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File #: 176220

June 28, 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: Pennsylvania Public Utility Commission v. Peoples Gas Company LLC**  
**Docket No. R-2019-3007613**

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Dear Secretary Chiavetta:

Enclosed for filing is the Joint Petition for Settlement in the above-referenced proceedings. The Statements in Support are attached via Appendices. Copies will be provided as indicated on the Certificate of Service.

Respectfully yours,

Devin Ryan

DR/kl  
Enclosures

cc: Honorable Katrina L. Dunderdale  
Certificate of Service

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

|  |   |             |                |
|--|---|-------------|----------------|
| Pennsylvania Public Utility Commission | : | Docket Nos. | R-2019-3007613 |
| Office of Consumer Advocate            | : |             | C-2019-3008563 |
| Office of Small Business Advocate      | : |             | C-2019-3008750 |
|  | : |             |                |
| v.                                     | : |             |                |
|  | : |             |                |
| Peoples Gas Company LLC                | : |             |                |

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**JOINT PETITION FOR SETTLEMENT OF  
THE SECTION 1307(f) RATE INVESTIGATION**

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**TO ADMINISTRATIVE LAW JUDGE KATRINA L. DUNDERDALE:**

Peoples Gas Company LLC (“Peoples Gas” or the “Company”), the Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), the Office of Consumer Advocate (“OCA”), and the Office of Small Business Advocate (“OSBA”), parties to the above-captioned consolidated proceeding (hereinafter, collectively referred to as the “Joint Petitioners”), hereby file this Joint Petition for Settlement of the Section 1307(f), 66 Pa. C.S. § 1307(f), Rate Investigation (“Settlement”). The Joint Petitioners respectfully request that Administrative Law Judge Katrina L. Dunderdale (the “ALJ”) recommend approval of, and the Commission approve, this Settlement as set forth below without modification.<sup>1</sup>

As explained below, the Joint Petitioners have agreed to a settlement that resolves all of the issues that have been raised in Peoples Gas’s 2019 Purchased Gas Cost (“PGC”) proceeding at Docket Nos. R-2019-3007613, C-2019-3008563, and C-2019-3008750.

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<sup>1</sup> The Pennsylvania Independent Oil & Gas Association (“PIOGA”) is not a party to the Settlement but has indicated that it does not object to the Settlement.

Subject to the terms of the Settlement, the Joint Petitioners request that the Commission: (1) authorize Peoples Gas to file the forms of tariff supplement provided as **Appendix A** hereto, with rates to become effective October 1, 2019, subject to updates and tariff modifications<sup>2</sup>; and (2) make all associated findings required by Section 1307(f) and Section 1318 of the Public Utility Code, 66 Pa. C.S. §§ 1307(f), 1318. In support of this Settlement, the Joint Petitioners state the following:

## **I. INTRODUCTION**

1. Peoples Gas is a limited liability company formed under the laws of the Commonwealth of Pennsylvania for the purpose of providing natural gas transmission, distribution, and supplier of last resort services subject to the Commission's regulatory jurisdiction. Peoples Gas is an affiliate of Peoples Natural Gas Company LLC ("PNG").

2. Peoples Gas is a "public utility" and a "natural gas distribution company" as those terms are defined in Sections 102 and 2202 of the Pennsylvania Public Utility Code, 66 Pa. C.S. §§ 102, 2202.

3. Because Peoples Gas's annual operating revenues derived from providing gas service to customers in Pennsylvania exceed \$40 million, the Company's recovery of purchased gas costs is governed by Section 1307(f) of the Public Utility Code, 66 Pa. C.S. § 1307(f), and the Commission's regulations at 52 Pa. Code §§ 53.61-53.65, 53.68.

4. On January 31, 2019, Peoples Gas made its PGC 60-day pre-filing with the Commission in compliance with Section 1307(f) of the Public Utility Code, 66 Pa. C.S. § 1307(f), and the Commission's regulations at 52 Pa. Code § 53.65.

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<sup>2</sup> The rates in Appendix A reflect the proposed gas cost rates, any quarterly rate changes that were effective March 1, 2019, and any settlement rate changes. The rates in Appendix A will be updated to reflect any changes as of October 1, 2019, when the final tariff supplements are filed.

5. On March 1, 2019, Peoples Gas made its PGC 30-day pre-filing with the Commission in compliance with Section 1307(f) of the Public Utility Code, 66 Pa. C.S. § 1307(f), and the Commission's regulations at 52 Pa. Code §§ 53.64, 53.65.

6. On March 7, 2019, I&E filed a Notice of Appearance.

7. On March 15, 2019, the OCA filed a Notice of Appearance, Complaint, and Public Statement.

8. On March 22, 2019, the OSBA filed a Notice of Appearance, Complaint, Public Statement, and Verification.

9. On April 1, 2019, a Prehearing Conference Order was issued by the ALJ directing the parties to file Prehearing Memoranda on or before 4:00 PM on April 3, 2019, and scheduling a prehearing conference to be held at 10:00 AM on Thursday, April 4, 2019.

10. Also on April 1, 2019, Peoples Gas filed with the Commission its definitive PGC filing, including supporting information required by the Commission's regulations, Peoples Gas's direct testimony, exhibits, and Pro Forma Tariff Supplement reflecting actual and projected changes in natural gas costs and other tariff changes.

11. On April 3, 2019, Peoples Gas, OCA, OSBA, and I&E filed their prehearing memoranda.

12. On April 4, 2019, PIOGA filed a Petition to Intervene and its prehearing memo.

13. The prehearing conference was held as scheduled on April 4, 2019.

14. On April 8, 2019, the ALJ issued a Prehearing Order that established the litigation schedule and consolidated the complaints of OCA and OSBA with the Commission's investigation. PIOGA's Petition to Intervene also was granted. In addition, the ALJ consolidated the Peoples Gas PGC proceeding with the PGC proceedings for PNG's Peoples

Division (“PNG-Peoples”) and PNG’s Equitable Division (“PNG-Equitable”) at Docket Nos. R-2019-3007612 and R-2019-3007617 for purposes of hearing.

15. On May 3, 2019, OCA served its written direct testimony.

16. On May 22, 2019, Peoples Gas served its written rebuttal testimony.

17. Also on May 22, 2019, Peoples Gas filed a Motion for Protective Order.

18. On May 30, 2019, OCA served its written surrebuttal testimony.

19. Also on May 30, 2019, the ALJ issued a Protective Order, as requested by and consistent with Peoples Gas’s May 22, 2019 Motion for Protective Order.

20. In accordance with the Commission’s Rules of Practice and Procedures, 52 Pa. Code § 5.231, the parties engaged in settlement discussions. As a result of those conferences, the Joint Petitioners were able to reach a settlement in principle of all issues.

21. A hearing was held on June 6, 2019, at which time the pre-filed testimony and exhibits were admitted into the record.

22. The Joint Petitioners are in full agreement that the Settlement is in the best interest of Peoples Gas, the Joint Petitioners, and Peoples Gas’s customers.

23. The Settlement agreed to by the Joint Petitioners is as follows:

## **II. SETTLEMENT TERMS**

### **A. RETAINAGE AND LOST AND UNACCOUNTED FOR GAS**

24. Peoples Gas agrees to revise its calculation of the tariffed retainage rate for all classes, as explained in Peoples Gas Statement No. 1-R. For purposes of calculating its retainage rate, Peoples Gas agrees to use 30% as the percentage share of compressor fuel used to support the on-system storage that provides balancing service to its transportation customers. Further, Peoples Gas agrees to perform a detailed analysis of the extent to which compressor fuel is used

for on-system storage and for other purposes, and to present the results of that analysis with its PGC case in 2020. The revised calculation is provided in **Appendix B**. Effective October 1, 2019, the tariffed retainage rate for all rate classes shall be 7.5%.

25. As proposed in Peoples Gas Statement No. 5, the producer retainage rate shall be 3.4% and will continue to apply regardless of where conventional local gas enters the Company's system.

#### **B. DESIGN DAY METHODOLOGY**

26. Peoples Gas will analyze its design day methodology for weather-sensitive customers, with the specific purpose of trying to improve the forecast at the coldest temperatures. The Company will present the results of such analysis as part of its definitive filing in the Company's 2020 PGC proceeding and will update the design day model using inputs that include data from winter 2018-2019.

#### **C. SEPARATION OF RETAINAGE RATES**

27. With regard to whether separate retainage rates should be established for customers who acquire their gas through the Company's gathering system and those customers who do not, Peoples Gas agrees that if this issue is raised in the Company's 2020 PGC case, the Company will not object to providing information in discovery on the basis that the information should only be provided in a base rate proceeding. The scope of such discovery requests will be limited to: (1) the number of PGC and transportation customers served from the gathering and distribution systems and their applicable volumes; (2) whether any gathering system customers receive base rate or retainage discounts, by class and applicable volumes; (3) the number of transporters that source their gas from local producers on the gathering system and their volumes; or (4) other similar requests intended specifically to elicit data related to examining the potential for establishing separate gathering and distribution retainage rates. The Company will

only be required to provide information that is readily available or calculable and will not be required to perform studies or unreasonable investigations. The Company retains all rights to oppose any proposal made by any party, including but not limited to whether a proposal is outside the scope of the 1307 (f) proceeding or is otherwise irrelevant.

**D. MISCELLANEOUS**

28. Except as revised by this Settlement, the proposed rates and other requested approvals contained in the Company's PGC filing should be approved.

29. In accordance with the provisions of 52 Pa. Code § 53.64(i)(5), the Company's compliance filing in this proceeding will reflect updated actual and projected over/undercollections through September 30, 2019.

30. The parties agree that the Commission should approve the renewals and changes in gas supply, pipeline, and storage capacity contracts that are explained in Peoples Gas Statement No. 2 and related exhibits included in the 1307(f)-2019 definitive filing.

**III. RATE IMPACT OF SETTLEMENT**

31. In previous proceedings, the ALJ has directed the parties to set forth the following in their Joint Settlement Petitions:

1. Current rates for each customer class;
2. Requested and negotiated changes in gas costs for each customer class, identified in terms of dollar amounts and percentages of increase or decrease from the current rates; and
3. Impact upon each customer class (*i.e.*, under the proposed rate each customer would have paid X, and under the agreed-upon amount, each customer will pay Y).

32. Consistent with past proceedings, the requested information is set forth in the tables below:

| <b>Peoples Gas</b>      |                     | As-Filed      |               | Settlement    |                 |                   |
|-------------------------|---------------------|---------------|---------------|---------------|-----------------|-------------------|
|                         | Existing            | Gas Cost      | Percent       | Gas Cost      | Annual Bill     | Annual Bill       |
| <u>Rate Schedule</u>    | <u>Tariff Rates</u> | <u>Change</u> | <u>Change</u> | <u>Change</u> | <u>As-Filed</u> | <u>Settlement</u> |
|                         | <u>1/</u>           |               |               |               |                 |                   |
| RS                      | \$11.7362           | (\$0.9632)    | -8.2%         | \$0.0000      | \$ 1,084.65     | \$ 1,084.65       |
| SGS                     | \$9.4898            | (\$0.9482)    | -10.0%        | \$0.0000      | \$ 2,269.97     | \$ 2,269.97       |
| MGS                     | \$9.2428            | (\$0.9443)    | -10.2%        | \$0.0000      | \$ 23,630.99    | \$ 23,630.99      |
| LGS < 100,000<br>Mcf/yr | \$8.1870            | (\$0.9443)    | -11.5%        | \$0.0000      | \$ 28,009.95    | \$ 28,009.95      |

1/ PG net billing rate effective January 1, 2019.

#### IV. PROPOSED FINDINGS OF FACT

33. Peoples Gas pursues its goal of least cost reliable service through a combination of local and interstate assets and supplies. The local assets consist of gas purchase agreements for Local Pennsylvania Gas produced directly into the Company’s pipeline system (“Local Pennsylvania Gas”) and Company-owned on-system storage fields. The Local Pennsylvania Gas represents a significant portion of the annual supply needs of the system, while the on-system storage has limited supply capacity and is, therefore, utilized more for meeting the system’s short-term peak requirements. (Peoples Gas Statement No. 2, p. 4.)

34. Peoples Gas’s interstate assets consist of a portfolio of transportation and storage services that Peoples Gas has contracted for with various Federal Energy Regulatory Commission (“FERC”)-regulated pipelines, including Dominion Energy Transmission, Inc. (“DETI”), Texas Eastern Transmission LP (“TETCO”), Columbia Gas Transmission, LLC

("TCO"), and Equitrans L.P. ("Equitrans"). The Company also has interconnects with Tennessee Gas Pipeline Company, LLC ("TGP"), but does not currently contract for either transportation or storage services on TGP. Those assets give Peoples Gas access to a variety of locations at which it can receive gas supplies that are produced upstream of the Peoples Gas system. The interstate storage assets allow Peoples Gas to use its upstream assets more efficiently, mitigate the effects of price swings in the natural gas market and enhance the deliverability of Peoples Gas's interstate natural gas supplies during periods of peak demand. Peoples Gas's interstate supplies are gas that it purchases from suppliers upstream of the Peoples Gas system for delivery into various receipt points of the interstate pipelines. (Peoples Gas Statement No. 2, pp. 4-5.)

