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November 18, 2013

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: Pennsylvania Public Utility Commission, Office of Small Business Advocate, Office of Consumer Advocate, Dawn Spielvogel, Charles Glendening & Neil Cooper v. Peoples TWP LLC - Docket Nos. R-2013-2355886, C-2013-2364669, C-2013-2364471, C-2013-2364680, C-2013-2369476 & C-2013-2369509

Dear Secretary Chiavetta:

By letter dated November 13, 2013 but received on November 15, 2013, Dawn Spielvogel filed Exceptions in the above-referenced proceeding. Peoples TWP LLC cannot confirm that Ms. Spielvogel's Exceptions were timely filed. If Ms. Spielvogel's Exceptions were not filed timely, the late-filed Exceptions should be dismissed. To the extent that the Exceptions were timely, enclosed please find the Reply of Peoples TWP LLC to the Exceptions of Dawn Spielvogel. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

Andrew S. Tubbs

AST/skr
Enclosures

cc: Honorable Katrina L. Dunderdale (*Via E-Mail & First Class Mail*)
Certificate of Service

CERTIFICATE OF SERVICE

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).

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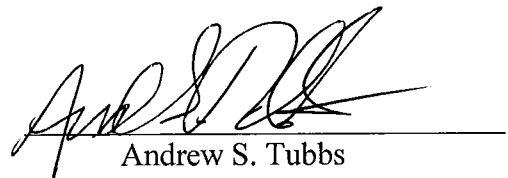
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Date: November 18, 2013



Andrew S. Tubbs

I. INTRODUCTION AND BACKGROUND

Peoples TWP LLC (“Peoples TWP” or the “Company”) files this protective Reply to the Exceptions of Dawn Spielvogel pursuant to 52 Pa. Code § 5.535 and the Secretarial Letter dated November 6, 2013. The Recommended Decision (“R.D.”) of Administrative Law Judge Katrina L. Dunderdale (“ALJ”) was issued by Secretarial Letter dated November 6, 2013. The R.D. recommended the Pennsylvania Public Utility Commission (“Commission”) approve the October 7, 2013 Joint Petition for Settlement (“Settlement”) entered into by all active parties to this proceeding. The Secretarial Letter noted that any exceptions to the R.D. were to be served upon all parties by 4:30 p.m. on November 13, 2013. By letter dated November 13, 2013 but received on November 15, 2013, Ms. Spielvogel filed Exceptions. Peoples TWP cannot confirm that Ms. Spielvogel’s Exceptions were timely filed. If not, the late-filed Exceptions should be dismissed as untimely. Neither Peoples TWP nor any other active party filed Exceptions to the R.D.

This proceeding began on April 30, 2013, when Peoples TWP filed with the Commission a proposed Original Tariff Gas – Pa. P.U.C. No. 8 (“Tariff No. 8”). Tariff No. 8 proposed revised tariff rules and regulations, and proposed increased rates designed to produce an overall base rate increase of approximately \$18.66 million based upon pro forma data for a Fully Projected Future Test Year ending January 31, 2015. Concurrent with the filing of the Tariff No. 8, Peoples TWP filed its direct case.

The Commission’s Bureau of Investigation and Enforcement (“I&E”) filed a Notice of Appearance and Formal Complaints were filed by the Office of Consumer Advocate (“OCA”) (Docket No. C-2013-2364471), the Office of Small Business Advocate (“OSBA”) (Docket No. C-2013-2364669) and a number of individual customers, including Dawn Spielvogel (C-2013-2364680).

By Order entered on June 13, 2013, the Commission initiated an investigation of Peoples TWP's proposed general rate increase. Tariff No. 8 was suspended by operation of law based upon Section 1308(d) of the Public Utility Code, 66 Pa. C.S. § 1308(d), for up to seven months or until January 29, 2014, unless permitted by Commission Order to become effective at an earlier date. A prehearing conference was held on June 21, 2013. Representatives from I&E, OCA, OSBA and Peoples TWP appeared at the prehearing conference and the ALJ established the litigation schedule. No individual complainant, including Ms. Spielvogel, participated at the prehearing conference.

