

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2019-3007612
Office of Consumer Advocate	:	C-2019-3008565
Office of Small Business Advocate	:	C-2019-3008753

v.

Peoples Natural Gas Company LLC

Pennsylvania Public Utility Commission	:	R-2019-3007617
Office of Consumer Advocate	:	C-2019-3008564
Office of Small Business Advocate	:	C-2019-3008752

v.

Peoples Natural Gas Company LLC
Equitable Division

RECOMMENDED DECISION

Before
Katrina L. Dunderdale
Administrative Law Judge

INTRODUCTION

This Recommended Decision recommends the Joint Petition for Settlement be adopted without modification. Peoples Natural Gas Company LLC proposes a decrease of \$0.9632, or 8.6%, per Mcf of its purchased gas costs rate, as of October 1, 2019, for the residential class. In addition, the public utility proposes to continue charging producers a retainage rate of 2.0% for gas from conventional wells gathered into the system. These rates are to be effective on October 1, 2019.

HISTORY OF THE PROCEEDINGS

Pursuant to Section 1307(f) of the Public Utility Code, 66 Pa.C.S. § 1307(f), on April 1, 2019, Peoples Natural Gas Company LLC (PNG, PNG-Peoples or the Company) filed with the Pennsylvania Public Utility Commission (Commission) a Pro Forma Supplement to Tariff Gas Pa. P.U.C. No. 45 and 46, for Peoples Natural Gas Company LLC and its affiliate Peoples Natural Gas Company LLC – Equitable Division (PNG-Equitable). These filings are docketed at R-2019-3007612 and R-2019-3007617, respectively. PNG proposed these Supplements should become effective for service rendered on and after October 1, 2019, in connection with the Company’s 2019 Purchased Gas Cost filing for the period ending September 30, 2019. PNG’s filing proposed a decrease of \$0.8056 per Mcf for the gas cost recovery rate from residential sales service customers, in comparison to the rates in effect as of January 1, 2019. Rate changes were also proposed for other customer classes. In addition, the filing proposed to continue charging producers a retainage rate of 2.0% for gas from conventional wells gathered into the system.

This proceeding was consolidated for purposes of litigation only with a filing by Peoples Gas Company (Peoples Gas) on April 1, 2019.¹ Peoples Gas filed a Pro Forma Supplement to Tariff Gas Pa. P.U.C. No. 8 docketed at R-2019-3007613. The Company’s 2019 Purchased Gas Cost filing for the period ending September 30, 2019 proposed a decrease of \$0.9632 per Mcf in its rates for recovery of purchased gas costs applicable to residential sales service customers with other rate changes proposed for other customer classes. In addition, that filing proposed to increase the retainage rate charged to producers for gas from conventional wells gathered into the system from 2.9% to 3.4%.

Various parties entered appearances in addition to the Company, including the Commission’s Bureau of Investigation and Enforcement (BIE), the Office of Small Business Advocate (OSBA) and the Office of Consumer Advocate (OCA). In addition, complaints were filed by OCA at Docket Nos. C-2019-3008565 (PNG - Peoples) and C-2019-3008564 (PNG - Equitable) and by OSBA at Docket Nos. C-2019-3008753 (PNG - Peoples) and C-2019-3008752

¹ A separate Recommended Decision appears in Docket No. R-2019-3007613.

(PNG - Equitable). PNG indicated in its prehearing memorandum that it did not oppose consolidating those complaints into these rate proceedings.

The presiding officer conducted the prehearing conference on April 4, 2019 with the following parties present and represented by counsel: PNG, Peoples Gas, OCA, OSBA, BIE, and Pennsylvania Independent Oil and Gas Association (PIOGA). At the prehearing conference, the parties considered issues raised by the filing, discussed prehearing matters and established a litigation schedule. Thereafter, on April 8, 2019, the presiding officer issued a prehearing order which memorialized the matters discussed, established a litigation schedule and granted the Petition to Intervene of PIOGA.

PNG filed its direct testimony with the filing dated April 1, 2019. On May 3, 2019, OCA served its written direct testimony. On May 22, 2019, PNG served its written rebuttal testimony in addition to filing a Motion for Protective Order. On May 30, 2019, OCA served its written surrebuttal testimony and the presiding officer issued a Protective Order.

The presiding officer scheduled the initial hearing on June 6, 2019 and June 7, 2019; however, prior to the start of the proceedings, the parties informed the presiding officer a settlement was reached. Accordingly, the presiding officer conducted a hearing by telephone with the parties present in the Commission's hearing room in Harrisburg. No party appeared at the hearing to oppose the Settlement or the admission of evidence. The parties moved to admit the preserved and/or pre-filed testimony and exhibits, which motions were granted on the hearing record on June 6, 2019. The parties were given until June 28, 2019 in which to submit a fully executed settlement with Statements in Support. All testimony and exhibits admitted into evidence on June 6, 2019 are listed in the transcript at pages 38 to 45, and in Attachment A to this Recommendation.

On June 28, 2019, the Joint Petition for Settlement (Settlement or Joint Petition), including Statements in Support by PNG, BIE, OSBA and OCA, was filed with the Secretary's Bureau. Intervenor PIOGA filed a Letter of Non-Opposition on June 28, 2019.

On July 10, 2019, the presiding officer issued an Interim Order closing the hearing record.

This Recommended Decision recommends the Settlement be adopted without modification.

DESCRIPTION AND TERMS OF SETTLEMENT

In accordance with Rule 5.231 of the Commission's Rules of Practice and Procedure, 52 Pa.Code § 5.231, the parties explored the possibility of settlement. As a result of settlement discussions, the parties achieved a settlement in principle under which all issues are resolved. The Settlement, which is fully executed by Peoples Natural Gas, BIE, OCA and OSBA (Signatories or Joint Petitioners), consists of 27 pages and 5 appendices. Appendix A sets forth the tariff supplement describing the agreed upon rates. Appendix B sets forth the Statement in Support of Peoples Natural Gas Company LLC. Appendix C sets forth the Statement in Support of the Office of Consumer Advocate. Appendix D sets forth the Statement in Support of the Commission's Bureau of Investigation and Enforcement. Appendix E sets forth the Statement in Support of the Office of Small Business Advocate.

The parties also express their agreement with respect to nine separate issues: (1) Retainage and Lost and Unaccounted For Gas; (2) Balancing Charges; (3) Interest Refund; (4) Capacity and Commodity Charges; (5) Recovery of Allegheny Valley Connector (AVC) Authorized Overrun Charges; (6) Calculation of Storage Costs Using Weighted Average Commodity Cost of Gas (WACOG); (7) Texas Eastern Transmission LP (TETCO) Asset Management Agreement (AMA); (8) Separation of Retainage Rates; and (9) Miscellaneous. The parties specifically agreed to the following settlement terms, as provided in Section II, paragraphs 25 through 36, and as quoted below.

A. RETAINAGE AND LOST AND UNACCOUNTED FOR GAS

25. Effective October 1, 2019, the tariffed retainage rate for all rate classes shall be 5.2%.

26. As proposed in Peoples Natural Gas Statement No. 5, the producer retainage rate shall be the current rate of 2% and will continue to apply regardless of where conventional local gas enters the Company's system. More specifically, the producer retainage rate will remain at 2% for PNG-Peoples and continue to be negotiated at a minimum of 2% for PNG-Equitable.

B. BALANCING CHARGES

27. PNG's balancing charges for this proceeding will be calculated as set forth in the Company's Exhibit No. 12 included in the Annual filing made on April 1, 2019.

C. INTEREST REFUND

28. PNG is refunding additional interest of \$468,304 associated with a prior period adjustment in the October 2016 quarterly filing, as explained in Peoples Natural Gas Statement No. 3.

D. CAPACITY AND COMMODITY CHARGES

29. PNG's proposal to begin including capacity charge over/under collections with the capacity charge is approved. Beginning October 1, 2019, PNG will segregate the recovery of capacity charge and commodity charge over/under collections. After one year of segregating these recoveries, PNG will begin including the capacity charge over/under collections with the projected capacity charge and will charge a single capacity charge effective October 1, 2020. The Gas Cost Adjustment Charge ("GCA") will then only be for the recovery of commodity over/under collections.

E. RECOVERY OF ALLEGHENY VALLEY CONNECTOR ("AVC")
AUTHORIZED OVERRUN CHARGES

30. PNG's proposal to recover the \$1,005,000 of AVC authorized overrun charges consistent with the settlement in the 1307(f)-2015 proceeding by including the costs in this proceeding is approved.

F. CALCULATION OF STORAGE COSTS USING WACOG

31. PNG-Peoples received Commission approval to switch from the Last-In-First-Out ("LIFO") storage inventory gas accounting to Weighted Average Commodity Cost of Gas ("WACOG") storage inventory gas accounting. The gas costs to be recovered effective January 1, 2020, include the storage costs calculated using the WACOG methodology.

G. TEXAS EASTERN TRANSMISSION LP (“TETCO”) ASSET
MANAGEMENT AGREEMENT (“AMA”)

32. The parties agree that PNG’s awarding of an AMA of its TETCO capacity for the period of November 2018 through October 2019, as described in Peoples Natural Gas Statement No. 2, was reasonable and consistent with the least cost fuel procurement policy.

H. SEPARATION OF RETAINAGE RATES

33. 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, PNG agrees that if this issue is raised in the Company’s 2020 Purchased Gas Costs 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 Purchased Gas Costs 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.