35. Over the 1307(f)-2019 historical period, Peoples Gas's interstate capacity portfolio included: (1) interstate pipeline transportation and storage services from Equitrans; (2) interstate pipeline transportation and storage services from DETI; (3) interstate pipeline transportation service from TETCO; and (4) interstate pipeline transportation and storage services from TCO. (Peoples Gas Statement No. 2, p. 16.)

36. On December 10, 2013, as set forth in the application proceeding at Docket Nos. A-2013-2353647, A-2013-2353649 and A-2013-2353651 and approved by Order entered November 14, 2013 ("Equitable Acquisition"), the Company entered into a firm storage agreement under Equitrans Rate Schedule 60SS and a no-notice firm transportation agreement under Equitrans Rate Schedule NOFT. The rates for both the storage and firm transportation service are negotiated rates that are less than the Equitrans recourse rates for the services and less than the current cost for this same capacity under the existing TCO and DETI agreements. Through the Commission Order referenced above, Peoples Gas received approval of the

Equitrans storage and transportation agreements pursuant to Section 2204(e)(4) of the Public Utility Code, 66 Pa. C.S. § 2204(e)(4). (Peoples Gas Statement No. 2, p. 17.)

37. The Equitrans contracts provided peak demand period daily deliverability of 27,500 Dth and storage capacity of 1,500,000 Dth for the storage withdrawal period of November 1, 2014, through March 31, 2015. The deliverability under these contracts increased to 33,917 Dth and storage capacity increased to 1,850,000 Dth for the withdrawal period of November 1, 2015, through March 31, 2016. Effective April 1, 2018, the daily deliverability under these contracts increased to 44,917 Dth and storage capacity increased to 2,450,000 Dth. Effective April 1, 2022, the daily deliverability under these contracts will increase to 72,417 Dth and storage capacity will increase to 4,000,000 Dth. (Peoples Gas Statement No. 2, pp. 17-18.)

38. Peoples Gas is proposing for the projected period to assign to PNG via capacity release 4,000 Dth/day of Equitrans services for a one-year period. These services would be a portion of the storage and related firm transportation services that Peoples Gas currently has under contract with Equitrans, and the assignment would consist of 218,182 Dth of storage capacity under Rate GSS which has a maximum daily withdrawal quantity of 4,000 Dth/day, and 4,000 Dth/day of firm transportation under Rate FTS. Peoples Gas would release this capacity to PNG at the same rates that Peoples Gas pays for the services. Proceeds from this release would not be included in Peoples Gas's capacity release sharing mechanism. (Peoples Gas Statement No. 2, p. 19.)

39. For the 1307(f)-2019 historical period, Peoples Gas had 10,000 Dth/day of FT firm transportation service, 25,000 Dth/day of FT-GSS firm transportation service, and 35,000 Dth/day of GSS firm storage service under contract from DETI. (Peoples Gas Statement No. 2, p. 21.)

40. TETCO provides Peoples Gas with firm transportation service of 10,000 Dth/day under Rate Schedule FT-1. Peoples Gas purchases gas on TETCO's market zone M-2 and moves it over TETCO's facilities to an interconnection at Delmont, Westmoreland County, which is also in market zone M-2. This negotiated rate agreement which commenced on November 1, 2015, and expires on October 31, 2030, allows the Company to purchase gas in a very liquid and competitively low-priced commodity market and deliver it to the southern part of the Peoples Gas system to support service to the Allegheny Valley. (Peoples Gas Statement No. 2, p. 22.)

41. For the 1307(f)-2019 historical period, TCO provided Peoples Gas firm transportation service under Rate FTS of up to 3,257 Dth/day. TCO also provided firm storage service under Rate GSS and related firm transportation service under Rate SST of up to 10,807 Dth/day with a total storage capacity of 609,827 Dth. (Peoples Gas Statement No. 2, p. 23.)

42. Peoples Gas currently owns and operates four storage fields which have 567,000 Mcf of combined storage capacity and 19,800 Mcf of maximum daily withdrawal capacity. (Peoples Gas Statement No. 2, p. 25.)

43. PNG and Peoples Gas have a gas exchange agreement that provides for an exchange of equivalent volumes between PNG and Peoples Gas where the receipt of gas from the other party would provide for more efficient operation of the recipient's system and would improve service reliability for both companies. Under the exchange arrangement, Peoples Gas receives gas from PNG at interconnections located in Mars, PA and Indiana, PA. In exchange, PNG receives equivalent volumes of gas from Peoples Gas at various interconnections. (Peoples Gas Statement No. 2, pp. 27-28.)

44. Peoples Gas has traditionally used gas produced locally in Pennsylvania as the source of supply for base system supply requirements. This is due in large part to the operating characteristics of the Peoples Gas system, where gas produced from shallow conventional gas wells, located primarily on the eastern side of the pipeline system, is transported across the Peoples Gas system at a relatively constant flow into the distribution facilities serving ratepayers. The delivery of shallow gas is then supplemented during periods of peak demand by interstate pipeline gas that is delivered into the Company's Large Volume Pipelines and delivered to the same distribution facilities. (Peoples Gas Statement No. 2, p. 30.)

45. Peoples Gas has an incentive pricing program that is intended to increase receipts of locally-produced gas into operationally favorable locations on lines that have limited redundancy options. To date, Peoples Gas has not utilized this mechanism because it has been able to utilize other more cost effective supply options to ensure the availability of supplies. Peoples Gas intends to continue to explore the possible use of this price incentive when and where it may be needed. (Peoples Gas Statement No. 2, p. 33.)

46. Along with its local gas supplies, spot market purchases are the supplies that Peoples Gas uses to meet the demands of those customers who continue to buy their supplies from Peoples Gas. These are also the supplies that Peoples Gas uses its various interstate pipeline assets to transport and store. (Peoples Gas Statement No. 2, p. 34.)

47. For the period ending August 31, 2018, the overall system loss stabilized at about 1.7 Bcf, but, because of increased system throughput, this results in an overall loss rate of 6.71% which is down slightly from the prior year. (Peoples Gas Statement No. 5, p. 5.)

48. The two main contributors to UFG are Distribution UFG and Gathering UFG. The gathering UFG of 1.28 Bcf, is up slightly from the 1.13 Bcf in the prior year while the

production moving through the gathering system has dropped more significantly resulting in an increase to the gathering loss rate to a level of 11.3%. The distribution UFG, however, has declined to 0.46 Bcf which yields a 1.92% loss rate. This distribution loss is well below the Commission's target for Distribution UFG of 3.0% and also below last year's Distribution loss rate. (Peoples Gas Statement No. 5, p. 5.)

49. Despite its efforts to reduce UFG and the improved distribution results, Peoples Gas remains challenged to reduce UFG on its pipelines that gather gas from local production wells. The Peoples Gas gathering system comprises over 500 miles of older, low pressure pipe, much of which has provided service for producers and customers for many years and is nearing the end of its useful life. (Peoples Gas Statement No. 5, p. 5.)

50. In the Company's last PGC proceeding, prospective gathering loss rate targets were established. Peoples Gas's 2018 gathering loss of 11.3% is still above the first future target. However, several loss mitigation efforts were undertaken in the latter half of 2018. These were too late in the year to meaningfully affect 2018 performance, but should produce positive impacts in 2019. (Peoples Gas Statement No. 5, p. 6.)

51. Peoples Gas has taken several steps to try to reduce UFG on the gathering system, as outlined in Peoples Gas Exhibit No. 16. The Company also completed the following in 2018: (1) expired 9 zero flow production meters; (2) completed 22 meter audits; (3) completed 364 meter service/repair orders; (4) began automation of measurement data for ready UFG analysis; (5) began implementation of the Unauthorized Use Program including a Gas Theft Hotline; and (6) provided enhanced mapping to record monthly pressures and volumes to aid to loss determination. (Peoples Gas Statement No. 5, p. 8.)

52. Further, the Company has installed five additional meters and increased the segmented areas on its gathering system to include two additional pipeline segments. These additional areas will be included as targets for the UFG mitigation efforts going forward. (Peoples Gas Statement No. 5, p. 7.)

53. Peoples Gas monitors and participates in various proceedings before the FERC. Peoples Gas undertakes legal action as necessary to protect the interests of its ratepayers. (Peoples Gas Exhibit No. 14; Peoples Gas Statement No. 3, pp. 3-4.)

#### **V. STANDARDS, FINDINGS, AND PROPOSED CONCLUSIONS OF LAW**

54. The Commission has jurisdiction over the parties and subject matter of this proceeding. 66 Pa. C.S. §§ 1307(f), 1317-18.

55. With respect to Peoples Gas's gas purchases and gas purchasing practices during the 12-month historical reconciliation period ended January 31, 2019, it is requested that the ALJ and the Commission find that Peoples Gas has met the standards of Section 1318 of the Public Utility Code, 66 Pa. C.S. § 1318, as required by Section 1307(f)(5) of the Public Utility Code, 66 Pa. C.S. § 1307(f)(5), as to all actual purchased gas costs in the historical period. It is requested that the Commission find that during the 12 months ended January 31, 2019:

- a. Peoples Gas met the requirements of Section 1318(a) of the Public Utility Code by pursuing a least-cost fuel procurement policy, consistent with its obligation to provide safe, adequate, and reliable service to its customers; and
- b. All gas exchanges by Peoples Gas with entities that are considered an affiliated interest have met the requirements of Section 1318(b) of the Public Utility Code relating to purchases from and services provided by entities that are considered affiliates.

56. Peoples Gas has fully and vigorously represented the interests of its ratepayers in proceedings before FERC and other relevant non-Commission proceedings during the relevant time period in compliance with 66 Pa. C.S. § 1318(a)(1).

57. Peoples Gas has taken all prudent steps necessary to negotiate favorable gas supply contracts and to relieve the Company from terms in existing contracts with its gas suppliers which are or may be adverse to the interests of the Company's ratepayers in compliance with 66 Pa. C.S. § 1318(a)(2).

58. Peoples Gas has taken all prudent steps necessary to obtain lower cost gas supplies on both short-term and long-term bases both within and outside the Commonwealth, including the use of gas transportation arrangements with pipelines and other distribution companies in compliance with 66 Pa. C.S. § 1318(a)(3).

59. Peoples Gas has not withheld from the market or caused to be withheld from the market any gas supplies which should have been utilized as part of a least cost fuel procurement policy in compliance with 66 Pa. C.S. § 1318(a)(4).

60. Peoples Gas has fully and vigorously attempted to obtain less costly gas supplies on both short-term and long-term bases from nonaffiliated interests in compliance with 66 Pa. C.S. § 1318(b)(1).

61. Neither Peoples Gas nor its affiliated interests have withheld from the market any gas supplies which should have been utilized as part of a least cost fuel procurement policy in compliance with 66 Pa. C.S. § 1318(b)(3).

62. During the eight-month interim period beginning February 1, 2019, and the projected 12-month period beginning October 1, 2019, when rates contained in this Settlement

will be in effect,<sup>3</sup> it is requested that the Commission find, based upon information presently available and based upon evidence of record in this proceeding concerning Peoples Gas's projected purchases and purchasing policies, that the rates to be adopted by the Commission result from Peoples Gas's compliance with the provisions of Section 1318 of the Public Utility Code, including subsections (a)(1)-(4) and (b)(1)-(3). 66 Pa. C.S. § 1318(a)(1)-(4), (b)(1)-(3). It is expressly understood and agreed that this finding is made solely for the purpose of setting prospective rates that shall continue to be subject to the standards of Section 1318 of the Public Utility Code, 66 Pa. C.S. § 1318, and to further review in an appropriate future proceeding. This provision is not intended to limit or prevent the parties from reviewing, after such projected gas purchases actually have been made and gas purchasing practices actually have been implemented, whether Peoples Gas's gas purchases and gas purchasing practices complied with Section 1318. If in an appropriate future proceeding Peoples Gas's gas purchases and gas purchasing practices from February 1, 2019, through September 30, 2020, were challenged, the Commission's findings based upon this provision shall not bar the examination of such purchases and practices, including, but not limited to, disallowance of or reductions to such costs during the eight-month interim period commencing February 1, 2019, and the 12-month application period commencing October 1, 2019, and ending September 30, 2020.

63. The Joint Petition for Settlement is in the public interest.

## **VI. PROPOSED ORDERING PARAGRAPHS**

64. That the Settlement among Peoples Gas Company LLC, the Pennsylvania Public Utility Commission's Bureau of Investigation and Enforcement, the Office of Consumer

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<sup>3</sup> The proposed tariff rates effective October 1, 2019, will be updated to reflect actual and projected over/undercollections through September 30, 2019, as stated in Paragraph 29 of this Settlement.

Advocate, and the Office of Small Business Advocate in the above-captioned case is hereby approved and adopted.

65. That Peoples Gas shall file a tariff supplement to become effective on October 1, 2019, on not less than one day's notice of the final Commission order approving the Settlement, containing changes in rates to provide for the recovery of its costs of purchased gas, consistent with the terms and conditions of the Settlement.