The ALJ conducted one public input hearing on July 23, 2013. Ms. Spielvogel presented sworn testimony at the public input hearing. Following a thorough review of Peoples TWP's claims and operations, on October 7, 2013, Peoples TWP filed the Settlement with the Commission, which Settlement was signed by counsel for Peoples TWP, OCA, OSBA and I&E (collectively referred to as "Joint Petitioners"). The Joint Petitioners also submitted extensive Statements in Support of the Settlement.

In accordance with the ALJ's instructions, Peoples TWP served a copy of the Settlement on October 7, 2013 upon each of the eleven individual Complainants, including Ms. Spielvogel. On October 10, 2013, the ALJ issued a letter which gave each individual Complainant the option either to join in the Settlement or file objections to the Settlement and were instructed that the ALJ must receive either the signed "Joinder in Settlement" or written objections by October 23, 2013. On October 23, 2013, Ms. Spielvogel filed a letter raising a number of comments (which are substantially similar to those stated in her Exceptions) to the Settlement and Complainant Gertrude Blair exercised her option to join in the Settlement.

The R.D. was issued by Secretarial Letter dated November 6, 2013. Following consideration of the Settlement, public input hearing testimony, the Joint Petitioner's Statements in Support, and Ms. Spielvogel's comments, the ALJ recommended that the Commission approve the Settlement without modification. By letter dated November 13, 2013 but not served on Peoples TWP until November 15, 2013, Ms. Spielvogel has, in large measure, resubmitted her October 23, 2013 comments regarding the Settlement and entitled them as Exceptions. In addition to her specific concerns relative to the Settlement, Ms. Spielvogel states that, "the Joint Petition for Settlement should be looked at and other provisions, rules and budgets be revisited to make sure there are no further unanswered questions or issues not resolved." (Spielvogel Exceptions, p. 2.)

For the reasons explained below, Peoples TWP respectfully requests that the Commission deny the Exceptions of Ms. Spielvogel.

II. PEOPLES TWP'S REPLY TO EXCEPTIONS

1. Reply to Exception 1 – The R.D. Correctly Determined That the Proposed Increase in Base Rates Is Reasonable

In her first Exception Ms. Spielvogel contends that the proposed rate increase is a result of insufficient due diligence prior to the acquisition of Peoples TWP by LDC Holdings II LLC ("Holdings II") in 2011. (Spielvogel Exceptions, p. 1.) For the reasons explained below, Ms. Spielvogel's Exception should be rejected.

No active party to these proceedings raised a general objection to the acquisition of Peoples TWP by Holdings II, and that acquisition was approved by Commission Order entered May 23, 2011 at Docket No. A-2010-2210326. This is not a proper proceeding to challenge that acquisition. 66 Pa. C.S. § 316. Moreover, the acquisition provided access to capital in order to undertake necessary improvements to the Peoples TWP system. Such improvements were

needed, and this rate increase should have been sought, without regard to who is the owner of Peoples TWP.

As addressed in the Company's Statement in Support of the Settlement, the \$13.8 million increase is reasonable and will provide the Company with the revenue necessary to provide safe and reliable service to its customers. Recognizing that the Settlement increase is greater than prior base rate increases, the Company identified several reasons for the amount of the Settlement increase in this case: (1) this rate case includes the revenue requirement associated with the capital invested prior to the rate effective date as well as the capital invested during the fully projected future test year ending January 31, 2015; (2) the Company requires additional revenues resulting from the significant increase in capital investments made to replace and improve its pipeline infrastructure; and (3) the Company is undertaking a number of pipeline safety and compliance activities which have increased operating and maintenance costs but will provide definitive public benefits. The Settlement revenue increase of \$13.8 million reflects a reasonable compromise of the Joint Petitioners' positions in this proceeding and falls within the range of outcomes bounded by Peoples TWP's proposed increase and the revenue requirements contained in the direct testimonies of I&E and OCA.