I. MISCELLANEOUS

34. Except as revised by this Settlement, the proposed rates and other requested approvals contained in the Company’s Purchased Gas Costs filing should be approved.

35. 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.

36. 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 Natural Gas Statement No. 2 and related exhibits included in the 1307(f)-2019 definitive filing.

IMPACT OF SETTLEMENT ON RATES

In Paragraphs 37 and 38 of the Settlement, the Signatories noted parties to a 1307(f) proceeding usually are requested to provide the following material in a settlement petition: (1) current rates for each customer class; (2) requested and negotiated changes in gas costs per customer class, including the increase/decrease in dollar amounts and as a percentage of the current rates; and (3) the impact on each customer class if the proposed rate was approved versus if the settled-upon rate was approved.

Specifically, in Paragraph No. 38, the Signatories provided this information in two tables, provided below.

<u>PNG-Peoples</u>			As-Filed		Settlement		
<u>Rate Schedule</u>	<u>Average Annual Usage (Mcf)</u>	<u>Existing Tariff Rates 1/</u>	<u>Gas Cost Change</u>	<u>Percent Change</u>	<u>Gas Cost Change</u>	<u>Annual Bill As-Filed</u>	<u>Annual Bill Settlement</u>
-						\$ -	\$ -
RS	86	\$9.4038	(\$0.8066)	-8.6%	\$0.0000	906.51	906.51
Commercial SGS	238	\$7.7474	(\$0.7521)	-9.7%	\$0.0000	1,843.17	1,843.17
Industrial SGS	238	\$7.3178	(\$0.7521)	-10.3%	\$0.0000	1,802.23	1,802.23
Commercial MGS	3,224	\$7.5444	(\$0.7538)	-10.0%	\$0.0000	22,814.78	22,814.78
Industrial MGS	3,224	\$6.8814	(\$0.7539)	-11.0%	\$0.0000	20,676.94	20,676.94
Commercial LGS	50,000	\$7.5845	(\$0.8077)	-10.6%	\$0.0000	345,365.02	345,365.02
Industrial LGS	50,000	\$6.9514	(\$0.8076)	-11.6%	\$0.0000	313,715.02	313,715.02

1/ PNG-Peoples net billing rate effective January 1, 2019.

<u>PNG - Equitable</u>	-		As-Filed		Settlement		
<u>Rate Schedule</u>	<u>Average Annual Usage (Mcf)</u>	<u>Existing Tariff Rates</u> <u>1/</u>	<u>Gas Cost</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Gas Cost</u> <u>Change</u>	<u>Annual Bill</u> <u>As-Filed</u>	<u>Annual Bill</u> <u>Settlement</u>
RS	86	\$9.0741	(\$0.8066)	-8.9%	\$0.0000	\$ 866.04	\$ 866.04
GSS	238	\$8.0651	(\$0.7521)	-9.3%	\$0.0000	\$ 1,939.41	\$ 1,939.41
GSL	3,224	\$7.7729	(\$0.7538)	-9.7%	\$0.0000	\$ 24,384.70	\$ 24,384.70
GSL > 25,000 Mcf/Yr	50,000	\$7.6130	(\$0.8076)	-10.6%	\$0.0000	\$ 358,991.31	\$ 358,991.31

1/ PNG-Equitable net billing rate effective January 1, 2019.

FINDINGS OF FACT

The settling parties agreed to several proposed findings of fact with citations to the record of admitted evidence. As set forth in Section IV, Paragraphs Nos. 39 through 69 of the Settlement, these proposed findings provide the information necessary to support the “Findings of Fact” set forth as stated *in verbatim* below.

39. PNG pursues its goal of least cost reliable service through a combination of local and interstate assets and supplies. The local assets are PNG’s on-system storage facility and a gathering system, which have allowed PNG to enhance the deliverability of local natural gas supplies produced in Pennsylvania and purchased by PNG from Pennsylvania producers. (Peoples Natural Gas Statement No. 2, pp. 4-5.)

40. PNG’s interstate assets are comprised of a portfolio of transportation and storage services that PNG has contracted for with various Federal Energy Regulatory Commission (“FERC”)-regulated pipelines, specifically, Dominion Energy Transmission, Inc. (“DETI”), TETCO, Equitrans L.P. (“Equitrans”), and National Fuel Gas Supply Corporation (“NFG”). Those assets give PNG access to a variety of locations at which it can receive gas supplies that are produced upstream of the PNG system. The interstate storage assets allow PNG to use its upstream assets more efficiently, mitigate the effects of price swings in the natural gas market, and enhance the deliverability of PNG’s interstate natural gas supplies during periods of peak demand. PNG’s interstate supplies are primarily EQT Energy, LLC (“EQT Energy”) and other Appalachian-produced gas that it purchases from suppliers upstream of the PNG system for delivery into various

receipt points of the interstate pipelines and occasionally purchases on a delivered to the city-gate basis. (Peoples Natural Gas Statement No. 2, p. 5.)

41. Over the 1307(f)-2019 historical period, PNG's natural gas 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 NFG. In addition, PNG purchases winter-only, firm, city-gate delivered supply via Tennessee and winter-only, firm, city-gate delivered supply via TETCO. Although these are gas purchase arrangements, PNG treats them the same as interstate capacity because the Company requires deliveries at the respective delivery points. Therefore, PNG would pursue firm capacity at these points if firm city-gate delivered supply was not available. (Peoples Natural Gas Statement No. 2, p. 16.)

42. Beginning December 17, 2013, when the acquisition of Equitable Gas Company ("Equitable") closed, Equitrans began providing firm transportation and firm storage services from Equitrans' Allegheny Valley Connector ("AVC") to PNG-Peoples. The AVC services consist of transportation service under Rate Schedule FTS, no-notice transportation service under Rate Schedule FTSS, and Storage Service under Rate Schedule GSS. The FTSS and GSS service agreements provide PNG and its customers with access to AVC storage capacity of 8.6 MMDth annually and maximum deliverability of 200,000 Dth per day. The FTS service agreement provides PNG and its customers up to 251,700 Dth per day of firm transportation capacity. These service agreements provide for a total of 451,700 Dth per day of firm capacity on the AVC system. (Peoples Natural Gas Statement No. 2, p. 19.)

43. Beginning April 1, 2014, Equitrans began providing PNG-Peoples firm transportation service under Rate Schedule FTS from Equitrans' Mainline system. This firm capacity replaced 251,700 Dth per day of firm transportation and storage capacity previously provided by DETI under service agreements that expired March 31, 2014. Gas transported under this agreement is sourced from receipt points on the Sunrise section of the Mainline system and delivered to Equitrans' Ginger Hill station, which is the point of interconnection between Equitrans' Mainline and AVC systems. The capacity is seasonal, and the maximum daily quantity is 251,700 Dth during November through March and 62,000 Dth during April through October. (Peoples Natural Gas Statement No. 2, p. 20.)

44. PNG plans to acquire via capacity release from Peoples Gas 4,000 Dth/day of Equitrans Rate GSS storage deliverability and related firm transportation under Rate FTS. PNG is proposing to acquire this service during the 1307(f)-2019 projected period. (Peoples Natural Gas Statement No. 2, p. 21.)

45. DETI provides service to PNG under four service agreements and three rate schedules. DETI provides year-round Rate FTNN no-notice transportation service at 40,000 Dth/day, Rate FT firm transportation service of 40,000 Dth/day, and Rate GSS storage service under two separate service agreements, one with capacity of 4.6 MMDth

annually and maximum deliverability of 40,000 Dth/day and the other with capacity 2.48 MMDth annually and up to 40,000 Dth/day of deliverability. These agreements promote service reliability in parts of the PNG distribution system that are particularly well suited for gas deliveries from DETI. (Peoples Natural Gas Statement No. 2, p. 22.)

46. TETCO provides PNG with firm transportation service under Rate Schedule FT-1 and also delivers firm to the city-gate purchases made by PNG. PNG requires deliveries of gas at Ebensburg, Claysburg, and Rockwood in the eastern portion of its service territory. TETCO is the only pipeline that physically interconnects with PNG at those three points. PNG purchases gas on TETCO and moves it over TETCO's facilities under its Rate FT-1 service agreement primarily to the Ebensburg delivery point. PNG also contracts with gas suppliers for the purchase of firm supply that is delivered on TETCO to PNG city-gates at the Claysburg and Rockwood delivery points in addition to occasionally supplementing the firm transportation deliveries at Ebensburg. TETCO also provides an operational balancing agreement that helps PNG to manage the unanticipated swings in demand at its physical interconnections with TETCO. (Peoples Natural Gas Statement No. 2, p. 24.)

47. PNG had 15,650 Dths/day of FT-1 firm transportation service under contract from TETCO for the entire 1307(f)-2019 historical period. Gas supplies under this transportation contract, which expires on April 30, 2020, are delivered by TETCO primarily at PNG's Ebensburg delivery point located in TETCO's market zone M3. This service agreement may also be used to deliver gas supplies at Claysburg, also in M3, and Rockwood, which is upstream of Ebensburg in TETCO's market zone M2. PNG plans to renew this TETCO FT-1 firm transportation service agreement during the 1307(f)-2019 projected period. (Peoples Natural Gas Statement No. 2, pp. 24-25.)