66. That Peoples Gas Company LLC, the Pennsylvania Public Utility Commission's Bureau of Investigation and Enforcement, the Office of Consumer Advocate, and the Office of Small Business Advocate shall comply with the terms and conditions of the Settlement submitted in this proceeding as though each term and condition stated therein had been subject of an individual ordering paragraph.

67. That upon Peoples Gas Company LLC's filing of a tariff supplement acceptable to the Commission as conforming with this order and the Settlement and the Commission's approval thereof, the purchased gas rates established therein shall become effective for service rendered on and after October 1, 2019.

68. That the complaint filed by the Office of Small Business Advocate in this proceeding at Docket No. C-2019-3008750 be marked closed.

69. That the complaint filed by the Office of Consumer Advocate in this proceeding at Docket No. C-2019-3008563 be marked closed.

70. That the investigation at Docket No. R-2019-3007613 be marked closed.

**VII. THE PUBLIC INTEREST**

71. This Settlement was achieved by the Joint Petitioners after an extensive investigation of Peoples Gas's filing, including extensive informal and formal discovery and the

service of written direct testimony by Peoples Gas and OCA, written rebuttal testimony by Peoples Gas, and written surrebuttal testimony by OCA.

72. Acceptance of the Settlement avoids the necessity and costs of further administrative and potential appellate proceedings.

73. The Settlement provides for the recovery of natural gas costs that are just and reasonable given the positions advanced in the testimony and exhibits of the various parties.

74. Attached as **Appendices C through F** are Statements in Support submitted by Peoples Gas, I&E, OCA, and OSBA setting forth the bases upon which they believe the Settlement is in the public interest.

#### **VIII. CONDITIONS OF SETTLEMENT**

75. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained in this Settlement without modification. This Settlement shall become effective on the date on which the Commission enters a final order that adopts the terms and conditions of this Settlement. If the Commission enters a final order that approves this Settlement, but with one or more modifications, this Settlement shall nonetheless become effective unless one or more of the Joint Petitioners elects to withdraw from the Settlement. Such election to withdraw must be made in writing, filed with the Secretary of the Commission, and served upon all parties within five business days after the entry of an Order modifying the Settlement. In such event, the Settlement shall be void and of no effect.

76. The Joint Petitioners acknowledge and agree that this Settlement, if approved, shall have the same force and effect as if the Joint Petitioners had fully litigated this proceeding resulting in the establishment of rates that are just and reasonable.

77. This Settlement is proposed by the Joint Petitioners to settle all of their issues in the instant proceeding. If the Commission does not approve the Settlement and the proceedings continue, the Joint Petitioners reserve their respective rights to present additional testimony and to conduct full cross-examination, briefing, and argument. The Settlement is made without any admission against, or prejudice to, any position that any party may adopt in the event of any subsequent litigation of these proceedings, or in any other proceeding.

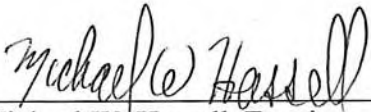
78. The Joint Petitioners acknowledge that the Settlement reflects a compromise of competing positions and does not necessarily reflect any party's position with respect to any issues raised in this proceeding. This Settlement may not be cited as precedent in any future proceeding, except to the extent required to implement this Settlement.

79. This Settlement is being presented only in the context of this proceeding in an effort to resolve the proceeding in a manner which is fair and reasonable. The Settlement is presented without prejudice to any position which any of the Joint Petitioners may have advanced and without prejudice to the position any of the Joint Petitioners may advance in the future on the merits of the issues in future proceedings except to the extent necessary to effectuate the terms and conditions of the Settlement. This Settlement does not preclude the Joint Petitioners from taking other positions in proceedings of other public utilities under Section 1307(f) of the Public Utility Code, 66 Pa. C.S. § 1307(f), or any other proceeding.

**IX. CONCLUSION**

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request that: (1) the Honorable Administrative Law Judge Katrina L. Dunderdale recommend approval of and the Commission approve this Settlement, including all terms and conditions thereof without modification, and make the findings contained therein; and (2) the Commission enter a final order approving this Settlement.

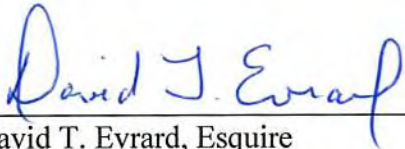
Respectfully submitted,

  
\_\_\_\_\_  
Michael W. Hassell, Esquire  
Devin T. Ryan, Esquire  
Post & Schell, P.C.  
17 North Second Street  
12<sup>th</sup> Floor  
Harrisburg, PA 17101-1601

Date: 6/28/2019

William H. Roberts II, Esquire  
Peoples Natural Gas Company LLC  
375 North Shore Drive  
Pittsburgh, PA 15212

*For Peoples Gas Company LLC*

  
\_\_\_\_\_  
David T. Evrard, Esquire  
Lauren M. Burge, Esquire  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5<sup>th</sup> Floor  
Harrisburg, PA 17101-1923

Date: 6/28/19

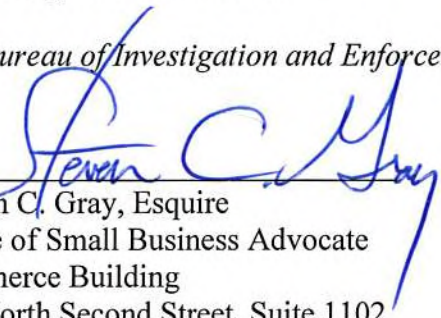
*For Office of Consumer Advocate*



\_\_\_\_\_  
John M. Coogan, Esquire  
Bureau of Investigation and Enforcement  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor West  
PO Box 3265  
Harrisburg, PA 17105-3265

Date: JUNE 28, 2019

*For Bureau of Investigation and Enforcement*



\_\_\_\_\_  
Steven C. Gray, Esquire  
Office of Small Business Advocate  
Commerce Building  
300 North Second Street, Suite 1102  
Harrisburg, PA 17101

Date: 6/28/19

*For Office of Small Business Advocate*

# APPENDIX “A”

PEOPLES GAS COMPANY LLC

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RATES, RULES AND REGULATIONS  
FOR NATURAL GAS SERVICE  
IN TERRITORY DESCRIBED HEREIN

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ISSUED: \_\_\_\_\_

EFFECTIVE: \_\_\_\_\_

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1307(f)-2019 Annual Gas Cost Filing

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ISSUED BY:

PRESTON D. POLJAK  
SR. VICE PRESIDENT – CHIEF FINANCIAL OFFICER  
PEOPLES GAS COMPANY LLC  
205 NORTH MAIN STREET  
BUTLER, PENNSYLVANIA 16001

**LIST OF CHANGES MADE BY THIS TARIFF**

|  | <u>Current</u> | <u>Proposed</u> | <u>Increase/<br/>(Decrease)</u> |
|--|----------------|-----------------|---------------------------------|
| <b><u>Rider PGC</u></b>                            |                |                 |                                 |
| <b><u>Rate RS, SGS, MGS, LGS, NGPV</u></b>         |                |                 |                                 |
| Capacity Charge                                    |                |                 |                                 |
| RS   | \$0.8546       | \$0.8650        | \$0.0104                        |
| SGS  | \$0.8546       | \$0.8650        | \$0.0104                        |
| MGS  | \$0.8546       | \$0.8650        | \$0.0104                        |
| LGS  | \$0.8546       | \$0.8650        | \$0.0104                        |
| Gas Cost Adjustment Charge                         | \$0.3578       | \$0.0512        | (\$0.3066)                      |
| Natural Gas Supply Charge                          | \$3.2634       | \$2.6153        | (\$0.6481)                      |
| <b><u>Rider MFC – Merchant Function Charge</u></b> |                |                 |                                 |
| Rate RS  | \$0.0896       | \$0.0707        | (\$0.0189)                      |
| Rate SGS   | \$0.0184       | \$0.0145        | (\$0.0039)                      |
| <b><u>Balancing Charges</u></b>                    |                |                 |                                 |
| SGS  | \$0.3847       | \$0.3443        | (\$0.0404)                      |
| MGS  | \$0.2955       | \$0.3158        | \$0.0203                        |
| LGS  | \$0.2490       | \$0.1997        | (\$0.0493)                      |
| <b><u>Retainage Rate</u></b>                       |                |                 |                                 |
| (RS-T, SGS-T, MGS-T, LGS-T, FTS)                   | 5.4%           | 7.5%            | 2.1%                            |
| Rate GS – Producer Retainage                       | 2.9%           | 3.4%            | 0.5%                            |

|  | Rider PGC - Gas Cost Charges |           |               | Base Rate Charges (4) | Rider STA (5) | Rider MFC (6) | Rider USP (7) | Rider GPC (8) | Rider ARC Rate Credit (9) | Rider Supplier Choice (10) | Rider DSIC (11) | Rider TCJA (12) | Bill Display Total Rate (13=SUM 1 to 12) |
|--|------------------------------|-----------|---------------|-----------------------|---------------|---------------|---------------|---------------|---------------------------|----------------------------|-----------------|-----------------|--|
|  | Demand/Capacity (1)          | GCA (2)   | Commodity (3) |                       |               |               |               |               |                           |                            |                 |                 |  |
| <b>Residential - Sales</b>             |                              |           |               |                       |               |               |               |               |                           |                            | 0.00%           | -4.9143%        |  |
| Customer Charge                        |                              |           |               | \$ 15.7500            |               |               |               |               | \$ -                      | \$ 0.0003                  | \$ -            | \$ (0.7740)     | \$ 14.9763                               |
| Demand/Capacity                        | \$ 0.8650                    |           |               |                       |               | \$ 0.0173     |               |               |                           |                            | \$ -            |                 | \$ 0.8823                                |
| PTC - Commodity Charge                 |                              | \$ 0.0512 | \$ 2.6153     |                       |               | \$ 0.0534     |               | \$ 0.1400     |                           |                            | \$ -            |                 | \$ 2.8599                                |
| Delivery Charge                        |                              |           |               | \$ 6.7743             | \$ 0.0055     |               | \$ 0.5839     |               | \$ -                      |                            | \$ -            | \$ (0.3329)     | \$ 7.0308                                |
| Total per MCF                          |                              |           |               |                       |               |               |               |               |                           |                            |                 |                 | \$ 10.7730                               |
| <b>SGS - Sales</b>                     |                              |           |               |                       |               |               |               |               |                           |                            |                 |                 |  |
| Customer Charge                        |                              |           |               |                       |               |               |               |               |                           |                            |                 |                 |  |
| 0 to 499 MCF/Yr                        |                              |           |               | \$ 35.0000            |               |               |               |               | \$ -                      | \$ 0.0003                  | \$ -            | \$ (1.7200)     | \$ 33.2803                               |
| 500 to 999 MCF/Yr                      |                              |           |               | \$ 65.0000            |               |               |               |               | \$ -                      | \$ 0.0003                  | \$ -            | \$ (3.1943)     | \$ 61.8060                               |
| Demand/Capacity 1/                     | \$ 0.3443                    |           |               |                       |               |               |               |               |                           |                            | \$ -            | \$ -            | \$ 0.3443                                |
| Price-to-Compare Charge 1/             | \$ 0.5207                    | \$ 0.0512 | \$ 2.6153     |                       |               | \$ 0.0145     |               | \$ 0.1400     |                           |                            | \$ -            |                 | \$ 3.3417                                |
| Delivery Charge                        |                              |           |               | \$ 5.1008             | \$ 0.0055     |               |               |               | \$ -                      |                            | \$ -            | \$ (0.2507)     | \$ 4.8556                                |
| Total per MCF                          |                              |           |               |                       |               |               |               |               |                           |                            |                 |                 | \$ 8.5416                                |
| <b>MGS - Sales</b>                     |                              |           |               |                       |               |               |               |               |                           |                            |                 |                 |  |
| Customer Charge                        |                              |           |               |                       |               |               |               |               |                           |                            |                 |                 |  |
| 1,000 to 2,499 MCF/Yr                  |                              |           |               | \$ 75.0000            |               |               |               |               | \$ -                      |                            | \$ -            | \$ (3.6857)     | \$ 71.3143                               |
| 2,500 to 24,999 MCF/Yr                 |                              |           |               | \$ 175.0000           |               |               |               |               | \$ -                      |                            | \$ -            | \$ (8.6000)     | \$ 166.4000                              |
| Demand/Capacity 1/                     | \$ 0.3158                    |           |               |                       |               | \$ -          |               |               |                           |                            | \$ -            | \$ -            | \$ 0.3158                                |
| Price-to-Compare Charge 1/             | \$ 0.5492                    | \$ 0.0512 | \$ 2.6153     |                       |               | \$ -          |               | \$ 0.1400     |                           |                            | \$ -            |                 | \$ 3.3557                                |
| Delivery Charge                        |                              |           |               | \$ 4.8604             | \$ 0.0055     |               |               |               | \$ -                      |                            | \$ -            | \$ (0.2389)     | \$ 4.6270                                |
| Total per MCF                          |                              |           |               |                       |               |               |               |               |                           |                            |                 |                 | \$ 8.2985                                |
| <b>LGS - Sales &lt; 100,000 MCF/yr</b> |                              |           |               |                       |               |               |               |               |                           |                            |                 |                 |  |
| Customer Charge                        |                              |           |               |                       |               |               |               |               |                           |                            |                 |                 |  |
| 25,000 to 49,999 MCF/Yr                |                              |           |               | \$ 800.0000           |               |               |               |               |                           |                            | \$ -            | \$ (39.3144)    | \$ 760.6856                              |
| 50,000 to 99,999 MCF/Yr                |                              |           |               | \$ 1,500.0000         |               |               |               |               |                           |                            | \$ -            | \$ (73.7145)    | \$ 1,426.2855                            |
| Demand/Capacity 1/                     | \$ 0.1997                    |           |               |                       |               | \$ -          |               |               |                           |                            | \$ -            | \$ -            | \$ 0.1997                                |
| Price-to-Compare Charge 1/             | \$ 0.6653                    | \$ 0.0512 | \$ 2.6153     |                       |               | \$ -          |               | \$ 0.1400     |                           |                            | \$ -            |                 | \$ 3.4718                                |
| Delivery Charge                        |                              |           |               | \$ 3.7500             | \$ 0.0055     |               |               |               |                           |                            | \$ -            | \$ (0.1843)     | \$ 3.5712                                |
| Total per MCF                          |                              |           |               |                       |               |               |               |               |                           |                            |                 |                 | \$ 7.2427                                |
| <b>LGS - Sales &gt; 100,000 MCF/yr</b> |                              |           |               |                       |               |               |               |               |                           |                            |                 |                 |  |
| Customer Charge                        |                              |           |               |                       |               |               |               |               |                           |                            |                 |                 |  |
| 100,000 to 199,999 MCF/Yr              |                              |           |               | \$ 5,000.0000         |               |               |               |               |                           |                            | \$ -            | \$ (245.7150)   | \$ 4,754.2850                            |
| Over 200,000 MCF/Yr                    |                              |           |               | \$ 7,500.0000         |               |               |               |               |                           |                            | \$ -            | \$ (368.5725)   | \$ 7,131.4275                            |
| Demand/Capacity 1/                     | \$ 0.1997                    |           |               |                       |               | \$ -          |               |               |                           |                            | \$ -            | \$ -            | \$ 0.1997                                |
| Price-to-Compare Charge 1/             | \$ 0.6653                    | \$ 0.0512 | \$ 2.6153     |                       |               | \$ -          |               | \$ 0.1400     |                           |                            | \$ -            |                 | \$ 3.4718                                |
| Delivery Charge                        |                              |           |               | \$ 0.9988             | \$ 0.0055     |               |               |               |                           |                            | \$ -            | \$ (0.0491)     | \$ 0.9552                                |
| Total per MCF                          |                              |           |               |                       |               |               |               |               |                           |                            |                 |                 | \$ 4.6267                                |