Based on the foregoing, as well as for the reasons more fully explained in the R.D. and Joint Petitioners' Statements in Support of the Settlement, the R.D. properly concluded that the revenue requirement is reasonable and will provide the Company with the additional revenues necessary to provide reliable service. For these reasons, Ms. Spielvogel's Exception should be rejected.

2. Reply to Exception 2 – The R.D. Properly Concluded That The Settlement Was Just and Reasonable and in The Public Interest

Ms. Spielvogel makes a general statement relative to the accuracy of Peoples TWP's monthly billing statements and contends that customers should not need to ensure that their monthly payments are applied correctly to their accounts. (Spielvogel Exceptions, p. 1.) For the reasons explained below, Ms. Spielvogel's Exception is without merit and should be rejected.

In her October 23, 2013 comments to the Settlement, Ms. Spielvogel raised a concern regarding the Company's budget payment amounts. As similar concerns had been raised by other customers at the public input hearing, the Company responded to these concerns in its rebuttal testimony. Specifically, Peoples TWP explained that just prior to the July 2013 public input hearing, the Company initiated a required automated quarterly budget review process in its current billing system (PTWP St. 5-R, p. 16). Following the July public input hearing, the Company investigated the concerns raised by its customers by manually reviewing the budget bills for customers. The Company identified a system error in the automated update of budget bills and adjusted customer payment amounts for future bills. (*Id.*) In addition, the Company stated that it will convert to a new and proven billing system in January 2014 that is currently used by Peoples Natural Gas Company LLC, and that it will no longer employ the automated quarterly process again using the old system.

Ms. Spielvogel has presented no evidence challenging the Company's response to the concerns raised by other ratepayers relative to Peoples TWP's budget bills. The R.D. properly considered all the record evidence in this proceeding and concluded that the Settlement is just and reasonable and is in the public interest. For these reasons, Ms. Spielvogel's Exception should be rejected.

3. Reply to Exception 3 – The Settlement Represents a Compromise of the Joint Petitioner’s Litigated Positions and Is Supported By Record Evidence

In her third exception, Ms. Spielvogel states her disagreement with the use of “black box” settlements and contends that all adjustments should be explained in detail. (Spielvogel Exceptions, p. 2.) For the reasons explained below, Ms. Spielvogel’s Exception is without merit and should be rejected.

The Commission’s regulations encourage and promote settlements, 52 Pa.Code § 5.231. In addition, the Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa.Code § 69.401. The Commission’s encouragement of settlements is appropriate, particularly in rate cases which are expensive to litigate and cost of such litigation is an operating expense recovered in the rates approved by the Commission.

Although “black box” settlements do not specify adjustments that are allowed or disallowed, such settlements are common before the Commission and are necessary in order to facilitate agreements between parties. Indeed, absent the use of “black box” settlements, it is unlikely that parties would be able to achieve settlements on such issues as a specific return on equity or identifying specific revenues and/or expenses that are allowed or disallowed. *See, Statement of Commissioner Robert F. Powelson, Pennsylvania Public Utility Commission v. Wellsboro Electric Company*, Docket No. R-2010-2172662 (January 13, 2011); *Statement of Commissioner Robert F. Powelson, Pennsylvania Public Utility Commission v. Citizens' Electric Company of Lewisburg, PA*, Docket No. R-2010-2172665 (January 13, 2011). For these reasons, Ms. Spielvogel’s Exception should be rejected.