48. The Company proposed in the 1307(f)-2015 proceeding to put in place an arrangement for additional firm gas deliveries of up to 25,000 Dth per Day to the Ebensburg delivery point for the 2015-2016 winter period. In the following year's 1307(f)-2016 proceeding, PNG recommended seeking proposals for similar arrangements for the following winter which request for proposal ("RFP") resulted in firm agreements covering the 2016-2017, 2017-2018, and 2018-2019 winter periods. This most recent winter included two days with 60 HDDs and 63 HDDs on January 30 and 31, respectively, when PNG used the firm agreements to deliver over 29,000 Dths per day at Ebensburg, which assisted effectively to hold up the eastern portion of the PNG service territory. (Peoples Natural Gas Statement No. 2, pp. 26-27.)

49. PNG requires up to 3,000 Dth/day at its Rockwood interconnection with TETCO in TETCO's market zone M-2. Prior to 2007, PNG satisfied this requirement with TETCO firm transportation capacity, but the M-2 firm transportation capacity was not renewed upon its March 31, 2007 expiration. PNG then entered into a series of annual agreements for either firm delivered supply or for the purchase of released capacity that PNG then matched with spot purchases that extended through the 2013-2014 winter period. For the next two winter seasons, PNG satisfied its needs at this delivery point with delivered gas purchases. For the 2017-2018 and 2018-2019 seasons, PNG issued

RFPs and contracted for a firm delivered gas agreements for up to 3,000 Dth/day each. (Peoples Natural Gas Statement No. 2, p. 25.)

50. RFPs were issued to over 20 potential suppliers for the Company's Rockwood meter in TET[C]O M2 that had an expiration of March 31, 2018, and PNG received seven proposals. PNG entered into an agreement with two suppliers to make deliveries of up to 3,000 Dth/day with no associated reservation fee per month and a commodity based premium to the TETCO M2 index. These agreements expired March 31, 2019. As a result of acceptance of the lowest cost offers, PNG rejected higher cost offers. (Peoples Natural Gas Statement No. 2, pp. 27-28.)

51. The Company has proposed to issue an RFP to potential suppliers for TETCO Zone M-2 firm delivered supply up to 3,000 Dth/day for the winter period November 2019 through March 2020. The Company also proposes to issue a separate RFP to potential suppliers for TETCO Zone M-3 firm delivered supply up to 24,000 Dth/day for the winter period November 2019 through March 2020. (Peoples Natural Gas Statement No. 2, p. 28.)

52. Prior to the winter of 2010-2011, PNG had contracted for firm transportation capacity on Tennessee. Beginning that winter, PNG has continuously pursued a RFP process and contracted for firm city-gate delivered gas supply as a replacement for the firm transportation service that PNG had been purchasing from Tennessee on a year-to-year basis. (Peoples Natural Gas Statement No. 2, p. 29.)

53. The delivered supply agreements required the supplier to utilize Tennessee pipeline delivery points directly into PNG at Pittsburgh Terminal and Pulaski. In addition, the agreements also required deliveries into the Columbia Gas of Pennsylvania ("CPA") natural gas distribution system at New Castle, PA. This supply supports an exchange agreement under which CPA delivers gas into the Grove City area of PNG's service territory, which is not physically integrated with the rest of the PNG system. (Peoples Natural Gas Statement No. 2, p. 29.)

54. During the 1307(f)-2019 historical period, following the RFP process, PNG entered into two firm delivered supply agreements with South Jersey Resources and Shell North America. The contracts with each supplier provide for up to 26,000 Dth/day of firm supply delivered to PNG with 0 - 20,000 Dth/day delivered to Pittsburgh Terminal, 0 - 3,000 Dth/day delivered to Pulaski, and 0 - 3,000 Dth/day delivered to New Castle. Like TETCO, Tennessee also provides PNG with an operational balancing agreement to manage unanticipated swings in demands at the Tennessee/ PNG physical interconnections. (Peoples Natural Gas Statement No. 2, pp. 29-30.)

55. The Company issued another RFP for firm delivered supply on Tennessee that will provide for delivery of natural gas on a firm basis at the same quantities and same Tennessee delivery points as previous years' agreements for the winter period of November 2019 through March 2020. (Peoples Natural Gas Statement No. 2, p. 30.)

56. NFG provides PNG with no-notice storage service and firm transportation service under rates approved by the FERC. PNG uses NFG's services primarily to serve the isolated Grove City area of its service territory. Like its other storage assets, PNG uses its storage service from NFG as a no-notice balancing service to manage supply to an uncertain demand and as a way to reduce natural gas costs, by buying supplies when they generally are cheaper during the summer months and injecting them into storage, and to enhance reliability, by withdrawing the volumes from storage during the winter when demand is highest. PNG utilizes its firm transportation service from NFG both to support the NFG storage service and for deliveries from other supply sources. (Peoples Natural Gas Statement No. 2, p. 31.)

57. During the entire 1307(f)-2019 historical period and for the first two months of the 1307(f)-2019 projected period, NFG provided 9,793 Dth/day of no-notice storage service to PNG under its Rate ESS and 15,476 Dth/day of firm transportation service to PNG under its Rate EFT. PNG entered into both of those contracts in the mid-1990s, and the primary terms of those contracts expired on March 31, 2003. However, each of the contracts contains a one-year notice of termination provision so that if neither party gives the other one year's notice of termination, the contracts automatically renew for another year. The contracts have automatically renewed on April 1 of each year since 2003 and renewed again, effective April 1, 2019. As a result, the NFG contracts will be in effect throughout the 1307(f)-2019 projected period. (Peoples Natural Gas Statement No. 2, pp. 31-32.)

58. PNG currently owns and operates the Dice Storage Field, which has 1,530,000 Mcf of storage capacity and 32,000 Mcf of maximum daily withdrawal capacity. (Peoples Natural Gas Statement No. 2, p. 36.)

59. 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 Natural Gas Statement No. 2, p. 38.)

60. PNG has traditionally used gas produced locally in Pennsylvania as the source of supply to which it turns first in fulfilling its supply requirements. In order to absorb local gas into its system, PNG constructed a network of pipelines and related facilities that move the gas either to customers who happen to be located in areas in which gas is produced or to the more populated areas of the service territory where the greatest level of consumption occurs, and, in summer months, to PNG's on-system and off-system storage facilities. (Peoples Natural Gas Statement No. 2, p. 40.)

61. PNG has been purchasing spot market supplies since 1986. Along with its local gas supplies, these are the supplies that PNG uses to meet the demands of those customers who continue to buy their supplies from PNG. With the exception of the EQT

Energy supply, these are also the supplies that PNG uses its various interstate pipeline assets to transport and store. (Peoples Natural Gas Statement No. 2, p. 44.)

62. PNG-Peoples and PNG-Equitable purchased gas under the EQT Energy gas purchase agreements during the 1307(f)-2019 historical period. The PNG-Peoples agreement matches gas supply with the Equitrans Sunrise/Mainline firm transportation contract of up to 251,700 Dth/day. The annual quantity is 15 MMDth, and EQT Energy will deliver up to 251,700 Dth/day at active receipt point interconnects with the Equitrans Sunrise and AVC system. The PNG-Equitable agreement matches a firm gas supply with the Equitrans firm transportation contract of up to 164,935 Dth/day. The annual quantity is 20 MMDth, and EQT Energy will deliver up to 164,935 Dth/day at active receipt point interconnects with the Equitrans Sunrise and Mainline systems. (Peoples Natural Gas Statement No. 2, p. 46.)

63. For the period ending August 31, 2017, the overall PNG system loss was 5.1 Bcf, which results in an overall system loss rate of 3.9%, which is 2.3 Bcf or 31% less than the 2011 UFG. (Peoples Natural Gas Statement No. 5, p. 4.)

64. The two main contributors to UFG are Distribution UFG and Gathering UFG. Distribution UFG for the last reporting period is 2.5 Bcf or 1.98%. This level is well below the Commission's target for Distribution UFG of 3.0%. The 2018 reporting period Gathering UFG of 2.7 Bcf equates to a loss rate of 8.94%, down from 10.16% in 2017. (Peoples Natural Gas Statement No. 5, p. 4.)

65. Despite its efforts to reduce UFG and the improved results, PNG is challenged to reduce UFG on its pipelines that gather gas from local production wells. The PNG gathering system comprises approximately 1,500 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. The customers are generally scattered across the gathering system in relatively rural areas, and there are very few areas where there are high concentrations of customers. Since the Commission adopted regulations beginning in 2014, requiring industry-wide UFG reporting, when possible by pipeline system function, PNG has segmented the loss attributable to the gathering pipelines from the loss attributable to other functional pipeline systems. (Peoples Natural Gas Statement No. 5, p. 4.)

66. In the Company's last Purchased Gas Costs proceeding, prospective gathering loss rate targets were established. PNG's 2018 gathering loss of 8.94% is below the first future target of 9.0% for the UFG reporting period of September 2018 through August 2019. (Peoples Natural Gas Statement No. 5, pp. 4-5.)

67. The Company began an assessment of additional items that could reduce UFG. As a result, PNG has dedicated an additional \$3.0 million for accelerated cut-offs and short segment gathering line replacements in 2019. This increases the budget for 2019 from \$3.9 to \$6.9 million or by 74%. Including these additional activities in the total

UFG plan budget increases the total budget by 14% over the original plan. (Peoples Natural Gas Statement No. 5, p. 6.)