1/ The Price-to-Compare format as shown is applicable to a Non-Priority One customer; the Price-to-Compare Charge for a Priority One customer would not include the Demand/Capacity charge. See the Residential - Sales section above as an example of Priority One.

ISSUED: \_\_\_\_\_

EFFECTIVE: \_\_\_\_\_

|  | Base Rate<br>Charges<br>(1) | Rider<br>STA<br>(2) | Rider<br>USR<br>(3) | Rider PGC<br>Capacity<br>(4) | BB&A<br>(5) | Rider ARC<br>Rate Credit<br>(6) | Rider Supplier<br>Choice<br>(7) | Rider<br>DSIC<br>(8) | Rider<br>TCJA<br>(9) | Bill Display<br>Total Rate<br>(10=SUM 1 to 9) | Retainage<br>Charge |      |
|--|-----------------------------|---------------------|---------------------|------------------------------|-------------|---------------------------------|---------------------------------|----------------------|----------------------|---|---------------------|------|
| <b>Rate RS-T (Transportation Service)</b>  |                             |                     |                     |                              |             |                                 |                                 |                      |                      |   |                     |      |
| Customer Charge                            | \$ 15.7500                  |                     |                     |                              |             | \$ -                            | \$ 0.0003                       | \$ -                 | 0.00%<br>-4.9143%    | \$ (0.7740)                                   | \$ 14.9763          |      |
| Demand/Capacity                            |                             |                     |                     | \$ 0.8650                    |             |                                 |                                 |                      |                      | \$ 0.8650                                     |                     |      |
| Delivery Charge                            | \$ 6.7743                   | \$ 0.0055           | \$ 0.5839           |                              |             | \$ -                            |                                 | \$ -                 | \$ (0.3329)          | \$ 7.0308                                     |                     | 7.5% |
| Total per MCF                              |                             |                     |                     |                              |             |                                 |                                 |                      |                      | \$ 7.8958                                     |                     |      |
| <b>Rate SGS-T (Transportation Service)</b> |                             |                     |                     |                              |             |                                 |                                 |                      |                      |   |                     |      |
| Customer Charge                            |                             |                     |                     |                              |             |                                 |                                 |                      |                      |   |                     |      |
| 0 to 499 MCF/Yr                            | \$ 35.0000                  |                     |                     |                              |             | \$ -                            | \$ 0.0003                       | \$ -                 | \$ (1.7200)          | \$ 33.2803                                    |                     |      |
| 500 to 999 MCF/Yr                          | \$ 65.0000                  |                     |                     |                              |             | \$ -                            | \$ 0.0003                       | \$ -                 | \$ (3.1943)          | \$ 61.8060                                    |                     |      |
| BB&A 1/                                    |                             |                     |                     | \$ 0.3443                    |             |                                 |                                 |                      |                      | \$ 0.3443                                     |                     |      |
| Delivery Charge                            | \$ 5.1008                   | \$ 0.0055           |                     |                              |             | \$ -                            |                                 | \$ -                 | \$ (0.2507)          | \$ 4.8556                                     |                     | 7.5% |
| Total per MCF                              |                             |                     |                     |                              |             |                                 |                                 |                      |                      | \$ 5.1999                                     |                     |      |
| <b>Rate MGS-T (Transportation Service)</b> |                             |                     |                     |                              |             |                                 |                                 |                      |                      |   |                     |      |
| Customer Charge                            |                             |                     |                     |                              |             |                                 |                                 |                      |                      |   |                     |      |
| 1,000 to 2,499 MCF/Yr                      | \$ 75.0000                  |                     |                     |                              |             | \$ -                            |                                 | \$ -                 | \$ (3.6857)          | \$ 71.3143                                    |                     |      |
| 2,500 to 24,999 MCF/Yr                     | \$ 175.0000                 |                     |                     |                              |             | \$ -                            |                                 | \$ -                 | \$ (8.6000)          | \$ 166.4000                                   |                     |      |
| BB&A 1/                                    |                             |                     |                     | \$ 0.3158                    |             |                                 |                                 |                      |                      | \$ 0.3158                                     |                     |      |
| Delivery Charge                            | \$ 4.8604                   | \$ 0.0055           |                     |                              |             | \$ -                            |                                 | \$ -                 | \$ (0.2389)          | \$ 4.6270                                     |                     | 7.5% |
| Total per MCF                              |                             |                     |                     |                              |             |                                 |                                 |                      |                      | \$ 4.9428                                     |                     |      |
| <b>Rate LGS-T (Transportation Service)</b> |                             |                     |                     |                              |             |                                 |                                 |                      |                      |   |                     |      |
| Customer Charge                            |                             |                     |                     |                              |             |                                 |                                 |                      |                      |   |                     |      |
| 25,000 to 49,999 MCF/Yr                    | \$ 800.0000                 |                     |                     |                              |             |                                 |                                 | \$ -                 | \$ (39.3144)         | \$ 760.6856                                   |                     |      |
| 50,000 to 99,999 MCF/Yr                    | \$ 1,500.0000               |                     |                     |                              |             |                                 |                                 | \$ -                 | \$ (73.7145)         | \$ 1,426.2855                                 |                     |      |
| BB&A 1/                                    |                             |                     |                     | \$ 0.1997                    |             |                                 |                                 |                      |                      | \$ 0.1997                                     |                     |      |
| Delivery Charge                            | \$ 3.7500                   | \$ 0.0055           |                     |                              |             |                                 |                                 | \$ -                 | \$ (0.1843)          | \$ 3.5712                                     |                     | 7.5% |
| Total per MCF                              |                             |                     |                     |                              |             |                                 |                                 |                      |                      | \$ 3.7709                                     |                     |      |
| <b>Rate LGS-T (Transportation Service)</b> |                             |                     |                     |                              |             |                                 |                                 |                      |                      |   |                     |      |
| Customer Charge                            |                             |                     |                     |                              |             |                                 |                                 |                      |                      |   |                     |      |
| 100,000 to 199,999 MCF/Yr                  | \$ 5,000.0000               |                     |                     |                              |             |                                 |                                 | \$ -                 | \$ (245.7150)        | \$ 4,754.2850                                 |                     |      |
| Over 200,000 MCF/Yr                        | \$ 7,500.0000               |                     |                     |                              |             |                                 |                                 | \$ -                 | \$ (368.5725)        | \$ 7,131.4275                                 |                     |      |
| BB&A                                       |                             |                     |                     | \$ 0.1997                    |             |                                 |                                 |                      |                      | \$ 0.1997                                     |                     |      |
| Delivery Charge                            | \$ 0.9988                   | \$ 0.0055           |                     |                              |             |                                 |                                 | \$ -                 | \$ (0.0491)          | \$ 0.9552                                     |                     | 7.5% |
| Total per MCF                              |                             |                     |                     |                              |             |                                 |                                 |                      |                      | \$ 1.1549                                     |                     |      |

1/ The Demand/Capacity Charge applies to Priority 1 ratepayers when electing transport service. All other Ratepayers are billed the BB&A charge.

ISSUED: \_\_\_\_\_

EFFECTIVE: \_\_\_\_\_

**RATE SCHEDULE FTS – FIELD TRANSPORTATION SERVICE**

**AVAILABILITY** – This service is available to any Pennsylvania gas producer or Supply Aggregator (hereinafter referred to as “FTS User”) which has executed a Field Transportation Service Agreement (the “Service Agreement”) for the field transportation of a minimum monthly volume of 9,000 Mcf of natural gas production to be injected from gas wells directly into the Company’s gathering or transmission system at points designated by the Company for delivery to specified points of interconnection between the Company’s gathering or transmission system and an interstate pipeline or another local distribution company, provided that the FTS User shall be subject to, and shall comply with, the other applicable provisions of this Rate Schedule. Any additional facilities needed to provide service to a Customer under this Rate Schedule will be paid for by the Customer receiving such service.

**CHARACTER OF SERVICE** – Transportation service under this Rate Schedule and Customer classification shall be considered interruptible service on the Company’s system.

**RATES** – **Maximum Volumetric Delivery Rate:** \$ 0.4777 per Mcf

**Retainage Charge** – The currently effective Retainage Charge is 7.5%. (I)

**SPECIAL PROVISION** – The Volumetric Delivery Rate may be discounted on an individual contract basis but in no case will the negotiated rate exceed the Maximum Volumetric Delivery Rate under this Rate Schedule.

**FINANCE CHARGE** – If payment of bill has not been received within fifteen (15) days from date of mailing, a finance charge of 1.50 percent per month will be added to the unpaid balance each month until the entire bill is paid.

**ADJUSTMENTS** – The above rate shall be subject to Rider DSIC – Distribution System Improvement Charge as set forth in this Tariff.

**RULES AND REGULATIONS** – The Rules and Regulations set forth in this Tariff shall govern, where applicable, the transportation service under this Rate Schedule.

(I) Indicates Increase.

ISSUED: \_\_\_\_\_

EFFECTIVE: \_\_\_\_\_

**RATE GS – GATHERING SERVICE**

AVAILABILITY

Service under this rate schedule is available to any party desiring to deliver conventional well gas directly into the Company’s system, provided that there exists: (1) a gas purchase agreement with the Company or an executed Rate GS Service Agreement; and (2) compliance with the provisions of this Rate Schedule and with all other provisions of this Tariff.

RATES

All volumes of gas received at any point under this service will be subject to a 3.4% retainage rate. (I)

TERM

The term for service shall be a minimum of one (1) year from the commencement of deliveries of gas supplies.

CHARACTER OF SERVICE

The Company’s only obligation under this Rate Schedule shall be to receive gas from any conventional well and to permit that gas to flow against the existing pressure in the Company’s facilities. The Company shall not be obligated to lower such line pressure by compression or otherwise to accommodate receipts from local producers under this Rate Schedule.

Service under this Rate Schedule shall be subject to Operational Flow Orders pursuant to Section 18.X of the Rules and Regulations of this Tariff. Nothing in this Rate Schedule shall limit the Company’s right to interrupt service or to take other action as may be required to alleviate conditions which threaten the integrity of its system.

(I) Indicates Increase.