4. Reply to Exception 4 – The R.D. Properly Determined That The Revenue Allocation Set Forth In The Settlement Represents A Reasonable Compromise of The Joint Petitioners’ Litigated Positions

In her fourth exception, Ms. Spielvogel states that the class revenue allocation agreed to by the Joint Petitioners is not clearly defined and that there is a “disparity in cost of service calculation”. (Spielvogel Exceptions, p. 2.) For the reasons set forth below, Ms. Spielvogel’s statements are without merit and should be rejected.

Ms. Spielvogel has neither presented nor cited to any record evidence in this proceeding regarding cost of service or revenue allocation in support of her statements. Indeed, she has not because she cannot. In this case, the various parties proposed revenue requirement allocations that were based on the results of different cost of service studies. The Joint Petitioners have agreed to a revenue allocation that represents a compromise of their respective litigation positions. Contrary to Ms. Spielvogel’s assertion, the Joint Petitioner’s agreements on revenue allocation and rate design are clearly defined, as reflected in Appendix “A” to the Settlement. Moreover, the Company has presented the revenue allocations proposed by each of the Joint Petitioners in their direct cases and the percentage of increase to each class under the Settlement. (Peoples TWP Statement in Support, pp. 11-12.) Due to the “black box” nature of the Settlement, it is not possible to precisely calculate the extent to which the Settlement moves the rates closer to cost of service for all of the Joint Petitioners. However, based upon the record evidence in this proceeding, it is clear that the Settlement revenue allocation is well within the range of the various allocations proposed by the Joint Petitioners in this proceeding.

Based on the foregoing, as well as for the reasons more fully explained in the R.D. and Joint Petitioners’ Statements in Support of the Settlement, the R.D. properly concluded that the revenue allocation agreed set forth in the Settlement is reasonable. For these reasons, Ms. Spielvogel’s Exception should be rejected.

5. Reply to Exception 5 – Approval of Rate NGPV – Natural Gas Powered Vehicles (“Rate NGPV”) Is Reasonable And Will Encourage The Development of New Natural Gas Fueling Stations

Ms. Spielvogel contends that Peoples TWP’s Rate NGPV is not needed because the Company has an existing commercial rate and that “[p]rivate competition will drive gas prices. (Spielvogel Exceptions, p. 2.) For the reasons explained below, Ms. Spielvogel’s Exception is without merit and should be rejected.

Again, Ms. Spielvogel has neither presented nor cited to record evidence in this proceeding to support her opposition to Rate NGPV. In fact, no party opposed the Rate NGPV proposal; the only concern was the treatment of rate discounts in future proceedings. (OCA St. 3, p. 39.) In addition, it appears that perhaps Ms. Spielvogel does not fully understand the rate, or the terms of the Settlement. The proposed NGPV rate contains terms unique to public natural gas fueling station service that are not contained in the SGS and MGS tariffs. (Peoples TWP St. 13-R, p. 30.) Further, the Settlement adopts a compromise that provides for the Company to assign Rate NGPV customers into the Company’s existing Rates SGS and MGS, as applicable based upon volumetric usage, for class cost of service purposes. The R.D. properly concludes that this provision of the Settlement is reasonable and in the public interest because it allows Peoples TWP to offer Rate NGPV and encourage construction of new natural gas fueling stations. (R.D., p. 62.) For these reasons, Ms. Spielvogel’s Exception should be rejected.

6. Reply to Exception 6 – Ms. Spielvogel’s Request to Delay The Operation of The Company’s Rider Distribution Service Improvement Charge (“DSIC”) Is Contrary to Law

Noting that the proposed Settlement will provide Peoples TWP with an overall rate increase of approximately 17%, Ms. Spielvogel requests that the Commission delay the operation of the Company’s DSIC for a two year period. (Spielvogel Exceptions, p. 2.) For the reasons explained below, Ms. Spielvogel’s Exception is contrary to law and should be rejected.