68. PNG has taken several steps to try to reduce UFG on the gathering system, as outlined in Peoples Natural Gas Exhibit No. 17. The Company also completed the following in 2018: (1) installed two additional segmentation meters to help isolate loss areas; (2) expired 205 zero flow production meters; (3) completed 389 meter audits; (4) completed 352 meter service/repair orders; (5) began automation of measurement data for ready UFG analysis; (6) began implementation of the Unauthorized Use Program including a Gas Theft Hotline; and (7) provided enhanced mapping to record monthly pressures and volumes to aid to loss determination. (Peoples Natural Gas Statement No. 5, pp. 6-7.)

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

DISCUSSION

Section 1307(f)(5) of the Public Utility Code (Code), 66 Pa.C.S.A. § 1307(f)(5), requires that the Commission determine the portion of PNG's historic period actual gas costs which meet the least cost fuel procurement standards set forth in Section 1318 of the Code, 66 Pa.C.S.A. § 1318. In addition, Section 1318 findings must be made with respect to new GCR to be established in this proceeding. Section 1317 of the Code, 66 Pa. C.S. § 1317, requires the submission of certain information to enable the Commission to make a least cost fuel procurement policy evaluation.

In determining whether PNG is pursuing a least cost fuel procurement policy under Section 1318 of the Code, the specific findings in §§ 1318(a)(1) through (4) must be made as follows: (1) that the utility has fully and vigorously represented its ratepayers' interests before the Federal Energy Regulatory Commission (FERC); (2) that the utility has taken all prudent steps necessary to negotiate favorable gas supply contracts and to relieve the utility from terms in existing contracts with its gas suppliers which are or may be adverse to ratepayer interests; (3) that the utility 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; and, (4) that the

utility 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. 66 Pa. C.S. §§ 1318(a)(1)-(4).

In this proceeding, the parties reached a settlement. The Commission encourages parties in contested on-the-record proceedings to settle cases,² because settlements eliminate the time, effort and expense of litigating a matter to its ultimate conclusion, which may entail review of the Commission’s decision by the appellate courts of Pennsylvania. Such savings benefit not only the individual parties, but also the Commission and all ratepayers of a utility, who otherwise may have to bear the financial burden such litigation necessarily entails.

By definition, a “settlement” reflects a compromise of the positions the parties of interest held, which arguably fosters and promotes the public interest. When active parties in a proceeding reach a settlement, the principal issue for Commission consideration is whether the agreement reached suits the public interest.³ In their supporting statements, PNG, BIE, OSBA and OCA conclude, after extensive discovery and discussion, this Settlement resolves the issues in these dockets, fairly balances the interests of the Company and its ratepayers, is in the public interest, is consistent with the requirements of Sections 1307 and 1318 of the Public Utility Code,⁴ and should be approved.

The issues specifically addressed by the parties are discussed below.

² See 52 Pa.Code § 5.231.

³ Pa. Pub. Util. Comm’n v. CS Water and Sewer Associates, 74 Pa. PUC 767, 771 (1991).

⁴ 66 Pa.C.S.A. § 1307 and § 1318.

SETTLEMENT AND STATEMENTS IN SUPPORT

Natural Gas Cost Rates effective October 1, 2019

The Company Position

The Company notes the Signatories agreed in the Settlement to the proposed rates and other requested approvals contained in the Purchased Gas Costs filing and request the Commission approve those proposed rates and changes, unless those rates and changes were modified by the Settlement. (Settlement ¶ 34.) The Company avers it will update the proposed rates in its compliance filing to reflect the updated actual and projected over/undercollections through September 30, 2019. (Settlement ¶ 35.) The Company points out the Signatories agreed the Commission should approve the renewals and changes in gas supply, pipeline, and storage capacity contracts, which are explained in Peoples Natural Gas Statement No. 2 and related exhibits included in its 1307(f) definitive filing for 2019. (Settlement ¶ 36).

The Company contends its proposal - for the Purchased Gas Costs and balancing rates to take effect on October 1, 2019 - is supported by record evidence. PNG explained the development of the natural gas supply rates utilizing cost projections, sales projections, and the reconciliation process provides full support for the rates and the underlying calculations. (*See* Peoples Natural Gas Statement No. 3; Peoples Natural Gas Statement No. 3-R.) The Company asks the Commission to approve without modification these settlement provisions concerning PNG's proposed Purchased Gas Costs and balancing rates because they are just and reasonable.

BIE Position

BIE did not express an opinion about this issue in its Statement in Support.

OCA Position

OCA did not express an opinion about this issue in its Statement in Support.

OSBA Position

OSBA did not express an opinion about this issue in its Statement in Support.

Retainage and Lost and Unaccounted For Gas

The Company Position

PNG recommended decreasing the tariffed retainage rate from 6.6% to 5.2% for all non-discounted transportation customers⁵ using a calculation based on the most recent three-year average for unaccounted for gas (UFG) and company use (CU).⁶ This calculation differed from prior 1307(f) proceedings, when PNG used a two-year average. The Company averred it changed the calculation in order to: (1) have a consistent calculation across both PNG and Peoples Gas; and (2) to help flatten out changes with respect to individual yearly UFG losses. In moving from a two-year average to a three-year average, PNG contended there was only a minimal difference in the overall UFG/CU percentage.⁷

OCA proposed a retainage rate of 5.3% for non-discounted transportation customers,⁸ and proposed using a three-year average of actual UFG volumes - rather than applying a three-year percentage average of UFG - in its projected receipt volumes during the 2019 Purchased Gas Costs period,⁹ because system losses and UFG are not directly related to system receipts.

⁵ Peoples Natural Gas Statement No. 3, pp. 3-4; Peoples Natural Gas Exhibit No. 4; Peoples Natural Gas Exhibit No. 6.

⁶ Peoples Natural Gas Statement No. 3, pp. 3-4; Peoples Natural Gas Exhibit No. 4.

⁷ Peoples Natural Gas Statement No. 3, p. 3.

⁸ OCA Statement No. 1, pp. 3, 7-8; OCA Schedule JDM-1.

⁹ OCA Statement No. 1, pp. 6-8.

PNG had argued the proposed retainage rate is dependent on the volumes paying the maximum retainage rate. PNG argued OCA's recommendation to eliminate volumes from the calculation¹⁰ would be improper to eliminate because throughput is integral to the UFG calculation and PNG was unaware of any gas utility that made such an assumption as to eliminate system throughput.

In order to address OCA's concerns without eliminating throughput, PNG proposed a revised retainage rate calculation, which resulted in no change from the as-filed percentage of 5.2%.¹¹ As the Company explained, the customer throughput used in Peoples Natural Gas Exhibit No. 4, line 12, did not include all system throughputs found in line 5¹² because the additional throughputs include off system deliveries, exchanges with Peoples Gas, and storage turn.¹³ PNG argued the most appropriate way to address OCA's concern regarding the retainage calculation was to account for all throughput volumes and any associated recoveries.¹⁴ Accordingly, PNG adjusted the line 12 throughput on Peoples Natural Gas Exhibit No. 4-R to include those volumes and an additional recovery was inserted, matching these flows.¹⁵

PNG pointed out OCA acknowledged in surrebuttal the Company's revisions adequately addressed its concern about using a three-year percentage average of the recovery requirement to calculate the retainage charge.¹⁶ OCA agreed the retainage charge of 5.2 percent should be approved. Under the Settlement, PNG noted the tariffed retainage rate for all rate classes is listed as 5.2% effective October 1, 2019. (See Settlement ¶ 25.) PNG averred the

¹⁰ Peoples Natural Gas Statement No. 3-R, pp. 3-5.

¹¹ Peoples Natural Gas Statement No. 3-R, p. 4; Peoples Natural Gas Exhibit No. 4-R.

¹² Peoples Natural Gas Statement No. 3-R, p. 4.

¹³ Peoples Natural Gas Statement No. 3-R, p. 4.

¹⁴ Peoples Natural Gas Statement No. 3-R, p. 4.

¹⁵ Peoples Natural Gas Statement No. 3-R, pp. 4-5.

¹⁶ OCA Statement No. 1S, p. 3.

Settlement is consistent with the Joint Petitioners' positions regarding the proposed retainage rate and the settlement provision is reasonable, is in the public interest and should be approved without modification.

BIE Position

BIE noted the terms of the Settlement provide the tariffed retainage rate for all rate classes should be 5.2%, effective October 1, 2019. BIE agreed with the original proposal, as proposed in Peoples Natural Gas Statement No. 5, that the producer retainage rate should remain the current rate of 2% and continue to apply regardless of where conventional local gas enters the Company's system. More specifically, the producer retainage rate would remain at 2% for PNG-Peoples and continue to be negotiated at a minimum of 2% for PNG-Equitable.¹⁷ BIE did not oppose inclusion of these terms in the Settlement.

OCA Position

OCA noted it initially recommended an alternative method to calculate the retainage rate, which would have yielded a retainage rate of 5.3%, instead of the tariffed retainage rate for transportation customers in all classes equal to 5.2%, as provided in Paragraph 25 of the Settlement.¹⁸ Specifically, OCA recommended the retainage charge should 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 (as was proposed by PNG.)¹⁹ 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.

¹⁷ Settlement, ¶¶ 25, 26.

¹⁸ OCA Statement. No. 1 at 8; OCA Sched. JDM-1.

¹⁹ OCA Statement. No. 1 at 8-9.