# APPENDIX “B”

Peoples Gas Company LLC  
Calculation of Retainage

Appendix B

| <u>Line No.</u> | <u>Description</u>                                     | <u>12 Mths Ended<br/>August 31, 2016</u> | <u>12 Mths Ended<br/>August 31, 2017</u> | <u>12 Mths Ended<br/>August 31, 2018</u> | <u>3-Year<br/>Average</u> |
|-----------------|--|--|--|--|---------------------------|
| 1               | <u>Overall System - Retainage Recovery Requirement</u> |  |  |  |                           |
| 2               | Unaccounted for Gas                                    | 1,087,187                                | 1,707,932                                | 1,707,338                                | 1,500,819                 |
| 3               | Company Use Allocation                                 | <u>45,297</u>                            | <u>35,700</u>                            | <u>56,972</u>                            | <u>45,990</u>             |
| 4               | Recovery Requirement                                   | 1,132,484                                | 1,743,633                                | 1,764,310                                | 1,546,809                 |
| 5               | Total System Supplies - Mcf                            | <u>27,519,384</u>                        | <u>25,130,640</u>                        | <u>25,429,589</u>                        | <u>26,026,538</u>         |
| 6               | Unaccounted for Gas Percentage                         | 4.0%                                     | 6.8%                                     | 6.7%                                     | 5.8%                      |
| 7               | Company Use Percentage                                 | 0.2%                                     | 0.1%                                     | 0.2%                                     | 0.2%                      |
| 8               | <b>Percent to Recover</b>                              | <b>4.1%</b>                              | <b>6.9%</b>                              | <b>6.9%</b>                              | <b>5.9%</b>               |
| 9               | <b>2019 Proposed Retainage Rate</b>                    |  |  |  |                           |
| 10              | Target Retainage to be Recovered                       | 24,474,045                               | 5.9%                                     | 1,454,541                                |                           |
| 11              | less: Retainage from Discounted Transport              |  |  | 199,941                                  |                           |
| 12              | less: Retainage from Producers @ 3.4%                  |  |  | 338,824                                  |                           |
| 13              | less: Imputed Retainage on Storage Gas                 |  |  | 25,351                                   |                           |
| 14              | Net Retainage to be Recovered                          |  |  | 890,425                                  |                           |
| 15              | <b>Proposed Retainage Rate</b>                         | <b>11,884,255</b>                        | <b>7.5%</b>                              |  |                           |
| 16              | Compressor Fuel/Storage Losses                         | 84,570                                   | 71,298                                   | 114,524                                  |                           |
| 17              | Allocate Compressor Fuel/Losses at 30%                 | 25,371                                   | 21,389                                   | 34,357                                   |                           |
| 18              | Other Company Use                                      | <u>19,926</u>                            | <u>14,311</u>                            | <u>22,615</u>                            |                           |
| 19              | Total Company Use Allocation                           | <u>45,297</u>                            | <u>35,700</u>                            | <u>56,972</u>                            |                           |

# APPENDIX “C”

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

|  |   |             |                |
|--|---|-------------|----------------|
| Pennsylvania Public Utility Commission | : | Docket Nos. | R-2019-3007613 |
| Office of Consumer Advocate            | : |             | C-2019-3008563 |
| Office of Small Business Advocate      | : |             | C-2019-3008750 |
|  | : |             |                |
| v.                                     | : |             |                |
|  | : |             |                |
| Peoples Gas Company LLC                | : |             |                |

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**PEOPLES GAS COMPANY LLC'S  
STATEMENT IN SUPPORT OF THE  
JOINT PETITION FOR SETTLEMENT**

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**I. INTRODUCTION**

Peoples Gas Company LLC (“Peoples Gas” or the “Company”) hereby files this Statement in Support of the Joint Petition for Settlement (“Settlement”) entered into by Peoples Gas, the Bureau of Investigation & Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), the Office of Consumer Advocate (“OCA”), and the Office of Small Business Advocate (“OSBA”) (collectively, “Joint Petitioners”)<sup>1</sup> in the above-captioned Purchased Gas Cost (“PGC”) proceeding. Peoples Gas respectfully requests that Administrative Law Judge Katrina L. Dunderdale (the “ALJ”) recommend approval of, and the Commission approve, the Settlement, including the terms and conditions thereof, without modification.

The Settlement, if approved, will resolve all of the issues raised by the Joint Petitioners in this proceeding, including whether Peoples Gas’s historic natural gas costs were incurred and projected natural gas costs will be incurred under a least cost fuel procurement policy. The Settlement provides benefits to customers and is in the public interest. Thus, it should be approved without modification.

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<sup>1</sup> The Pennsylvania Independent Oil and Gas Association (“PIOGA”) is the only other party in this proceeding and, as noted in the Joint Petition for Settlement, does not oppose the Settlement.

The Settlement was achieved only after a comprehensive investigation of Peoples Gas's natural gas procurement policies and operations. In addition to a comprehensive filing, Peoples Gas responded to numerous formal discovery requests (many of which had multiple subparts). In support of their positions, Peoples Gas and OCA served testimony and accompanying exhibits, which were subsequently admitted into the record at the evidentiary hearing held on June 6, 2019. The Joint Petitioners participated in numerous settlement discussions and formal negotiations, which ultimately led to the Settlement.

Finally, the Joint Petitioners, as well as their experts and counsel, have considerable experience in PGC proceedings. Their knowledge, experience, and ability to evaluate the strengths and weaknesses of their litigation positions provided a strong base upon which to build a consensus on the settled issues.

For these reasons and the reasons set forth below, the Settlement is just and reasonable, and Peoples Gas's 2019 1307(f) filing, as modified by the Settlement, should be approved.

## **II. COMMISSION POLICY FAVORS SETTLEMENT**

Commission policy promotes settlements. *See* 52 Pa. Code § 5.231(a). Settlements reduce the time and expense that the parties must expend litigating a case and, at the same time, conserve administrative resources. The Commission has stated that settlement results are often preferable to those achieved at the conclusion of a fully-litigated proceeding. *See* 52 Pa. Code § 69.401. To accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. PUC v. York Water Co.*, Docket No. R-00049165 (Order Entered Oct. 4, 2004); *Pa. PUC v. C.S. Water and Sewer Assocs.*, 74 Pa. P.U.C. 767 (1991). As explained herein, the terms of the Settlement are in the public interest and should be adopted without modification.

### **III. THE SETTLEMENT IS IN THE PUBLIC INTEREST**

The Settlement reflects a carefully-balanced compromise of the interests of all of the Joint Petitioners while producing just and reasonable gas cost rates.

#### **A. PGC RATES**

Under the Settlement, the Joint Petitioners have agreed that the proposed rates and other requested approvals contained in the Company's PGC filing should be approved, except to the extent that they are modified by the Settlement. (Settlement ¶ 28.) Further, the proposed rates will be updated in the Company's compliance filing to reflect updated actual and projected over/undercollections through September 30, 2019. (Settlement ¶ 29.) Finally, the Joint Petitioners have agreed that the Commission should approve the renewals and changes in gas supply, pipeline, and storage capacity contracts that are explained in Peoples Gas Statement No. 2 and related exhibits included in the 1307(f)-2019 definitive filing. (Settlement ¶ 30.)

The PGC and balancing rates that Peoples Gas proposes to place into effect on October 1, 2019, are supported by record evidence. Peoples Gas explained in detail the development of the natural gas supply rates utilizing cost projections, sales projections, and the reconciliation process. Peoples Gas's testimony provides full support for the rates and their underlying calculations. (*See* Peoples Gas Statement No. 3.) Accordingly, these settlement provisions concerning Peoples Gas's proposed PGC and balancing rates are just and reasonable and should be approved without modification.

#### **B. RETAINAGE AND LOST AND UNACCOUNTED FOR GAS**

##### **1. Retainage Rate**

In this proceeding, Peoples Gas recommended increasing the tariffed retainage rate from 5.4% to 7.2% for all non-discounted transportation customers. (Peoples Gas Statement No. 3, p.

3; Peoples Gas Exhibit No. 4; Peoples Gas Exhibit No. 6.) The proposed retainage rate was calculated based on the most recent three-year average for unaccounted for gas (“UFG”) and company use (“CU”). (Peoples Gas Statement No. 3, p. 3; Peoples Gas Exhibit No. 4.)

In addition, the Company proposed to increase its producer retainage charge 3.4%, and continuing to apply it regardless of where conventional local gas enters the system. (Peoples Gas Statement No. 5, p. 8.) The purpose of the producer retainage charge is to recover a portion of the gathering system losses from producers, who are the primary beneficiaries of the gathering system and, therefore, should contribute to the costs of the UFG. (Peoples Gas Statement No. 5, p. 8.)

OCA witness Mierzwa proposed a retainage rate of 9.4% for non-discounted transportation customers in his direct testimony. (OCA Statement No. 1, pp. 3, 9-13; OCA Schedule JDM-4.) Mr. Mierzwa contended that the Company’s inclusion of 21.5% of storage losses and compressor fuel in the retainage charge calculation was unreasonable. (OCA Statement No. 1, pp. 12-13.) According to Mr. Mierzwa, transportation customers represent approximately 50% of the non-discounted retainage throughput on the Company’s system. (OCA Statement No. 1, p. 12.) Therefore, to collect 21.5% of storage losses and compressor fuel, Mr. Mierzwa argued that 43% of storage losses should be included in the Company’s retainage charge calculations. (OCA Statement No. 1, p. 12.) Further, Mr. Mierzwa claimed that “not all compressor fuel is used to support storage operations.” (OCA Statement No. 1, p. 12.) Mr. Mierzwa also recommended that the Company utilize a three-year average of actual UFG volumes rather than applying a three-year percentage average of UFG to its projected receipt volumes during the 2019 PGC period. (OCA Statement No. 1, pp. 13-15.) Mr. Mierzwa made

this recommendation because, according to him, UFG “is not directly related to system receipts.” (OCA Statement No. 1, p. 14.)

In rebuttal, Peoples Gas disagreed with Mr. Mierzwa’s recommendations. (Peoples Gas Statement No. 1-R, pp. 5-8.) Although Mr. Mierzwa attempted to eliminate volumes from the retainage rate calculation, the proposed retainage rate is dependent on the volumes paying the maximum retainage rate. (Peoples Gas Statement No. 1-R, p. 5.) Peoples Gas believes that it is improper to eliminate system throughput because throughput is integral to the UFG calculation. (Peoples Gas Statement No. 1-R, pp. 5-6.) Peoples Gas is not aware of any gas utilities that make such an assumption. (Peoples Gas Statement No. 1-R, p. 6.) Additionally, Peoples disagreed that a 43% allocation of compressor fuel yields the correct 21.5% result. (Peoples Gas Statement No. 1-R, p. 6.) 21.5% is the amount of on-system storage attributable to balancing, which is required for sales and transport customers alike, so it is not appropriate to attribute the entire amount to transportation customers. (Peoples Gas Statement No. 1-R, p. 6.)

To attempt to address OCA’s concerns without eliminating throughput, Peoples Gas proposed a revised retainage rate calculation, which resulted in a revised retainage percentage of 7.4%. (Peoples Gas Statement No. 1-R, pp. 6-8; Peoples Gas Exhibit No. 4-R.) As the Company explained, the customer throughput used in Peoples Gas Exhibit No. 4, line 10, did not include all system throughputs found in line 5. (Peoples Gas Statement No. 1-R, p. 6.) The additional throughputs include off system deliveries, exchanges with Peoples Natural Gas Company LLC (“PNG”), and storage turn. (Peoples Gas Statement No. 1-R, p. 6.) Peoples Gas believes that the most appropriate way to address OCA’s concern regarding the retainage calculation is to account for all throughput volumes and any associated recoveries. (Peoples Gas Statement No. 1-R, pp. 6-7.) Accordingly, on Peoples Gas Exhibit No. 4-R, the line 10

throughput was adjusted to include those volumes and an additional recovery was inserted, matching these flows. (Peoples Gas Statement No. 1-R, p. 7.) Furthermore, in the process of reviewing OCA's proposals, the Company discovered that all CU gas was incorrectly included in Peoples Gas Exhibit No. 4, line 15, when it should have only been compressor fuel. (Peoples Gas Statement No. 1-R, p. 8.) This correction was made in Peoples Gas Exhibit No. 4-R, line 16. (Peoples Gas Statement No. 1-R, p. 8.) Furthermore, the Company refreshed its calculation of the amount of on-system storage attributable to balancing and found that 23% of on-system storage is used for balancing. (Peoples Gas Statement No. 1-R, p. 6.)

In surrebuttal, OCA witness Mierzwa stated that the Company's revision "has adequately addressed [his] initial concern with respect to using a three-year percentage average of the recovery requirement to calculate the retainage charge." (OCA Statement No. 1S, p. 3.) However, he disagreed with the Company's inclusion of 23% of compressor fuel in the retainage charge calculation, due to an alleged "lack of available detail concerning the Company's use of compressor fuel." (OCA Statement No. 1S, pp. 3-4.) Accordingly, he recommended that the retainage charge should be increased to 7.6%. (OCA Statement No. 1S, p. 4; OCA Schedule JDM-1S.)