Ms. Spielvogel's request is contrary to Section 1358(b)(2) of the Public Utility Code, 66 Pa.C.S. § 1358(b)(2), which provides that:

[a]fter the reset date under paragraph (1), only the fixed costs of new eligible property that have not previously been reflected in the utility's rate base shall be reflected in the quarterly updates of the [DSIC].

Under the foregoing provision, DSIC-eligible plant additions not included in base rates may be reflected in the DSIC calculation. The Settlement provides that following the effective date of rates in this proceeding, PTWP will be eligible to include plant additions in the DSIC once eligible account balances exceed the levels projected by PTWP at January 31, 2015 (Settlement ¶ 39). Ms. Spielvogel's proposal would delay the operation of the DSIC for an additional year, in clear contravention of the foregoing statutory provision and the Settlement.

Based on the foregoing, as well as for the reasons more fully explained in the R.D. and Joint Petitioners' Statements in Support of the Settlement, the R.D. properly approved the Settlement provision relative to the Rider DSIC. For these reasons, Ms. Spielvogel's Exception should be rejected

7. Reply to Exception 7 – Ms. Spielvogel's Request for Plant Investment Reports Should Be Denied

Ms. Spielvogel requests that the Commission direct the Company to provide her with copies of "reports on plant investments". (Spielvogel Exceptions, p. 2.) This request appears to be related to Paragraph 41 of the Settlement, which provides that the Company is to provide the Commission staff and the Joint Petitioners with updates relative to its actual capital expenditures, plant additions and retirements. (Settlement ¶ 41.) For the reasons explained below, Ms. Spielvogel's Exception should be rejected.

Under the terms of the Settlement, on or before May 1, 2014, Peoples TWP will provide the Commission's Bureau of Technical Utility Services ("TUS"), I&E, OCA and OSBA with

updates to Peoples TWP Exhibit No. AC-2 in May 2014 and May 2015. Also, as part of the Company's next base rate proceeding, the Company will prepare a comparison of its actual expenses and rate base additions for the twelve months ended January 31, 2015 to its projections in this case. Ms. Spielvogel has presented no evidence in this proceeding relative to the use of the fully projected future test year provisions of by Act 11 of 2012 and has not requested to receive such information prior to the filing of the Settlement. As the Company's reports under this provision of the Settlement will be filed with the Commission, the reports will be available to the public, including Ms. Spielvogel. However, service of the reports should not be expanded to include inactive parties to this proceeding. For these reasons, Ms. Spielvogel's Exception should be rejected.

8. Reply to Exception 8 – Ms. Spielvogel's Request to Delay The Effective Date of The Proposed Rate By Two Months Should be Rejected

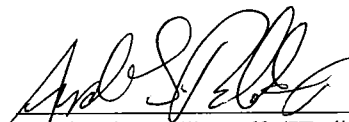
Ms. Spielvogel requests that the Commission delay the effective date of the increase in base rates until March 2014. (Spielvogel Exceptions, p. 2.) For the reasons explained below, Ms. Spielvogel's Exception is unsupported and should be rejected.

The parties to the Settlement crafted the Settlement as a whole. One of those provisions is to allow for an early effective date. As explained in Peoples TWP's Statement in Support of Settlement, this provision was an important consideration for Peoples TWP to agree to the amount of the revenue increase, which is less than the Company's request. (Peoples TWP Statement in Support, pp. 24-25.) In addition, Ms. Spielvogel's request to delay the effective date of the Company's proposed general rate increase until March 2014 exceeds the maximum suspension period permitted by law under Section 1308(d) of the Public Utility Code. 66 Pa. C.S. § 1308(d). For these reasons, Ms. Spielvogel's Exception should be rejected

III. CONCLUSION

WHEREFORE, Peoples TWP LLC. respectfully requests that the Pennsylvania Public Utility Commission reject the Exceptions of Dawn Spielvogel and adopt the Recommended Decision of Administrative Law Judge Katrina L. Dunderdale without modification.

Respectfully submitted,



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Date: November 18, 2013

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