OCA noted the Company proposed in rebuttal testimony to include volumes in the retainage calculation which it had omitted from its initial proposal. The additional volumes represented off-system deliveries, exchanges with PNG's affiliated company Peoples Gas LLC, and what the Company termed "storage turn" (reflecting both the injection and withdrawal of on-system storage gas).²⁰ With the inclusion of the previously-omitted volumes, the projected throughput volume used to calculate the retainage charge proved to be higher than the historical volumes.²¹ OCA admitted these additional volumes did not change the calculated retainage rate (5.2%), but noted the addition of these volumes alleviated its concerns the Company was basing its calculation on unrealistically low projected throughput volumes. Accordingly, OCA agreed to the modified retainage calculation method proposed by the Company in its Rebuttal Testimony.

OSBA Position

OSBA reviewed the Company's actions to mitigate its levels of lost and unaccounted-for gas (LAUFG) and noted PNG's overall LAUFG levels declined over the previous three years. OSBA pointed out the Company's 2018 gathering system losses remained high at 8.94%.²² To address these concerns about gathering system losses, the Signatories 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 would be unreasonable. As a result, OSBA noted it was satisfied the Company is taking reasonable actions to reduce its levels of LAUFG, but OSBA plans to revisit this issue in the Company's 2020 Section 1307(f) proceeding.

Finally, OSBA reviewed the Company's proposed retainage rates for (i) all rate classes (5.2%) and (ii) producers (2.0%). OSBA noted it found these rates to be reasonable even though the Company's retainage rates are higher than many natural gas distribution companies

²⁰ Peoples Natural Gas Statement No. 3-R at 4-5.

²¹ Peoples Natural Gas Exhibit No. 4-R.

²² Peoples Natural Gas Exhibit No. 4, and Statement No. 5 at p.4.

across the Commonwealth, as a result of PNG's overall LAUFG levels. OSBA asserted nevertheless it found 5.2% to be acceptable.

Balancing Charges

The Company Position

The Company proposed balancing charges²³ based on the assets used to provide balancing services for its transportation customers, which includes Allegheny Valley Connector (AVC) storage, non-AVC upstream pipeline storage currently under contract with PNG, and on-system storage.²⁴

PNG noted OCA's recommendation that the Company's proposed balancing charges should be adjusted to: (1) include on-system storage losses of 110,000 Mcf, with an annual cost of \$299,603; (2) include the overrun charges of \$133,237 experienced by the Company during the historic review period; and (3) exclude 18,900 Mcf/day of daily deliverability associated with the Company's Dominion Energy Transmission, Inc. (DETI) storage contract that does not provide service to the Company's city-gate.²⁵ Based on these adjustments, OCA proposed increasing the Rate SGS/MGS balancing charge from \$0.4062/Mcf to \$0.4260/Mcf and increasing the Rate LGS balancing charge from \$0.0886/Mcf to \$0.0930/Mcf.²⁶

The Company disagreed with the first suggested adjustment but agreed with the second and third adjustments. Concerning the first suggested adjustment, the Company argued OCA's proposal - to include on-system storage losses - should be rejected because gas purchased for on-system storage is not used by or for transportation customers and, accordingly, it is

²³ Peoples Natural Gas Statement No. 3, p. 18; Peoples Natural Gas Exhibit No. 12.

²⁴ Peoples Natural Gas Statement No. 3, p. 17.

²⁵ OCA Statement No. 1, pp. 3, 10-12; OCA Schedule JDM-2.

²⁶ OCA Statement No. 1, pp. 11-12; OCA Schedule JDM-2.

inappropriate to assign on-system storage losses to transportation customers.²⁷ The Company contended on-system storage deliverability is what satisfies transportation customers' balancing needs, not the on-system storage commodity. The Company had argued that - in order to complete the removal of the 18,900 Mcf/day of upstream DETI daily deliverability as proposed by OCA - the costs associated with the upstream DETI storage contract must be removed as well.²⁸ Furthermore, if the upstream contract deliverability does not support balancing the system, then the associated costs should not be in the balancing charge.

Specifically about the third suggested adjustment, the Company agreed to exclude the daily deliverability associated with the DETI storage contract that does not provide service to the Company's city-gate, on the condition that the associated costs of such storage (demand, capacity, injection/withdrawal and associated Firm Transportation No Notice (FTNN)) from the balancing charge calculation be removed as well.²⁹ The Company presented the revised balancing charge calculation in Peoples Natural Gas Exhibit No. 12-R on p. 3.

PNG noted OCA continued to object in surrebuttal that the Company should include on-system storage losses in the balancing charge calculation. OCA reasoned, "[i]f there was no gas in the Company's on-system storage facilities, there would be no deliverability available from on-system storage to meet transportation customer balancing requirements."³⁰ OCA also disagreed with removing the costs associated with the upstream DETI storage contract and, as alleged support for its position, OCA contended the 18,900 Mcf/day of deliverability provided by the DETI storage contract supports the Company's upstream balancing requirements.

Under the Settlement, the Joint Petitioners agreed as a compromise that PNG's balancing charges will be calculated as set forth in the Company's Exhibit No. 12 included in the

²⁷ Peoples Natural Gas Statement No. 3-R, p. 2.

²⁸ Peoples Natural Gas Statement No. 3-R, p. 3.

²⁹ Peoples Natural Gas Statement No. 3-R, p. 2.

³⁰ OCA Statement No. 1S, pp. 1-2.

annual filing made on April 1, 2019. (See Settlement ¶ 27.) PNG contended it provided substantial evidence to support its original proposal on balancing charges. Moreover, after reviewing all of the testimony submitted in this proceeding and as part of a broader compromise on all of the issues, the Joint Petitioners agreed the balancing charges as originally proposed should be adopted. The Company argued this settlement provision is reasonable, in the public interest and should be approved without modification.

BIE Position

BIE noted the Settlement provides PNG's balancing charges will be calculated as set forth in the Company's Exhibit No. 12 included in the annual filing made on April 1, 2019.³¹ BIE noted it does not oppose inclusion of these terms in the Settlement.

OCA Position

OCA noted Paragraph 27 of the Settlement provides that PNG's balancing charges will be calculated in the manner originally proposed by PNG in its Exhibit 12, which provision represents a compromise between the Company and OCA. OCA had recommended the balancing charges should be adjusted to include on-system storage losses, certain overrun charges that occurred during the historic review period, and to exclude the daily deliverability associated with the PNG's DETI storage contract which does not provide service to the Company's city-gate.³² Employing these recommendations, OCA recalculated the Company's proposed balancing charges and arrived at somewhat higher charges than did the Company.³³

OCA noted the Company disagreed on rebuttal with OCA regarding the inclusion of on-system storage losses in the balancing charge calculation, but agreed with the inclusion of the historic period overrun charges. While the Company agreed with removal of the daily

³¹ Settlement, ¶ 27.

³² OCA Statement No. 1 at 9-12.

³³ OCA Sched. JDM-2.

deliverability associated with the DETI storage contract, the Company argued it would be proper to also remove the costs associated with the contract (e.g., demand, capacity, injection/withdrawal and associated FTNN). Utilizing OCA's changes that the Company found acceptable, and removing the DETI contract costs, PNG presented on rebuttal the recalculated balancing charges that were lower than those the Company originally proposed.³⁴

OCA argued the balancing charges are paid by transportation customers, not sales (Purchased Gas Costs) customers, and there is an inverse relationship between balancing charges and Purchased Gas Costs rates. OCA contended higher balancing charges produce lower Purchased Gas Costs rates and vice versa. OCA noted it had calculated balancing charges that were higher than the Company's original proposal while the Company, in rebuttal, produced balancing charges that were lower than originally proposed. As a compromise in settlement, OCA agreed to accept the balancing charges as originally proposed.

OSBA Position

OSBA did not express an opinion about this issue in its Statement in Support.

Interest Refund

The Company Position

PNG noted it is refunding additional interest of \$468,304 associated with a prior period adjustment in the October 2016 quarterly filing.³⁵ During the most recent Commission audit of PNG's purchased gas costs for the years ending January 31, 2015 and January 31, 2016, the audit staff reviewed how the Company calculated interest associated with that prior period adjustment, and the Company agreed that additional interest was due to its ratepayers as a

³⁴ Peoples Natural Gas Statement No. 3-R at 2; PNG Exhibit 12-R.

³⁵ Peoples Natural Gas Statement No. 3, p. 14.

refund.³⁶ Although the Company contended it did not agree with the Commission’s audit staff on how much the additional interest should be, the Company calculated what it believed to be the correct amount of additional interest associated with the prior period adjustment.³⁷ That calculation was included as page 16 of Peoples Natural Gas Exhibit No. 10. The Company noted that no party opposed the refunding of the additional interest (in the amount of \$468,304) to ratepayers, and the Settlement memorializes the unopposed refund.³⁸ The Company averred the settlement provision is reasonable, in the public interest and should be approved without modification, because it refunds additional interest to ratepayers. In addition, PNG noted the contested issues between PNG and the Bureau of Audits will be addressed in the complaint proceeding at Docket Nos. M-2019-3008275, *et al.*

BIE Position

BIE averred the Settlement terms require the Company to refund additional interest of \$468,304 associated with a prior period adjustment in the October 2016 quarterly filing.³⁹ BIE noted it did not oppose inclusion of these terms in the Settlement.

OCA Position

OCA did not express an opinion about this issue in its Statement in Support.

OSBA Position

OSBA did not express an opinion about this issue in its Statement in Support.

³⁶ Peoples Natural Gas Statement No. 3, p. 14.