Under the Settlement, Peoples Gas agrees to revise its calculation of the tariffed retainage rate for all classes, as explained in Peoples Gas Statement No. 1-R. (Settlement ¶ 24.) For purposes of calculating its retainage rate, Peoples Gas agrees to use 30% as the percentage share of compressor fuel used to support the on-system storage that provides balancing service to its transportation customers. (Settlement ¶ 24.) Further, Peoples Gas agrees to perform a detailed analysis of the extent to which compressor fuel is used for on-system storage and for other purposes, and to present the results of that analysis with its PGC case in 2020. (Settlement ¶ 24.)

The revised calculation is provided in **Appendix B** of the Settlement. (Settlement ¶ 24.) Under that revised calculation, effective October 1, 2019, the tariffed retainage rate for all rate classes shall be 7.5%. (Settlement ¶ 24.)

The Settlement reflects a reasonable compromise of the parties' positions. As explained previously, there was disagreement between Peoples Gas and the OCA over the percentage of compressor fuel that should be included in the retainage rate calculation. The difference in the parties' calculations resulted in proposed retainage rates of 7.4% by Peoples Gas and 7.6% by the OCA. Pursuant to the Settlement, the retainage rate will be 7.5%, which is a reasonable compromise of the parties' positions. Moreover, in response to the OCA's alleged lack of detail on the uses of compressor fuel, Peoples Gas has committed to performing a detailed analysis of those uses and will present the results in next year's PGC proceeding. Thus, these settlement provisions are reasonable and in the public interest and should be approved without modification.

## **2. Producer Retainage Charge**

The Company proposed to increase its producer retainage charge from 2.9% to 3.4% and to continue applying it regardless of where conventional local gas enters the system. (Peoples Gas Statement No. 5, p. 8.) The purpose of the producer retainage charge is to recover a portion of the gathering system losses from producers, who are the primary beneficiaries of the gathering system and, therefore, should contribute to the costs of the UFG. (Peoples Gas Statement No. 5, p. 8.)

No party opposed the Company's proposed increase of the producer retainage charge, and the Settlement expressly incorporates the Company's unopposed proposal. (Settlement ¶ 24.) Therefore, this settlement provision is reasonable and in the public interest and should be approved without modification.

### **C. DESIGN DAY METHODOLOGY**

In direct testimony, Peoples Gas witness Scanlon explained that the design peak day is a 24-hour period of extreme weather conditions that would result in the highest customer usage for which the Company would plan to serve (“Design Peak Day”). (Peoples Gas Statement No. 1, p. 5.) The development of total design day requirements is divided into two categories of usage. (Peoples Gas Statement No. 1, pp. 5-6.) The first category is weather-sensitive usage, which includes gas used by the Company’s residential customers and most commercial customers that use the majority of their gas for heating purposes (“heat-sensitive usage”). (Peoples Gas Statement No. 1, p. 6.) The second category of usage is non-weather sensitive usage, which includes gas used by the Company’s mostly larger users and industrial customers. (Peoples Gas Statement No. 1, p. 6.) These customers may use a small proportion of their natural gas usage for heat, but the vast majority is used for their production processes (“non-heat sensitive usage”). (Peoples Gas Statement No. 1, p. 6.) In addition to considering the Design Peak Day usage of Peoples Gas’s sales customers, the Company also considers the usage of all ratepayers during not only Design Peak Day but also during the entire heating season (November – March). (Peoples Gas Statement No. 1, p. 6.) This allows Peoples Gas to ensure that the capacity portfolio and supply are sufficient to provide safe and reliable gas service to heat-sensitive ratepayers not only on the Design Peak Day but also throughout the entire heating season. (Peoples Gas Statement No. 1, p. 6.) Peoples Gas has been using this methodology to calculate its design day requirements since 2015. (Peoples Gas Statement No. 1, p. 6.)

OCA witness Mierzwa expressed certain concerns with the Company’s design day methodology, which he said were “highlighted by the differences between the actual and projected daily demands of these weather-sensitive customers” based on examples where the Company’s design day model either over- or under-forecasted actual demands. (OCA Statement

No. 1, pp. 4-8.) According to Mr. Mierzwa, these differences between actual and projected demands indicated “potential data integrity and statistical modeling concerns.” (OCA Statement No. 1, p. 8.) Therefore, he recommended that the Company further analyze and evaluate its design day model for weather-sensitive customers and address these concerns. (OCA Statement No. 1, p. 8.) His recommendation included “ensuring that the actual demands used in the Company’s model have been consistently measured over time and that the model produces forecasts that are reasonably reflective of actual demands under conditions that approach [the Company’s] design day criteria.” (OCA Statement No. 1, p. 8.) However, if the Company’s analysis determines that it requires additional capacity resources, Mr. Mierzwa recommended that Peoples Gas meet design day demands by: (1) using on-system storage; (2) recalling the capacity release to PNG; and (3) if additional capacity is still needed, pursuing the acquisition of delivered-to-citygate supplies under arrangements that do not require the payment of demand charges. (OCA Statement No. 1, p. 8.)

In rebuttal, Peoples Gas witness Scanlon stated that the Company will examine its design day analysis with the specific purpose of improving the forecast at the coldest temperatures. (Peoples Gas Statement No. 1-R, p. 3.) Then, in the next 1307(f) proceeding, the Company will provide the results of this analysis and update the model using inputs including the 2018-2019 winter data. (Peoples Gas Statement No. 1-R, p. 3.) However, Ms. Scanlon explained that it is premature to adopt Mr. Mierzwa’s recommended solutions to a hypothetical problem. (Peoples Gas Statement No. 1-R, pp. 3-5.) Instead, the Company will examine each of the items (storage deliverability, capacity recall, city-gate deliveries) identified by Mr. Mierzwa, as well as other available options, if it determines additional capacity is needed to meet a design day deficiency. (Peoples Gas Statement No. 1-R, p. 3.)

In surrebuttal, OCA witness Mierzwa stated that the Company's response satisfactorily addressed his concerns. (OCA Statement No. 1S, p. 2.)

The Settlement provides that Peoples Gas will analyze its design day methodology for weather-sensitive customers, with the specific purpose of trying to improve the forecast at the coldest temperatures. (Settlement ¶ 26.) The Company will present the results of such analysis as part of its definitive filing in the Company's 2020 PGC proceeding and will update the design day model using inputs that include data from winter 2018-2019. (Settlement ¶ 26.) These settlement terms reflect a reasonable compromise of the parties' positions concerning the Company's design day methodology. Thus, the settlement terms are reasonable and in the public interest and should be approved without modifications.

#### **D. SEPARATION OF RETAINAGE RATES**

In last year's PGC proceeding, Commissioner Place asked the Company to provide the "[a]dministrative costs related to implementation of separate retention fuel charges for gathering and distribution versus combined billing as is done today on Equitable." (Peoples Gas Statement No. 5, pp. 12-14.) As Ms. Petrichevich explained, this question refers to the administrative costs of applying separate gathering retainage charges to producers that deliver into the distribution system versus the gathering system. (Peoples Gas Statement No. 5, p. 13.)

In response to Commissioner Place's question, Ms. Petrichevich testified that applying the same retainage charge to producers regardless of whether they are delivering into the distribution system or gathering system does create some level of "administrative ease," but the administrative cost of implementing a different method (assessing retainage only on conventional gas delivered into gathering pipelines) is not significant. (Peoples Gas Statement No. 5, p. 13.) This is not a cost issue, but one of maintaining simplicity to the market and ensuring that producers contribute to the use of the pipeline systems. (Peoples Gas Statement

No. 5, p. 13.) Changing the Peoples Gas practice to only assess retainage on gathering may incent producers to move production from the gathering system to the distribution system. (Peoples Gas Statement No. 5, p. 13.) Given that conventional production volumes are declining, which is making the existing gathering system less efficient to operate, a shift of this nature would only serve to accelerate the eroding efficiency. (Peoples Gas Statement No. 5, pp. 13-14.) Further, charging retainage only to deliveries to the gathering system and not to the distribution system also may incent producers to move their production to the distribution system and could create operational problems for customers since local production gas can contain water and impurities. (Peoples Gas Statement No. 5, p. 14.)

OCA witness Mierzwa argued in his direct testimony that the Company should provide information related to adopting separate retainage rates for customers for the use of Peoples Gas's gathering and distribution systems in its next PGC proceeding. (OCA Statement No. 1, pp. 3, 15-17.) From Mr. Mierzwa's perspective, the third question from Commissioner Place's Statement in last year's PGC proceeding concerned "whether separate retainage charges should be assessed to customers that procure their gas supplies from local producers that deliver gas into Peoples Gas' gathering system" and "customers that procure their gas supplies from interstate sources which are delivered directly into Peoples Gas' distribution system and do not require delivery by Peoples Gas' gathering system." (OCA Statement No. 1, p. 16.) Mr. Mierzwa believes that adopting separate gathering and distribution system retainage charges for customers "would more reasonably assign responsibility for LUGF to those customers that use the facilities that cause LUGF." (OCA Statement No. 1, pp. 16-17.)

In rebuttal testimony, Peoples Gas disagreed with Mr. Mierzwa's proposal and disputed his interpretation of Commission Place's Statement. (Peoples Gas Statement No. 5-R, pp. 2-5.)

In the last PGC case, the Company requested to implement a producer retainage charge on both Peoples Gas's system and PNG's Peoples Division's system that was consistent with the already approved application of producer retainage on PNG's Equitable Division's system. (Peoples Gas Statement No. 5-R, p. 2.) Therefore, Peoples Gas believes Commissioner Place's Statement relates only to the application of the producer retainage charge, particularly given the context of his specific support for a retention charge on conventional gas producers. (Peoples Gas Statement No. 5-R, p. 3.) Furthermore, Ms. Petrichevich explained that the "[s]eparate application of transportation retainage rates based on where the transportation customer's nominated gas supplies enter the system runs counter to the goals of administrative ease, fairness, and cost causation." (Peoples Gas Statement No. 5-R, p. 4.)

In his surrebuttal testimony, Mr. Mierzwa continued to recommend that Peoples Gas be required to provide the information that he requested in the next PGC proceeding. (OCA Statement No. 1S, pp. 5-7.)

The Settlement reflects a compromise of the parties' positions on this issue. Under the Settlement, with regard to whether separate retainage rates should be established for customers who acquire their gas through the gathering system, Peoples Gas agrees that if this issue is raised in the Company's 2020 PGC case, the Company will not object to providing information in discovery on the basis that the information should only be provided in a base rate proceeding. (Settlement ¶ 27.) The scope of such discovery requests is limited under the terms of the Settlement. (Settlement ¶ 27.) The Company will only be required to provide information that is readily available or calculable and will not be required to perform studies or unreasonable investigations. (Settlement ¶ 27.) The Company also retains all rights to oppose any proposal

made by any party, including but not limited to whether a proposal is outside the scope of the 1307 (f) proceeding or is otherwise irrelevant. (Settlement ¶ 27.)

These settlement terms reflect a reasonable compromise of the parties' positions, by enabling parties to propound discovery related to the issue of separate retainage rates for customers in next year's PGC proceeding, while limiting the scope of such discovery and preserving the Company's rights to oppose any such proposal to institute separate retainage rates for customers. As a result, the settlement terms are reasonable and in the public interest and should be approved without modification.

#### **IV. CONCLUSION**

Through cooperative efforts and the open exchange of information, the Joint Petitioners have arrived at a Settlement that resolves all issues in the proceeding in a fair and equitable manner. The Settlement is the result of detailed examination of Peoples Gas's natural gas procurement practices through numerous discovery responses, testimony and accompanying exhibits, followed by the presentation of counter-positions on some issues, and then settlement negotiations. A fair and reasonable compromise has been achieved in this case, as is evident by the fact that all active parties have agreed to the resolution of the issues in this proceeding.

Based on the foregoing, and as set forth in Section V of the Joint Petition for Settlement, Peoples Gas respectfully requests that Your Honor and the Commission make all the findings required under 66 Pa. C.S. § 1318 with regard to its gas purchases and gas purchasing practices for the 12-month period ending January 31, 2019, find the rates proposed in the Joint Petition for Settlement to be just and reasonable, and approve the Joint Petition for Settlement without modification.

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Respectfully submitted,

  
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*Attorneys for Peoples Gas Company LLC*

# APPENDIX “D”

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

|  |   |             |                |
|--|---|-------------|----------------|
| Pennsylvania Public Utility Commission | : | Docket Nos. | R-2019-3007613 |
| Office of Consumer Advocate            | : |             | C-2019-3008563 |
| Office of Small Business Advocate      | : |             | C-2019-3008750 |
|  | : |             |                |
| v.                                     | : |             |                |
|  | : |             |                |
| Peoples Gas Company LLC                | : |             |                |

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STATEMENT OF THE  
OFFICE OF CONSUMER ADVOCATE  
IN SUPPORT OF THE  
JOINT PETITION FOR SETTLEMENT OF  
THE SECTION 1307(f) RATE INVESTIGATION

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I. INTRODUCTION

The Office of Consumer Advocate (OCA) submits this Statement in Support of the Joint Petition for Settlement in the above-captioned proceeding and states as follows:

On March 1, 2019, Peoples Gas Company LLC (PG or Company) submitted the pre-filing information and data required in connection with its annual purchased gas cost (PGC) filing under § 1307(f) of the Public Utility Code (66 Pa.C.S. § 1307(f)) and the Public Utility Commission's (Commission) regulations at 52 Pa. Code §§ 53.64(c) and 53.65. On April 1, 2019, the Company submitted its formal 2019 PGC filing, pursuant to which, the Company proposed a reduction in its residential PGC rate of \$0.4313 per Mcf from the April 1, 2019 rate when new rates take effect on October 1, 2019.

