PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17105-3265

Re: Implementation of Act 155 of 2014

Public Meeting: December 18, 2014
2448825-LAW
Docket M-2014-2448825

Joint Statement of Commissioner James H. Cawley and Chairman Robert F. Powelson

Before us is the tentative order for the Implementation of Act 155 of 2014. One aspect of this order proposes the methods of how to establish annual fees to fund the Commission's oversight of Natural Gas Suppliers (NGSs) and Electric Generation Suppliers (EGSs). Pursuant to Act 155, the Commission may establish, by order or rule, *on a reasonable cost basis*, fees to be charged for annual activities related to the oversight of NGSs and EGSs.

Under the current methodology for determining the assessment of public utilities, the Commission first determines the amount of its expenditures *directly attributable* to the regulation of each group of utilities furnishing the same kind of service for the preceding calendar year, and debits the amount so determined to each group.

The Commission also must allocate indirect Commission costs. It has allocated such costs historically in proportion to each group's gross intrastate operating revenues. It has been estimated that indirect costs account for approximately 30%-40% of total Commission costs, and therefore the import of any cost allocation methodology is very material as it relates to any group.

In the case of EGSs, there is a question as to whether or not the traditional method of allocating indirect costs is consistent with the legislative requirement that any fees imposed be consistent with the "reasonable cost basis" standard. EGSs' gross intrastate revenues are composed mostly of electric distribution company transmission charges, and electric generation related energy, capacity, and ancillary charges, all of which are wholesale pass-through costs for EGSs. Is it then appropriate to allocate costs to EGSs based on gross revenues that are largely related to the electric generator and electric utility industry?

Similarly, NGSs' gross intrastate revenues are largely related to pass through of natural gas producer commodity costs and natural gas utility costs, such as upstream transportation charges, balancing charges, and the like.

We must ensure that any fees and assessments on EGSs and NGSs are not discriminatory and do no skew competitive pricing. Utilities usually recover assessments through base rates, not in the Price to Compare (PTC) while NGSs and EGSs must recover any fees and assessments in their prices for electric and natural gas supply offers.

Given these gross revenue realities and competitive issues, we are interested in receiving comments on other, perhaps more accurate methods of meeting the statutory requirement of establishing EGS and NGS fees on a "reasonable cost basis," while ensuring competitive equity for supply services.

James H. Cawley
Commissioner

Robert F. Powelson
Chairman

Dated: December 18, 2014