³⁷ Peoples Natural Gas Statement No. 3, p. 14.

³⁸ Settlement ¶ 28.

³⁹ Settlement, ¶ 28.

Capacity and Commodity Charges

The Company Position

PNG currently includes capacity charge over/under collections along with commodity charge over/under collections in its Gas Cost Adjustment Charge (GCA) and recovers the GCA from sales customers.⁴⁰ When Priority-One ratepayers switch from sales to transportation service, they continue to pay the capacity charge but do not pay the GCA.⁴¹ The Company averred that the switching customers do not share in the over/under collections of capacity charges.

PNG acknowledged the Commission's Audit Staff had recommended PNG separate its recovery of capacity charge and commodity charge over/under collections while PNG proposed to begin including capacity charge over/under collections with the capacity charge.⁴² Beginning in October 1, 2019, the Signatories agreed PNG will segregate the recovery of capacity charge and commodity charge over/under collections.⁴³ After one year of segregating these recoveries, PNG will begin including the capacity charge over/under collections with the projected capacity charge effective October 1, 2020. The GCA will then be used only for the recovery of commodity over/under collections.

The Company noted no party opposed its proposal to include capacity charge over/under collections with the capacity charge and the Settlement incorporates this unopposed proposal. PNG averred the settlement provision is reasonable and in the public interest.

⁴⁰ Peoples Natural Gas Statement No. 3, p. 19.

⁴¹ Peoples Natural Gas Statement No. 3, pp. 19-20.

⁴² Peoples Natural Gas Statement No. 3, p. 20.

⁴³ Peoples Natural Gas Statement No. 3, p. 20.

BIE Position

BIE noted the Settlement terms recommend the Commission approve PNG's proposal to include capacity charge over/under collections with the capacity charge beginning on October 1, 2019. BIE noted PNG will segregate the recovery of capacity charge and commodity charge over/under collections for one year and then PNG will include the capacity charge over/under collections with the projected capacity charge and charge a single capacity charge effective October 1, 2020. The Gas Cost Adjustment Charge (GCA) will then be used only for the recovery of commodity over/under collections.⁴⁴ BIE did not oppose inclusion of these terms in the Settlement.

OCA Position

OCA did not express an opinion about this issue in its Statement in Support.

OSBA Position

OSBA did not express an opinion about this issue in its Statement in Support.

Recovery of Allegheny Valley Connector and Authorized Overrun Charges

The Company Position

In the Company's Section 1307(f) proceeding in 2015, PNG agreed to remove \$1,005,000 of Allegheny Valley Connector (AVC) authorized overrun charges from the historic period (12 months ended January 2015) commodity costs, and recover such costs from Section 1307(f) retail sales customers and from non-choice transportation customers through capacity charges for a one-year period beginning October 1, 2015.⁴⁵ In its October 1, 2015 rate

⁴⁴ Settlement, ¶ 29.

⁴⁵ Peoples Natural Gas Statement No. 3, p. 16.

filing, the Company adjusted the GCA by \$1,005,000 to remove the cost of the AVC authorized overrun from commodity costs pursuant to that settlement.⁴⁶ However, the Company noted it erroneously did not include the \$1,005,000 cost in the capacity cost actuals. This error resulted in PNG not recovering these costs. Accordingly, PNG proposed to recover the \$1,005,000 of AVC authorized overrun charges consistent with the 2015 settlement by including the costs in this proceeding.

PNG noted no party opposed the proposal to recover the \$1,005,000 of AVC authorized overrun charges, the Settlement adopts the Company's proposal, the settlement provision is reasonable and in the public interest because it allows PNG to recover previously authorized costs that were not recovered.⁴⁷

BIE Position

BIE averred the Settlement terms request the Commission approve PNG's proposal to recover \$1,005,000 in AVC authorized overrun charges consistent with the 2015 settlement in the Section 1307(f)-2015 proceeding by including the costs in this proceeding.⁴⁸ BIE did not oppose inclusion of these terms in the Settlement.

OCA Position

OCA did not express an opinion about this issue in its Statement in Support.

OSBA Position

OSBA did not express an opinion about this issue in its Statement in Support.

⁴⁶ Peoples Natural Gas Statement No. 3, p. 16.

⁴⁷ Settlement ¶ 30.

⁴⁸ Settlement, ¶ 30.

Calculation of Storage Costs Using WACOG

The Company Position

PNG calculates storage injections and withdrawals using the Weighted Average Commodity Cost of Gas (WACOG) methodology for PNG-Equitable, whereas the storage injections and withdrawals are calculated using the Last-In-First-Out (LIFO) methodology for PNG-Peoples.⁴⁹ However, PNG-Peoples filed a petition with the Commission on February 8, 2019, and proposed switching from the LIFO method to the WACOG method effective January 1, 2020.⁵⁰ The Company contended the timing of the switch for the Purchased Gas Cost calculation would coincide with the switch for storage inventory pricing as proposed in the Company's 2019 base rate case filed January 28, 2019 in Docket No. R-2018-3006818.⁵¹ The LIFO to WACOG injection/withdrawal pricing switch can be seen on Peoples Natural Gas Exhibit No. 9, page 4 of 11.

The Company contended no party submitted testimony regarding PNG-Peoples' switch from LIFO to WACOG as its storage accounting methodology and the Settlement states PNG-Peoples received Commission approval to switch from the LIFO storage inventory gas accounting to WACOG storage inventory gas accounting.⁵² The gas costs to be recovered effective January 1, 2020, include the storage costs calculated using the WACOG methodology and the Company argued this settlement provision recognizes the Commission-approved change in PNG-Peoples' storage accounting methodology.

⁴⁹ Peoples Natural Gas Statement No. 3, p. 12.

⁵⁰ Peoples Natural Gas Statement No. 3, pp. 12-13; Peoples Natural Gas Exhibit No. 15.

⁵¹ Peoples Natural Gas Statement No. 3, p. 12.

⁵² Settlement ¶ 31.

BIE Position

BIE noted the Settlement terms provide that PNG-Peoples received Commission approval to switch from the LIFO storage inventory gas accounting to WACOG storage inventory gas accounting. BIE agreed the gas costs to be recovered effective January 1, 2020, will include the storage costs calculated using the WACOG methodology.⁵³ BIE did not oppose inclusion of these terms in the Settlement.

OCA Position

OCA did not express an opinion about this issue in its Statement in Support.

OSBA Position

OSBA did not express an opinion about this issue in its Statement in Support.

Texas Eastern Transmission LP Asset Management Agreement

The Company Position

The Company averred it solicited proposals in October 2018 for an Asset Management Agreement (AMA) of its TETCO capacity for the period of November 2018 through October 2019.⁵⁴ The Request for Proposals (RFP) stipulated the asset manager would be expected to provide supply to PNG with the same operational availability of capacity as if the Company retained control of the TETCO capacity. Following the RFP, the AMA was awarded for the entire period at a rate payable to PNG of \$320,000 per month, or \$3,840,000 total for the term of the arrangement.⁵⁵ PNG's TETCO capacity was then released at zero cost per month for

⁵³ Settlement, ¶ 31.

⁵⁴ Peoples Natural Gas Statement No. 2, pp. 49-50.

⁵⁵ Peoples Natural Gas Statement No. 2, p. 50.

the same period. The AMA specified PNG may call on the capacity at specific points at monthly baseload or daily levels, or some combination of the two.

The Company argued the release of this capacity benefits Section 1307(f) customers because the customers receive 75% of the proceeds from the release as a credit against the cost of the capacity.⁵⁶ The Company contended this credit will reduce by approximately \$2.88 million the capacity charges customers will pay while maintaining the same level of service that historically has been available from this capacity.⁵⁷ PNG noted no parties submitted testimony concerning the awarding of an AMA for its TETCO capacity.

The Company explained that, under the Settlement, the Joint Petitioners agreed PNG's awarding of an AMA of its TETCO capacity for the period of November 2018 through October 2019 was reasonable and consistent with the least cost fuel procurement policy.⁵⁸ Given the benefits to Purchased Gas Costs customers due to the release of the TETCO capacity, PNG argued the settlement provision is reasonable and in the public interest and should be approved without modification.

BIE Position

BIE noted the parties agreed with PNG's awarding of an AMA of its TETCO capacity for the period of November 2018 through October 2019 and that doing so was reasonable and consistent with the least cost fuel procurement policy.⁵⁹ BIE confirmed PNG is adhering to a least cost reliable service fuel procurement policy and did not oppose inclusion of these terms in the Settlement.

⁵⁶ Peoples Natural Gas Statement No. 2, p. 50.

⁵⁷ Peoples Natural Gas Statement No. 2, p. 50.

⁵⁸ Settlement ¶ 32.

⁵⁹ Settlement ¶ 32.

OCA Position

OCA did not express an opinion about this issue in its Statement in Support.

OSBA Position

OSBA did not express an opinion about this issue in its Statement in Support.

Separation of Retainage Rates

The Company Position

PNG noted that, in 2018's Purchased Gas Costs 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."⁶⁰ The Company explained that 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.⁶¹ PNG responded to the question by averring that applying the same retainage charge to producers regardless of whether they are delivering into the distribution system or gathering system creates some level of "administrative ease," but the administrative cost of implementing a different method for PNG-Peoples (assessing retainage only on conventional gas delivered into gathering pipelines) is not significant.⁶² This administrative action is not a cost issue, according to PNG, but it is an action of maintaining simplicity in the market and ensuring that producers contribute to the use of the pipeline systems.⁶³ The Company argued that changing PNG-Peoples' practice to assess only retainage on gathering may incent producers to move production from the gathering system to the

⁶⁰ Peoples Natural Gas Statement No. 5, pp. 10-11.