On March 15, 2019, the OCA filed a Formal Complaint against the Company's proposed rates, seeking to ensure that the rates were not excessive, discriminatory, or otherwise contrary to Commission regulation or policy. On March 22, 2019, the Office of Small Business Advocate (OSBA) also filed a Formal Complaint against the proposed rates. On March 8, 2019, the Commission's Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance in the case. On April 4, 2019, the Pennsylvania Independent Oil & Gas Association (PIOGA) filed a Petition to Intervene in the proceedings, which was subsequently granted. OCA, OSBA and I&E engaged in discovery regarding the proposed rates.

A prehearing conference was held on April 4, 2019, at which a procedural schedule was established for the case. Pursuant to that schedule, on May 3, 2019, the OCA submitted the Direct Testimony of its expert witness, Jerome D. Mierzwa. Mr. Mierzwa's testimony made three recommendations regarding PG's proposed PGC rates for 2019-2020: (1) that PG further analyze and evaluate its design day model for weather-sensitive customers to address concerns about the model's accuracy in predicting the design day demands of these customers; (2) that PG's proposed retainage rate of 7.2% be increased to 9.4% to account for recent Lost and Unaccounted for Gas (LUFG) experience, additional storage losses and additional compressor fuel; and (3) that PG provide information related to the adoption of separate retainage rates for use of its gathering and distribution systems in its next PGC proceeding. The Company responded to Mr. Mierzwa's recommendations in Rebuttal Testimony filed on May 23, 2019. Mr. Mierzwa responded to the Company's rebuttal in Surrebuttal Testimony submitted on May 29, 2019.

Prior to the submission of Surrebuttal Testimony, the Company initiated settlement discussions with the parties, and those discussions have produced the instant Joint Petition for Settlement, which addresses the various issues in the case. For the reasons set forth below, the

OCA submits that the proposed Settlement is in the public interest and should be adopted by the Commission.

## II. PROPOSED SETTLEMENT

The Settlement addresses the issues raised by the OCA in the following manner:

### A. Retainage and Lost and Unaccounted for Gas (Settlement ¶¶ 24-25)

In his Direct Testimony, OCA witness Mierzwa recommended that the Company's proposed retainage rate for transportation customers be increased from 7.2% to 9.4%. Mr. Mierzwa based his recommendation on several factors involving the Company's method for calculating the rate. OCA St. No. 1 at 3, 15; OCA Sched. JDM-4.

First, Mr. Mierzwa recommended that PG's retainage charge be calculated using a three-year average of actual Lost and Unaccounted For Gas (LUFG) volumes, rather than an average of the percentages of LUFG over the previous three years. OCA St. No. 1 at 14-15. The OCA's concern was that the Company was applying its average percentage to projected throughput volumes that were lower than the historical volumes used to arrive at the average percentage.

Second, the OCA had concern for how storage losses and gas used for compressor fuel (one form of company use gas) were incorporated into the calculation. The Company proposed to use 21.5% of its historic 3-year average storage loss and compressor fuel experience in calculating the retainage charge. Mr. Mierzwa pointed out that with respect to storage losses, the 21.5% reflected the percentage of on-system storage that is used to provide balancing service to transportation customers. OCA St. No. 1 at 12. He went on to note, however, that not all compressor fuel is used to support storage operations. It is also used to compress gas from local production wells and to move excess local production off-system during the summer. Mr. Mierzwa stated that the Company had provided no information as to the amount of compressor

fuel used to support these other functions. OCA St. No. 1 at 12-13. Further, Mr. Mierzwa explained that because transportation customers represent approximately 50 percent of the retainage throughput on the PG system, the percentage used in connection with storage losses and compressor fuel when calculating the retainage rate should be double the 21.5% used by the Company, or 43%. OCA St. No. 1 at 12.

In response to the OCA, the Company, in its Rebuttal Testimony, proposed including volumes in its retainage calculation that it had omitted from its initial proposal. The additional volumes represented off-system deliveries, exchanges with PG's affiliated company Peoples Gas LLC, and what the Company termed "storage turn" (reflecting both the injection and withdrawal of on-system storage gas). PG St. No. 1-R at 6-7. With the inclusion of the previously omitted volumes, the projected throughput volume used to calculate the retainage charge increased significantly. PG Exh. 4-R.

The Company also responded to the OCA's proposal to double the percentage of storage loss and compressor fuel use when calculating the retainage rate. PG maintained that 21.5% represents the amount of its on-system storage that is attributable to balancing and that balancing is required for both sales and transportation customers. Therefore, it would not be appropriate to attribute the entire amount to transportation customers. PG St. No. 1-R at 6. The Company went on to note, however, that since its initial filing, it had refreshed its original calculation and determined that 23% of its on-system storage is used for balancing. Id.

PG reflected the increase in volumes and the increased percentage for storage losses and compressor fuel in PG Exh. 4-R, attached to its Rebuttal Testimony. As a result of those changes, the Company's proposed retainage rate increased from 7.2% to 7.4%.

The inclusion of additional volumes in the retainage calculation alleviated concerns of the OCA that the Company was basing its calculation on unrealistically low projected throughput volumes.

With respect to doubling the percentage of compressor fuel and storage losses included in the calculation, the Company's increase in its allocator from 21.5% to 23% led OCA witness Mierzwa to produce a new schedule attached to his Surrebuttal Testimony which calculated the retainage rate using the Company's increased volumes, but doubling the Company's compressor fuel/storage loss allocator to 46%. OCA Sched. 1-S. These modifications yielded a retainage rate of 7.6%.

Given that the Company's retainage calculation in Rebuttal yielded a 7.4% rate and Mr. Mierzwa's calculation in Surrebuttal produced a rate of 7.6%, the Company and the OCA, as a compromise in settlement, agreed to use a compressor fuel allocator of 30% which would result in a retainage rate of 7.5%. The OCA submits that this is a reasonable resolution of this issue for this year's proceeding. In addition, the Settlement provides that the Company will perform a detailed analysis of the extent to which compressor fuel is used for on-system storage and for other purposes and present the results in next year's PGC case. This should address the concern raised by OCA witness Mierzwa that the Company had not supplied information regarding the various uses of compressor fuel. These provisions are contained in Paragraph 24 of the Settlement.

B. Design Day Methodology (Settlement ¶ 26)

In his Direct Testimony, OCA witness Mierzwa presented three examples of circumstances in which there were significant differences between the demand of the Company's weather-sensitive customers as predicted by its design day model and the actual demand of those customers. In one instance the model over-predicted actual demand and in two instances it under-predicted

actual demand. OCA St. No. 1 at 6-7; OCA Sched. JDM-1, JDM-2 and JDM-3. These discrepancies were large enough to raise concerns regarding the accuracy and integrity of the model. As stated by Mr. Mierzwa, “The significant differences between actual and projected demands suggest potential data integrity and statistical modeling concerns.” OCA St. No. 1 at 8. Accordingly, Mr. Mierzwa called on PG to undertake a study of its design day model as it relates to predicting the demands of its weather-sensitive customers.

In its Rebuttal Testimony, PG generally defended its design day model as producing reliable results and described recent adjustments it had made to improve the model’s reliability. PG St. No. 1-R at 2. Nevertheless, the Company expressed its willingness to examine its design day analysis with the specific purpose of improving its forecast at the coldest temperatures and providing the results of that analysis in next year’s PGC proceeding. Paragraph 26 of the Settlement memorializes the Company’s agreement to undertake this examination.

C. Separation of Retainage Rates (Settlement ¶ 27)

In his Direct Testimony, OCA witness Mierzwa recommended that in next year’s PGC proceeding, PG provide information on the administrative costs of adopting separate retainage rates for transportation customers who procure their gas supplies from local producers that deliver their gas into PG’s gathering system versus transportation customers who procure their gas supplies from interstate or local sources which are delivered directly to PG’s distribution system and do not require delivery by the gathering system. Mr. Mierzwa explained his rationale for recommending an examination of separate retainage rates as follows:

PG’s gathering system is used to collect gas from local production wells and deliver that gas to PG’s distribution system. Those customers that do not utilize PG’s gathering system to obtain their gas supplies from local production wells utilize interstate pipelines to have their gas delivered to PG’s distribution system. Customers using interstate pipelines to acquire gas supplies are required to pay retainage to the interstate pipelines. Customers relying on PG’s gathering system

to deliver gas to PG's distribution system are not required to pay any portion of the interstate pipeline retainage assessed to customers relying on interstate pipelines to deliver gas to PG's distribution system. Adopting separate gathering and distribution system retainage fuel charges would more reasonably assign responsibility for losses to those customers that use the facilities that cause these losses.

OCA St. No. 1 at 16-17<sup>1</sup>

In its Rebuttal Testimony, PG opposed Mr. Mierzwa's recommendation. Among other reasons, the Company took the position that imposition of separate retainage rates based on where a transportation customer's nominated gas supplies enter the system is contrary to the goals of administrative ease, fairness and cost causation. The Company asserted that because the sourcing of a customer's gas does not affect the operation of the Company's overall system, establishing retainage rates that vary based on how gas enters the system is unreasonable, unfair and unnecessary. PG St. No. 5-R at 4-5.

Given such fundamental disagreement on this point, the OCA, in settlement, elected not to pursue the separate retainage rate issue as part of this proceeding but wanted to preserve the right, at its discretion, to raise the issue again in PG's 2020 PGC case. In particular, the OCA sought protection from an attempt by the Company to deflect the issue in the 2020 case by asserting that it is more appropriately addressed in a base rate, as opposed to a PGC, proceeding. In return, the OCA was willing to specify the kinds of information it would seek in discovery on the issue and, to allay concerns on the part of Company that it might be asked to conduct an extensive investigation or study, the OCA agreed to language that commits the Company to providing

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<sup>1</sup> Mr. Mierzwa's Direct Testimony points out that for the 12 months ended August 2018, the LUFG rate on PG's gathering system was 11.3% while LUFG on its distribution system was 1.92. OCA St. No. 1 at 10. He also points out that transportation customers purchased nearly 9.3 Bcf of gas from local producers that was delivered by PG's gathering system. By contrast, PG purchased roughly 3.8 Bcf of gas from local producers, which was delivered through the gathering system to serve its sales customers. OCA St. No. 1 at 13.

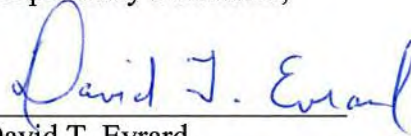
information that is readily available and not requiring the Company to perform studies or unreasonable investigations. All of this is set forth in Paragraph 33 of the Settlement.

The OCA is satisfied that these Settlement provisions adequately preserve and protect its ability, should it decide to do so, to raise the separate retainage rate issue in next year's PGC proceeding.

### III. CONCLUSION

In consideration of the various elements of the Settlement described above, the OCA finds the Settlement to be in the public interest, and for that reason, submits that its terms and conditions should be approved by the Commission.

Respectfully Submitted,



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June 28, 2019

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# APPENDIX “E”

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

|  |   |                                   |
|--|---|-----------------------------------|
| Pennsylvania Public Utility Commission, et al. | : |                                   |
|  | : |                                   |
| v.   | : | Docket No. R-2019-3007613, et al. |
|  | : |                                   |
| Peoples Gas Company, LLC 1307(f)               | : |                                   |
|  | : |                                   |
|  | : |                                   |

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**BUREAU OF INVESTIGATION AND ENFORCEMENT  
STATEMENT IN SUPPORT OF JOINT PETITION FOR SETTLEMENT OF  
THE SECTION 1307(f) RATE INVESTIGATION**

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**TO ADMINISTRATIVE LAW JUDGE KATRINA L. DUNDERDALE:**

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), by its Prosecutor, John M. Coogan, respectfully submits that the terms and conditions of the foregoing *Joint Petition for Settlement of the Section 1307(f) Rate Investigation* (“Joint Petition” or “Settlement”) are in the public interest and represent a fair, just, reasonable and equitable balance of the interests of Peoples Gas Company LLC (“Peoples Gas”) and its customers. In support of this position, I&E offers the following comments:

**I. INTRODUCTION**

1. I&E represents the public interest in proceedings relating to rates, rate-related services and application proceedings held before the Commission.<sup>1</sup>

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<sup>1</sup> 66 Pa. C.S. § 308.2(a)(11); Docket No. M-2008-2071852, Final Procedural Order entered on August 11, 2011, p. 10.

Consequently, in all contested proceedings, including those resolved through negotiated settlements, I&E must ensure that the public interest is served and comment on how the resolution of any such proceeding will benefit the public interest. The request for approval of this Joint Petition is based on I&E's conclusion that the Settlement meets all the legal and regulatory standards necessary for approval. "The prime determinant in the consideration of a proposed Settlement is whether or not it is in the public interest."<sup>2</sup> I&E concludes that the Joint Petition meets this standard.

