public policy.
 3. The Company’s existing rates, rules and regulations may not be just and reasonable or otherwise proper under the Public Utility Code and applicable ratemaking principles. 66 Pa. C.S. § 1301 *et seq.*
- Q. The Consumer Advocate files this Complaint to ensure that the Commission will fully and fairly adjudicate issues pertaining to whether the Company’s existing and proposed rates—and any and all rate policy changes—are just, reasonable, and are not unduly discriminatory or otherwise unlawful.

5. RELIEF

The Consumer Advocate respectfully requests that the Commission take the following actions:

- A. Suspend and investigate the operation of Original Tariff GAS – PA PUC No. 48, pursuant to Section 1308(d) of the Public Utility Code, 66 Pa. C.S. § 1308(d);
- B. Consolidate all complaints filed against proposed Original Tariff GAS – PA PUC No. 48;
- C. Hold full evidentiary hearings examining the reasonableness of the Company’s current rates and its proposed increases in rates;
- D. Ensure that the Company has provided appropriate and adequate notice in accordance with the Public Utility Code and the Commission’s Regulations;
- E. After providing the public with adequate notice, hold in-person public input hearings as early as feasible in the Company’s service territories in order to provide customers with an opportunity to be heard on the record;
- F. Deny any rates, charges or changes contained in the proposal which would result in unjust and unreasonable rates, or cannot be fully justified by Peoples, or which otherwise are contrary to the Public Utility Code, sound ratemaking principles, and public policy; and
- G. Grant such other relief that the Commission may deem appropriate

6. VERIFICATION AND SIGNATURE

Verification:

I, Patrick M. Cicero, hereby state that the facts above set forth are true and correct (or are true and correct to the best of my knowledge, information and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).



Signature

January 5, 2024
Date

7. LEGAL REPRESENTATION

Gina L. Miller, Assistant Consumer Advocate, PA Bar No. 313863
Christopher M. Andreoli, Assistant Consumer Advocate, PA Bar No. 85676
Jacob Guthrie, Assistant Consumer Advocate, PA Bar No. 334367
Aron J. Beatty, Senior Assistant Consumer Advocate, PA Bar No. 86625

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**PUBLIC STATEMENT OF THE OFFICE OF CONSUMER ADVOCATE
PURSUANT TO 71 P.S. SECTION 309-4(e)**

Act 161 of the Pennsylvania General Assembly, 71 P.S. Section 309-2, as enacted July 9, 1976, authorizes the Consumer Advocate to represent the interest of consumers before the Pennsylvania Public Utility Commission (Commission). In accordance with Act 161, and for the following reasons, the Consumer Advocate determined to file a Formal Complaint and participate in proceedings before the Commission involving the proposed rate increase requested by Peoples Natural Gas Company, LLC (Peoples or the Company) docketed at R-2023-3044549.

Peoples is a natural gas distribution company that serves approximately 700,000 residential, commercial and industrial customers in southwestern and western Pennsylvania, including the following counties: Allegheny, Armstrong, Beaver, Blair, Butler, Cambria, Clarion, Fayette, Greene, Indiana, Jefferson, Lawrence, Mercer, Somerset, Venango, Washington, and Westmoreland. The proposed tariff, if approved, would provide the Peoples Natural Gas Division with an annual revenue increase of increase of \$148,558,437, or approximately 21.8%, and the Peoples Gas Division with an annual revenue increase of \$7,466,250 million, or approximately 7.8%. The combined total increase in revenues is \$156,026,122, or approximately 18.7%. If approved in its entirety, the Company's proposed tariffs would also provide a 11.75% return on common equity and an overall 8.4% return on rate base. Under the Company's proposed tariff, the monthly bill of a residential customer in the Company's Peoples Natural Gas Division using 80 Mcf per year would increase from \$73.16 to \$88.79 per month, or by 21.4%. The monthly bill of a residential customer in the Company's Peoples Gas Division using 80 Mcf per year would increase from \$84 to \$90.35 per month, or by 7.6%. Under the Company's proposed tariff, the Peoples Natural Gas Division and Peoples Gas

Division will be consolidated into a unified tariff that will include the distribution rates of its two divisions.

The Consumer Advocate submits that many of the proposals contained in the Company's filing are unreasonable or otherwise contrary to law and violate sound public policy. The Consumer Advocate will represent the interests of Peoples' ratepayers before the Commission and seek to ensure that consumers are not charged rates that are unjust, unreasonable, unduly discriminatory or otherwise contrary to law. The Consumer Advocate further submits that Peoples' current rates and rules may also be unjustifiable and unlawful based upon information filed by Peoples in support of its claim and will also seek to investigate the Company's existing tariff rates and rules.