⁶¹ Peoples Natural Gas Statement No. 5, p. 11.

⁶² Peoples Natural Gas Statement No. 5, p. 11.

⁶³ Peoples Natural Gas Statement No. 5, p. 11.

distribution system. Given that conventional production volumes are declining, which is making the existing gathering system less efficient to operate, PNG contended a shift of this nature would only serve to accelerate the eroding efficiency.⁶⁴ Further, PNG argued 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.

The Company noted OCA's argument that PNG should provide information related to adopting separate retainage rates for customers for the use of PNG's gathering and distribution systems in the 2020 Purchased Gas Costs proceeding.⁶⁵ OCA contended the third question from Commissioner Place's Statement in 2018's Purchased Gas Costs proceeding concerned "whether separate retainage charges should be assessed to customers that procure their gas supplies from local producers that deliver gas into PNG's gathering system" and "customers that procure their gas supplies from interstate sources which are delivered directly into PNG's distribution system and do not require delivery by PNG's gathering system."⁶⁶ OCA argued adopting separate gathering and distribution system retainage charges for customers "would more reasonably assign responsibility for losses to those customers that use the facilities that cause these losses."⁶⁷

PNG continued to disagree with OCA's proposal and disputed the alternative interpretation of Commissioner Place's Statement.⁶⁸ In the 2018 Purchased Gas Costs case, the Company requested to implement a producer retainage charge on both Peoples Gas' system and PNG-Peoples' system that was consistent with the already-approved application of producer retainage on PNG-Equitables' system.⁶⁹ PNG argued Commissioner Place's Statement relates

⁶⁴ Peoples Natural Gas Statement No. 5, pp. 11-12.

⁶⁵ OCA Statement No. 1, pp. 3, 8-9.

⁶⁶ OCA Statement No. 1, p. 8.

⁶⁷ OCA Statement No. 1, p. 9.

⁶⁸ Peoples Natural Gas Statement No. 5-R, pp. 2-5.

⁶⁹ Peoples Natural Gas Statement No. 5-R, p. 2.

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.⁷⁰ Furthermore, the Company argued 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.”⁷¹

In surrebuttal testimony, OCA continued to recommend PNG should be required to provide the information requested in the 2020 Purchased Gas Costs proceeding.⁷²

PNG asserts the Settlement reflects a compromise of the parties’ positions on this issue - whether separate retainage rates should be established for customers who acquire their gas through the gathering system. PNG agreed it would not object to providing information in discovery if this issue is raised in the Company’s 2020 Purchased Gas Costs case, on the basis that the information sought should only be provided in a base rate proceeding.⁷³ The Company noted the scope of such discovery requests is limited under the terms of the Settlement and the Company will only be required to provide information that is readily available or calculable which will not require PNG to perform studies or unreasonable investigations. The Company noted it will retain all rights to oppose any proposal made by any party, including but not limited to whether a proposal is outside the scope of the Section 1307(f) proceeding or is otherwise irrelevant.

PNG asserts 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 Purchased Gas Costs proceeding, while limiting the scope of such discovery and preserving the Company’s rights to oppose any such proposal to

⁷⁰ Peoples Natural Gas Statement No. 5-R, p. 3.

⁷¹ Peoples Natural Gas Statement No. 5-R, pp. 4-5.

⁷² OCA Statement No. 1S, p. 6.

⁷³ Settlement ¶ 33.

institute separate retainage rates for customers. As a result, the Company asks the Commission find that the settlement terms are reasonable, in the public interest and approved without modification.

BIE Position

BIE contended PNG agreed under the Settlement that if this issue is raised in the Company's 2020 Purchased Gas Costs 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, as regards 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. BIE acknowledged the scope of such discovery requests will be limited to: (1) the number of Purchased Gas Costs 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.

BIE also noted the Company will be required only to provide information that is readily available or calculable and will not be required to perform studies or unreasonable investigations. In addition, PNG would retain 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.⁷⁴ BIE did not oppose inclusion of these terms in the Settlement.

⁷⁴ Settlement, ¶ 33.

OCA Position

In direct testimony, OCA recommended that PNG should 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 PNG's gathering system versus transportation customers who procure their gas supplies from interstate or local sources which are delivered directly to PNG's distribution system and do not require delivery by the gathering system, in next year's Purchased Gas Costs proceeding. OCA noted its rationale for recommending an examination of separate retainage rates was:

PNG's gathering system is used to collect gas from local production wells and deliver that gas to PNG's distribution system. Those customers that do not utilize PNG's gathering system to obtain their gas supplies from local production wells utilize interstate pipelines to have their gas delivered to PNG's distribution system. Customers using interstate pipelines to acquire gas supplies are required to pay retainage to the interstate pipelines. Customers relying on PNG's gathering system to deliver gas to PNG'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 PNG'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 9.⁷⁵

PNG continued to oppose OCA's recommendation and insisted the 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 establishing retainage rates that vary based on how gas enters the system is unreasonable, unfair and unnecessary because the sourcing of a customer's gas does not affect the operation of the Company's overall system.⁷⁶

⁷⁵ For the 12 months period ending August 2018, the LUFG rate on PNG's gathering system was 9.0% and LUFG on its distribution system was 2.0%. OCA St. No. 1 at 5-6.

⁷⁶ Peoples Natural Gas Statement No. 5-R at 4-5.

Given such fundamental disagreement on this point, OCA elected not to pursue the separate retainage rate issue as part of this proceeding but sought to preserve the right, at its discretion, to raise the issue again in PNG's 2020 Purchased Gas Costs case. In particular, OCA sought protection from any attempt to deflect the issue in the 2020 case by asserting the issue is more appropriately addressed in a base rate proceeding, as opposed to a Purchased Gas Costs proceeding. In return, OCA specified the kinds of information it would seek in discovery and OCA agreed to language that commits the Company to providing information that is readily available and does not require the Company to perform studies or unreasonable investigations, in order to allay PNG's concerns it might be asked to conduct an extensive investigation or study.⁷⁷

OCA averred it is satisfied these Settlement provisions adequately preserve and protect OCA's ability, should it decide to do so, to raise the separate retainage rate issue in next year's Purchased Gas Costs proceeding.

OSBA Position

OSBA did not express an opinion about this issue in its Statement in Support.

Miscellaneous

The Company Position

The Company asserted through cooperative efforts and the open exchange of information, the Joint Petitioners arrived at a Settlement that resolves all issues in the proceeding in a fair and equitable manner. The Settlement resulted from a detailed examination of PNG's natural gas procurement practices on behalf of PNG-Peoples and PNG-Equitable 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

⁷⁷ Settlement, ¶ 33.

reasonable compromise was achieved, as is evident by the fact that all active parties agreed to the resolution of the issues.

PNG, on behalf of PNG-Peoples and PNG-Equitable, requested the Commission make all the findings required under 66 Pa.C.S.A. § 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 Settlement without modification.

BIE Position

BIE asserted the proposed rates and other requested approvals contained in the Company's Purchased Gas Costs filing should be approved, except as revised by the 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 and projected over/undercollections through September 30, 2019. BIE pointed out the Joint Petitioners agreed the Commission should approve the renewals and changes in gas supply, pipeline, and storage capacity contracts as explained in Peoples Natural Gas Statement No. 2 and related exhibits included in the 1307(f) Definitive Filing for 2019.⁷⁸

BIE asserted it supports the miscellaneous terms and supports granting the requested approvals in PNG's Purchased Gas Costs filing. While PNG's costs are subject to review, BIE maintained that ratepayers are protected in that PNG 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...."⁷⁹

⁷⁸ Settlement, ¶¶ 34-36.

⁷⁹ 66 Pa.C.S.A. § 1318.

BIE confirmed the Settlement provides that natural gas costs will be based on adherence to a least cost reliable service fuel procurement policy.⁸⁰ Specifically, PNG'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.⁸¹ 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 Purchased Gas Costs customers.

OCA Position

In consideration of the various elements of the Settlement described above, OCA averred the Settlement was in the public interest, and submitted that its terms and conditions should be approved by the Commission.

OSBA Position

OSBA noted it conducted an independent evaluation of PNG'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 OSBA's analysis. Without specifically endorsing the Company's design day methodology, OSBA supported the Purchased Gas Costs rates set forth in Appendix A to the Settlement.

RECOMMENDATION

It is the policy of the Commission to encourage settlements.⁸² The benchmark or inquiry to determine whether a settlement is acceptable is if the proposed terms and conditions are in the public interest.⁸³ I recommend the Commission accept the Company's Section 1307(f)

⁸⁰ Settlement, ¶ 39.

⁸¹ Settlement, ¶¶ 39-40.

⁸² 52 Pa.Code § 5.231.

⁸³ Pa.Pub.Util.Comm'n. v. C.S Water and Sewer Associates, 74 Pa. PUC 767 (1991).

filing as modified by the Settlement because the Settlement is in the public interest and advances the least cost procurement objective which benefits all ratepayers. This recommendation is based in large part upon the representations made by the statutory advocates averring the Settlement is in the interests of the constituencies that they represent. BIE avers it conducted a thorough review of the initial filing and supporting information, discovery responses and submitted filing data, and engaged in the settlement discussions amongst the parties. BIE asserted the Settlement should be accepted because the Settlement maintains the proper balance of the interests of all parties. BIE concluded it is satisfied no further action is necessary on the issues contained in the Settlement and considers its investigation of this filing to be complete. OCA and OSBA similarly represent, after full consideration of the materials submitted by PNG in discovery and set forth in the testimonies admitted into the record, the Settlement is in the public interest.