2. Pursuant to the Public Utility Code and Commission regulations, on January 31, 2019, Peoples Gas submitted its 60-day pre-filing information regarding its 2019-2020 Gas Cost Rate ("GCR") filing, and on March 1, 2019, Peoples Gas submitted its 30-day pre-filing information regarding its 2019-2020 GCR filing.<sup>3</sup>

3. On April 1, 2019, Peoples Gas submitted its annual GCR filing to become effective for services rendered on or after October 1, 2019. Peoples Gas also filed its prepared Direct Testimony, accompanying exhibits, and proposed updated tariff supplement.

4. I&E entered its appearance in this matter on March 7, 2019. Additionally, the Office of the Consumer Advocate ("OCA") filed a Notice of Appearance and Formal Complaint on March 15, 2019; the Office of the Small Business Advocate ("OSBA") filed a Notice of Appearance and Formal Complaint on March 22, 2019; and the

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<sup>2</sup> *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).  
<sup>3</sup> 66 Pa. C.S. 1307(f); 52 Pa. Code 53.64 and 53.65.

Pennsylvania Independent Oil and Gas Association (“PIOGA”) filed a Petition to Intervene on April 4, 2019.

5. A Prehearing Conference Order was entered on April 1, 2019, and the Order scheduled a telephonic prehearing conference for April 4, 2019.

6. Counsel for the following parties participated in the Prehearing Conference on April 4, 2019: Peoples Gas, I&E, the OCA, the OSBA (collectively, the “Joint Petitioners”),<sup>4</sup> and PIOGA. Administrative Law Judge Katrina L. Dunderdale (“ALJ Dunderdale”) presided, and during the Conference, the parties established a procedural schedule for this proceeding.

7. On April 8, 2019, a Prehearing Order was entered, and it granted PIOGA’s Petition to Intervene, and memorialized the procedural schedule and other terms governing the conduct of this proceeding.

8. After the prehearing conference, the parties continued to engage in the discovery process.

9. After thorough review and investigation of Peoples Gas’s filing, discovery responses, and filed testimony and exhibits, I&E elected not file testimony in this proceeding.

10. In accordance with the Commission’s policy favoring settlements over costly and time-consuming litigation<sup>5</sup> and in evaluation of the parties’ respective litigation positions, the Joint Petitioners were successful in achieving a settlement by

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<sup>4</sup> PIOGA is not a party to the Settlement but has indicated it does not object to the Settlement.

<sup>5</sup> 52 Pa. Code § 5.231.

comprehensively evaluating parties' discovery responses and written testimony and by engaging in the settlement negotiation process.

11. An evidentiary hearing was held on June 6, 2019. At the hearing, the parties informed ALJ Dunderdale of the Settlement. Additionally, during the hearing, the Joint Petitioners' pre-served testimony was admitted into the record.

12. I&E submits that the proposed Settlement resolves all issues in this proceeding, is in the public interest and should be approved by ALJ Dunderdale and the Commission for the following reasons:

## **II. SETTLEMENT**

### **A. RETAINAGE AND LOST AND UNACCOUNTED FOR GAS**

#### Retainage and Lost and Unaccounted for Gas Settlement Terms

The terms of the Settlement provide that Peoples Gas agrees to revise its calculation of the tariffed retainage rate for all classes, as explained in Peoples Gas Statement No. 1-R. For purposes of calculating its retainage rate, Peoples Gas agrees to use 30% as the percentage share of compressor fuel used to support the on-system storage that provides balancing service to its transportation customers. Further, Peoples Gas agrees to perform a detailed analysis of the extent to which compressor fuel is used for on-system storage and for other purposes, and to present the results of that analysis with its PGC case in 2020. The revised calculation is provided in Appendix B of the Joint Petition. Effective October 1, 2019, the tariffed retainage rate for all rate classes shall be 7.5%. Additionally, as proposed in Peoples Gas Statement No. 5, the producer retainage rate shall be 3.4% and

will continue to apply regardless of where conventional local gas enters the Company's system.<sup>6</sup>

I&E Position

I&E does not oppose inclusion of these terms in the Settlement.

**B. DESIGN DAY METHODOLOGY**

Design Day Methodology Settlement Terms

The Settlement terms provide that Peoples Gas will analyze its design day methodology for weather-sensitive customers, with the specific purpose of trying to improve the forecast at the coldest temperatures. The Company will present the results of such analysis as part of its definitive filing in the Company's 2020 PGC proceeding and will update the design day model using inputs that include data from winter 2018-2019.<sup>7</sup>

I&E Position

I&E does not oppose inclusion of these terms in the Settlement.

**C. SEPARATION OF RETAINAGE RATES**

Separation of Retainage Rates Settlement Terms

The Settlement terms provide that with regard to whether separate retainage rates should be established for customers who acquire their gas through the Company's gathering system and those customers who do not, Peoples Gas agrees that if this issue is raised in the Company's 2020 PGC case, the Company will not object to providing information in discovery on the basis that the information should only be provided in a

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<sup>6</sup> Joint Petition, ¶¶ 24, 25.

<sup>7</sup> Joint Petition, ¶ 26.

base rate proceeding. The scope of such discovery requests will be limited to: (1) the number of PGC and transportation customers served from the gathering and distribution systems and their applicable volumes; (2) whether any gathering system customers receive base rate or retainage discounts, by class and applicable volumes; (3) the number of transporters that source their gas from local producers on the gathering system and their volumes; or (4) other similar requests intended specifically to elicit data related to examining the potential for establishing separate gathering and distribution retainage rates. The Company will only be required to provide information that is readily available or calculable and will not be required to perform studies or unreasonable investigations. The Company retains all rights to oppose any proposal made by any party, including but not limited to whether a proposal is outside the scope of the 1307(f) proceeding or is otherwise irrelevant.<sup>8</sup>

#### I&E Position

I&E does not oppose inclusion of these terms in the Settlement.

#### **D. MISCELLANEOUS**

##### Miscellaneous Settlement Terms

The Settlement terms provide that the proposed rates and other requested approvals contained in the Company's PGC filing should be approved, except as revised by this Settlement. Additionally, and in accordance with the provisions of 52 Pa. Code § 53.64(i)(5), the Company's compliance filing in this proceeding will reflect updated actual

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<sup>8</sup> Joint Petition, ¶ 27.

and projected over/undercollections through September 30, 2019. Joint Petitioners agree that the Commission should approve the renewals and changes in gas supply, pipeline, and storage capacity contracts that are explained in Peoples Gas Statement No. 2 and related exhibits included in the 1307(f)-2019 definitive filing.<sup>9</sup>

### I&E Position

I&E supports these miscellaneous terms, including that the requested approvals in the Peoples Gas's PGC filing should be granted. While Peoples Gas's costs are subject to review in a future GCR proceeding, I&E maintains that ratepayers are protected in that Peoples Gas gains no unwarranted financial advantages through its projected gas purchases and projected gas purchasing policies. As provided for in the Public Utility Code, "[n]o rates for a natural gas distribution utility shall be deemed just and reasonable unless the commission finds that the utility is pursuing a least cost fuel procurement policy...."<sup>10</sup> I&E confirms that the Settlement provides that natural gas costs will be based on adherence to a least cost reliable service fuel procurement policy.<sup>11</sup> Specifically, Peoples Gas's procurement approach attempts to protect customers from the risk of the gas market's volatility through a combination of local and interstate assets and supplies.<sup>12</sup> A least cost fuel procurement policy protects ratepayers from unnecessary and imprudent gas costs and prevents the Company from making a profit on gas supplies provided to its PGC customers.

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<sup>9</sup> Joint Petition, ¶¶ 28-30.

<sup>10</sup> 66 Pa. C.S. § 1318.

<sup>11</sup> Joint Petition, ¶ 33.

<sup>12</sup> Joint Petition, ¶¶ 33-34.

### III. CONCLUSION

13. The Settlement provides that Peoples Gas may place into effect the natural gas supply rates as proposed and identified in the appendix attached to the Joint Petition. The proposed rates will be updated to reflect any changes as of October 1, 2019, when the final tariff supplements are filed, and are subject to quarterly updates, with limited exceptions, as required by the Commission's Regulations.

14. I&E is in agreement that Peoples Gas will adhere to the purchasing plan as established by the data and calculations provided in Peoples Gas's testimony and associated exhibits, as modified by the Settlement. The purchasing plan provides reasonable protections for ratepayers and enables the company to adhere to the regulatory requirements in acquiring supplies for its customers.

15. Although I&E did not serve testimony in this proceeding, I&E fully supports the Settlement and asserts it is in the public interest. I&E review and analysis in this proceeding supports that these rates are just and reasonable, accurately reflect the costs of its purchased natural gas and are based on sound regulatory practices. As such, I&E opines that these rates are in the public interest and should be approved. Line by line identification of the ultimate resolution of every issue is not necessary, as I&E represents that the Settlement maintains the proper balance of the interests of all parties. I&E is satisfied that no further action is necessary and considers its investigation of this filing complete.

**WHEREFORE**, the Commission's Bureau of Investigation and Enforcement represents that it supports the *Joint Petition for Settlement of the Section 1307(f) Rate Investigation* as being in the public interest and respectfully requests that Administrative Law Judge Katrina L. Dunderdale recommend, and the Commission subsequently approve, the foregoing settlement, including all terms and conditions contained therein.

Respectfully Submitted,



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John M. Coogan  
Prosecutor  
PA Attorney ID # 313920  
Bureau of Investigation and Enforcement  
Pennsylvania Public Utility Commission

Bureau of Investigation and Enforcement  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
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Dated: June 28, 2019

# APPENDIX “F”



### **The Joint Petition**

The *Joint Petition* sets forth a comprehensive list of issues that were resolved through the negotiation process.

Although the OSBA did not serve testimony in this proceeding, the OSBA conducted a review of a number of issues affecting small business customers. In general, the OSBA determined from its analysis that the submission of testimony was not warranted in this proceeding, but that such issues merit further attention in future proceedings. As set forth in the OSBA's April 3, 2019, *Prehearing Memorandum*, the OSBA analyzed and considered the issues set forth below.

The OSBA reviewed the Company's actions to mitigate its levels of lost and unaccounted-for gas ("LAUFG"). The Company's overall LAUFG has risen from 4.0% in 2016, to 6.8% in 2017, to 6.7% in 2018.<sup>1</sup> Furthermore, gathering system losses were 11.3% in 2018, which exceeds the 2020 target of 9.0%. Specifically, to address concerns regarding gathering system losses, the parties agreed in the Company's 2018 Section 1307(f) proceeding to establish prospective gathering loss rate targets beginning in 2020, with a rebuttable presumption that any loss levels exceeding such targets is unreasonable. Overall, the OSBA is satisfied that Peoples Gas is taking actions to reduce its levels of LAUFG but will revisit this issue in the Company's 2020 Section 1307(f) proceeding.

As it has in past proceedings, the OSBA has conducted an independent evaluation of the Company's design day demand levels, based on statistical analysis of daily loads. In general, the Company's proposed design day demand levels are reasonably consistent with the OSBA's analysis. Without specifically endorsing the Company's design day methodology, the OSBA

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<sup>1</sup> See Peoples Gas Company Exhibit No. 4.

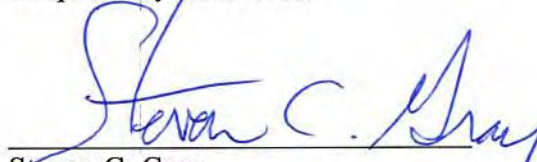
supports the PGC rates set forth in Appendix A to the *Joint Petition*. Furthermore, the *Joint Petition* proposes that Peoples Gas will update its design day methodology in the Company's 2020 1307(f) filing. *Joint Petition*, at Paragraph 3. This will allow the parties, including the OSBA, to better analyze whether the Peoples Gas design day methodology remains just and reasonable.

Finally, the OSBA reviewed the Company's proposed retainage rates for (i) all rate classes (7.2%) and (ii) producers (3.4%). Clearly, the Peoples Gas retainage rates must be increased in this case due to changes in the Company's overall LAUFG levels. In light of such loss levels, the OSBA respectfully submits that the 7.5% retainage rate derived in Appendix B to the *Joint Petition*, as well as the Company's proposal to increase the producer retainage rate to 3.4%, are reasonable.

### **Conclusion**

For the reasons set forth in the *Joint Petition*, as well as the additional factors that are enumerated in this statement, the OSBA supports the proposed *Joint Petition* and respectfully requests that the ALJ and the Commission approve the *Joint Petition* in its entirety.

Respectfully submitted,

  
Steven C. Gray  
Senior Supervising Small Business Advocate  
Attorney ID No. 77538

Office of Small Business Advocate  
300 North Second Street, Suite 202  
Harrisburg, PA 17101

Dated: June 28, 2019

**CERTIFICATE OF SERVICE**

**(Docket No. R-2019-3007613)**

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**

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Date: June 28, 2019



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Devin T. Ryan