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August 23, 2012

**Via Electronic Mail and U.S. Mail**

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

Re: Pennsylvania Public Utility Commission, et al. v. Peoples Natural Gas Company, LLC, Docket No. R-2012-2285985 and (consolidated) Docket Nos: C-2012-2292047; C-2012-2298317; C-2012-2299156; C-2012-2295218; C-2012-2298575; and C-2012-2295700; **SUPPLEMENT STATEMENT OF THE PENNSYLVANIA STATE UNIVERSITY IN SUPPORT OF THE JOINT PETITION FOR APPROVAL OF SETTLEMENT OF ALL ISSUES**

Dear Secretary Chiavetta:

At the invitation of Administrative Law Judge Mary D. Long, enclosed for filing is the Supplement Statement of The Pennsylvania State University In Support of the Joint Petition for Approval of Settlement of All Issues in the above-referenced proceeding.

Copies have been provided to the persons and manner indicated on the Certificate of Service.

Respectfully submitted,

Thomas J. Sniscak  
William E. Lehman

*Counsel to The Pennsylvania State University*

TJS/das

Enclosures

cc: Honorable Mary D. Long (via email and US mail)  
Per Certificate of Service

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility	:	Docket No. R-2012-2285985
Commission, et al. v. Peoples Natural	:	C-2012-2292047; C-2012-2298317;
Gas Company,	:	C-2012-2299156; C-2012-2295218;
LLC,	:	C-2012-2298575; and C-2012-2295700

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**SUPPLEMENTAL STATEMENT OF  
THE PENNSYLVANIA STATE UNIVERSITY  
IN SUPPORT OF THE JOINT PETITION FOR  
APPROVAL OF SETTLEMENT OF ALL ISSUES**

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TO ADMINISTRATIVE LAW JUDGE MARY D. LONG:

The Pennsylvania State University (“PSU”) hereby files this Supplemental Statement in Support of the Joint Petition for Approval of Settlement of All Issues:

1. In this proceeding, Peoples Natural Gas Company LLC (“Peoples”), the Office of Consumer Advocate (“OCA”) and the Office of Small Business Advocate (“OSBA”) proposed revenue requirement allocations and rate designs based upon the results of cost of service studies each prefer. In the PSU surrebuttal testimony (Statement 1-S) witness James L. Crist disagreed with the OCA position regarding the use of the Peak and Average model for its Cost of Service Study, and recommended that the Company’s position on revenue distribution which would have resulted in the equalization of class rates of return be implemented.

2. Had this case been litigated, PSU’s position would have been to support the Peak Methodology Study by Peoples or, in the alternative, its Blended Methodology, both of which resulted in decreases to class LGS and MGS and represented the best movement to reduce subsidies and to move all classes toward system average return.

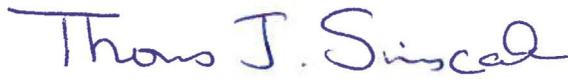
3. As stated by OSBA, recent appellate law in *Lloyd v. Pennsylvania Public Utility Commission*, 904 A.2d 1010, 1020 (Pa. Cmwlth. 2006), *appeals denied*, 916 A.2d 1104 (Pa. 2007) requires this Commission to remedy subsidies between or among classes of customers shown to exist under the accepted cost of service study. Moreover, the *Lloyd* decision clearly holds that factors such as gradualism cannot be used to excuse subsidies which result in unreasonably discriminatory rates.

4. PSU does not agree that Commission decisions prior to or inconsistent with *Lloyd*, such as *Pennsylvania Public Utility Commission v. National Fuel Gas Distribution Corporation*, 73 Pa. PUC 552 (1990), may be used to excuse eliminating or reducing subsidies because of gradualism concerns.

5. Here, however, the Joint Petition's revenue allocation poses no violation of *Lloyd* as there are a variety of cost of service studies, some showing subsidies by the LGS and MGS classes to other customers, and other studies which show no such subsidies. Against that backdrop, PSU supports the settlement revenue allocation proposed in the Joint Petition as a reasonable outcome and compromise without admission or endorsement by the Joint Petitioners of any one cost of service study. Specifically, the settlement revenue allocation is supported by the range of results of the cost of service studies of record. As OSBA explains in its Supplemental Statement, settlements on such bases are common in rate cases of this sort.

6. For the foregoing reasons, those in PSU's Statement in Support, and those in the Joint Petition, PSU supports the proposed settlement and respectfully requests that Your Honor and the Commission approve the Joint Petition in its entirety without modification.

Respectfully submitted,



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*Counsel for The Pennsylvania State University*

DATED: August 23, 2012

**CERTIFICATE OF SERVICE**

Docket No. R-2012-2285985 and (consolidated) Dockets C-2012-2292047; C-2012-2298317;  
C-2012-2299156; C-2012-2295218; C-2012-2298575; and C-2012-2295700

I hereby certify that I have this day served a true copy of the foregoing document upon the parties, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

**VIA EMAIL AND US MAIL**

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Dated this 23<sup>rd</sup> day of August, 2012.