In sum, the parties thoroughly investigated the Purchased Gas Costs filing through discovery and the submission of testimony. The Company addressed the contested issues through the specific provisions of the Settlement and I recommend the Commission approve the Definitive Filing as to the uncontested issues. I conclude this Settlement constitutes a fair, just and reasonable resolution of the Commission's investigation for the reasons identified and discussed by the parties above. Therefore, the Settlement is in the public interest and should be approved.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the subject matter and the parties to this proceeding. 66 Pa.C.S.A. §§ 501, 1307(f), 1318.

2. There is sufficient evidence in the record to make the findings required by Section 1318 of the Public Utility Code. 66 Pa.C.S.A. § 1318.

3. Peoples Natural Gas Company LLC and Peoples Natural Gas Company LLC – Equitable Division are pursuing a least cost fuel procurement policy during the relevant

time period consistent with the obligation to provide safe, adequate and reliable service to customers in compliance with Section 1318 of the Public Utility Code, 66 Pa.C.S.A. § 1318.

4. The rates of Peoples Natural Gas Company LLC and Peoples Natural Gas Company LLC – Equitable Division for purchased gas costs, as the settling parties agreed upon in this proceeding, during the relevant time period, are just and reasonable and in compliance with Section 1318 of the Public Utility Code, 66 Pa.C.S.A. § 1318.

5. Peoples Natural Gas Company LLC and Peoples Natural Gas Company LLC – Equitable Division fully and vigorously represented the interests of ratepayers in proceedings before the Federal Energy Regulatory Commission and other relevant non-PUC proceedings during the relevant time period in compliance with Section 1318(a)(1) of the Public Utility Code, 66 Pa.C.S.A. § 1318(a)(1).

6. Peoples Natural Gas Company LLC and Peoples Natural Gas Company LLC – Equitable Division took all prudent steps necessary to negotiate favorable gas supply contracts and to relieve itself from terms in existing contracts with its gas suppliers, which are or may be adverse to the interests of ratepayers, during the relevant time period in compliance with Section 1318(a)(2) of the Public Utility Code, 66 Pa.C.S.A. § 1318(a)(2).

7. Peoples Natural Gas Company LLC and Peoples Natural Gas Company LLC – Equitable Division took all prudent steps necessary during the relevant time period 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 Section 1318(a)(3) of the Public Utility Code, 66 Pa.C.S.A. § 1318(a)(3).

8. Peoples Natural Gas Company LLC and Peoples Natural Gas Company LLC – Equitable Division did not withhold from the market or caused to be withheld from the market during the relevant time period any gas supplies which should have been used as part of a

least cost fuel procurement policy in compliance with Section 1318(a)(4) of the Public Utility Code, 66 Pa.C.S.A. § 1318(a)(4).

9. Peoples Natural Gas Company LLC and Peoples Natural Gas Company LLC – Equitable Division fully and vigorously attempted to obtain less costly gas supplies on both short-term and long-term bases from nonaffiliated interests during the relevant time period in compliance with Section 1318(b)(1) of the Public Utility Code, 66 Pa.C.S.A. § 1318(b)(1).

10. The contracts of Peoples Natural Gas Company LLC and Peoples Natural Gas Company LLC – Equitable Division for the purchase of gas from any affiliated interest during the relevant time period are consistent with a least cost fuel procurement policy in compliance with Section 1318(b)(2) of the Public Utility Code, 66 Pa.C.S.A. § 1318(b)(2).

11. Neither Peoples Natural Gas Company LLC, Peoples Natural Gas Company LLC – Equitable Division nor any affiliated interest during the relevant time period withheld from the market any gas supplies, which should have been used as part of a least cost fuel procurement policy in compliance with Section 1318(b)(3) of the Public Utility Code, 66 Pa.C.S.A. § 1318(b)(3).

12. The benchmark for determining the acceptability of a settlement is whether the proposed terms and conditions are in the public interest. *Pa.Pub.Util.Comm'n. v. C.S. Water and Sewer Associates*, 74 Pa. PUC 767 (1991).

13. The Joint Petition for Settlement of the Section 1307(f) Rate Investigation of Peoples Natural Gas Company LLC and Peoples Natural Gas Company LLC – Equitable Division, filed pursuant to 66 Pa.C.S.A. § 1307(f) and which Peoples Natural Gas Company LLC and Peoples Natural Gas Company LLC – Equitable Division, the Commission's Bureau of Investigation and Enforcement, the Office of Consumer Advocate and the Office of Small Business Advocate executed and submitted at this docket is in the public interest.

ORDER

THEREFORE,

IT IS RECOMMENDED:

1. That the Joint Petition for Settlement of the Section 1307(f) Rate Investigation of Peoples Natural Gas Company LLC and Peoples Natural Gas Company LLC – Equitable Division pursuant to 66 Pa.C.S.A. § 1307(f) that Peoples Natural Gas Company LLC and Peoples Natural Gas Company LLC – Equitable Division, the Commission’s Bureau of Investigation and Enforcement, the Office of Consumer Advocate and the Office of Small Business Advocate have executed and filed at Docket Nos. R-2019-3007612 and R-2019-3007617, be approved.

2. That Peoples Natural Gas Company LLC and Peoples Natural Gas Company LLC – Equitable Division be permitted to file a tariff supplement, on at least one day’s notice to the Commission, containing changes in rates to provide for the recovery of the costs of purchased gas, consistent with the terms and conditions of the Joint Petition for Settlement of the Section 1307(f) Rate Investigation of Peoples Natural Gas Company LLC and Peoples Natural Gas Company LLC – Equitable Division pursuant to 66 Pa.C.S.A. § 1307(f).

3. That the formal complaints of the Office of Consumer Advocate at Docket Nos. C-2019-3008564 and C-2019-3008565, and the Office of Small Business Advocate and at Docket Nos. C-2019-3008752 and C-2019-3008753, respectively, be marked satisfied.

4. That Peoples Natural Gas Company LLC and Peoples Natural Gas Company LLC – Equitable Division, the Commission’s Bureau of Investigation and Enforcement, the Office of Consumer Advocate and the Office of Small Business Advocate be ordered to comply with the terms and conditions of the Joint Petition for Settlement of the Section 1307(f) Rate Investigation of Peoples Natural Gas Company LLC and Peoples Natural

Gas Company LLC – Equitable Division pursuant to 66 Pa.C.S.A. § 1307(f) executed and submitted in this proceeding as though each term and condition stated therein had been the subject of an individual ordering paragraph.

5. That upon the filing of a tariff supplement by Peoples Natural Gas Company LLC and Peoples Natural Gas Company LLC – Equitable Division, acceptable to the Commission as conforming with this Order and the Joint Petition for Settlement of the Section 1307(f) Rate Investigation of Peoples Natural Gas Company LLC and Peoples Natural Gas Company LLC – Equitable Division pursuant to 66 Pa.C.S.A. § 1307(f), and the Commission’s approval thereof, the purchased gas cost rates established therein become effective for service rendered on and after October 1, 2019.

6. That upon acceptance and approval by the Commission of the tariff supplement and supporting data filed by Peoples Natural Gas Company LLC and Peoples Natural Gas Company LLC – Equitable Division, as being consistent with this Order and the Joint Petition for Settlement of the Section 1307(f) Rate Investigation of Peoples Natural Gas Company LLC and Peoples Natural Gas Company LLC – Equitable Division pursuant to 66 Pa.C.S.A. § 1307(f), the inquiry and investigation at Docket Nos. R-2019-3007612 and R-2019-3007617 be terminated and the dockets marked closed; and that the formal complaint dockets be marked closed at Docket Nos. C-2019-3008564; C-2019-3008565; C-2019-3008752 and C-2019-3008753.

Date: July 15, 2019

/s/
Katrina L. Dunderdale
Administrative Law Judge

Attachment A

Exhibits Admitted into the Hearing Record
On June 6, 2019
Docket Nos. R-2019-3007612 and R-2019-3007617

For Peoples Natural Gas Company LLC and Peoples Natural Gas Company LLC – Equitable Division

PNG Statement No. 1	Direct Testimony of Carol A. Scanlon
PNG Statement No. 2	Direct Testimony of Steven P. Kolich
PNG Statement No. 3	Direct Testimony of Anthony Caldoro
PNG Statement No. 3-R	Rebuttal Testimony of Anthony Caldoro with PNG Exhibits 4-R and 12-R
PNG Statement No. 4	Direct Testimony of Jason M. Dalton
PNG Statement No. 5	Direct Testimony of Lynda W. Petrichevich
PNG Statement No. 5-R	Rebuttal Testimony of Lynda W. Petrichevich
PNG Exhibits 1 through 18	PNG Exhibit No. 5 is Highly Confidential
PNG Exhibit 19	Original 30-Day Pre-Filing on March 1, 2019

For Office of Consumer Advocate

OCA Statement No. 1	Direct Testimony of Jerome D. Mierzwa with Schedules JDM-1 and JDM-2
OCA Statement No. 1-S	Surrebuttal Testimony of Jerome D. Mierzwa