
Michael W. Hassell

mhassell@postschell.com
717-612-6029 Direct
717-720-5386 Direct Fax
File #: 182459

June 22, 2021

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: PA Public Utility Commission v. Peoples Gas Company LLC
Docket Nos. R-2021-3023967, et al.

Dear Secretary Chiavetta:

Attached for filing is the Joint Petition for Settlement and Statements in Support on behalf of Peoples Gas Company LLC in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,



Michael W. Hassell

MWH/kl
Attachment

cc: Honorable Katrina L. Dunderdale
Certificate of Service

CERTIFICATE OF SERVICE

Docket Nos. R-2021-3023967; C-2021-3026236

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 ONLY

David Evrard, Esquire
Aron J. Beatty, Esquire
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
devrard@paoca.org
abeatty@paoca.org

Erin K. Fure, Esquire
Office of Small Business Advocate
555 Walnut Street
Forum Place, 1st Floor
Harrisburg, PA 17101
efure@pa.gov

Allison C. Kaster, Esquire
Bureau of Investigation & Enforcement
Commonwealth Keystone Building
400 North Street, 2nd Floor West
PO Box 3265
Harrisburg, PA 17105-3265
akaster@pa.gov

Kevin J. Moody, Esquire
Vice President and General Counsel
Pennsylvania Independent Oil & Gas
Association
212 Locust Street, Suite 300
Harrisburg, PA 17101-1510
kevin@pioga.org

Brian Kalcic
Excel Consulting
225 S. Meramec Avenue, Suite 720 T
St. Louis, MO 63105
Excel.consulting@sbcglobal.net

Jerome D. Mierzwa
Exeter Associates, Inc.
10480 Little Patuxent Parkway, Suite 300
Columbia, MD 21044
jmierzwa@exeterassociates.com

VIA FIRST-CLASS MAIL & EMAIL

Daniel Killmeyer
184 McKay Road
Saxonburg, PA 16056
Dandan4863@gmail.com

Michael W. Hassell

Date: June 22, 2021

Michael W. Hassell

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 2021 Purchased Gas Cost (“PGC”) proceeding at Docket Nos. R-2021-3023967, C-2021-3024551, and C-2021-3024610

Subject to the terms of the Settlement, the Joint Petitioners request that the Commission: (1) authorize Peoples Gas to file the form of tariff supplement provided as **Appendix A** hereto, with rates to become effective October 1, 2021, subject to updates and tariff modifications³; 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 (“Peoples Natural Gas”).

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

³ The rates in Appendix A reflect the proposed gas cost rates, any quarterly rate changes that were effective March 1, 2021, and any settlement rate changes. The rates in Appendix A will be updated to reflect any changes as of October 1, 2021, when the final tariff supplements are filed.

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 February 1, 2021, 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.

5. On March 1, 2021, 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 2, 2021, I&E filed a Notice of Appearance.

7. On March 11, 2021, the OSBA filed a Notice of Appearance, Complaint, Public Statement, and Verification.

8. On March 16, 2021, the OCA filed a Notice of Appearance, Complaint, and Public Statement.

9. On March 16, 2021, Peoples Gas filed a letter indicating that it would not be filing an Answer to the Complaint of the OSBA.

10. On March 17, 2021, Peoples Gas filed a letter indicating that it would not be filing an Answer to the Complaint of the OCA.

11. On March 31, 2021, the Commission issued a Corrected Prehearing Conference Notice which, among other things, scheduled the Prehearing Conference for 9:00 AM on April 9, 2021.

12. On April 1, 2021, 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.

13. On April 6, 2021, I&E filed a Withdrawal and Notice of Appearance.

14. Also on April 6, 2021, PIOGA filed a Petition to Intervene.

15. On April 7, 2021, a Prehearing Conference Order was issued by the ALJ directing the parties to file Prehearing Memoranda on or before 4:00 PM on April 8, 2021, and scheduling a prehearing conference to be held at 9:00 AM on April 9, 2021.

16. On April 8, 2021, Prehearing Memoranda were filed by Peoples Gas, I&E, OCA, OSBA, and PIOGA.

17. On April 9, 2021, the prehearing conference was held as scheduled.

18. Also on April 9, 2021, the ALJ issued a Prehearing Order that established the litigation schedule, modified the discovery rules, and consolidated the complaints of OCA and OSBA with the Commission's investigation. PIOGA's Petition to Intervene was also granted. Furthermore, the ALJ consolidated the Peoples Gas PGC proceeding with the Peoples Natural Gas PGC proceeding at Docket No. R-2021-3023965 for the purposes of hearing.

19. On April 28, 2021, I&E and OCA served their written direct testimony.

20. On May 17, 2021, Peoples Gas served its written rebuttal testimony.

21. 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 prior to the due date for written surrebuttal testimony.

22. On May 20, 2021, Peoples Gas informed the ALJ that the parties had reached a Settlement of all the issues in this proceeding. The Company further requested that the

evidentiary hearings be canceled, as the parties had agreed to waive cross-examination of each other's witnesses. In response, the ALJ informed the parties that she would cancel the evidentiary hearings and permit the parties to submit their written testimony and exhibits by stipulation. The ALJ also directed the parties to file the Settlement and all Statements in Support by June 22, 2021.

23. Also on May 20, 2021, the ALJ issued a Hearing Cancellation Notice, cancelling the evidentiary hearings scheduled for May 27-28, 2021.

24. On May 28, 2021, the Joint Petitioners, along with PIOGA, filed a Joint Stipulation for Admission of Evidence.

25. Also on May 28, 2021, Peoples Gas filed a Motion for Protective Order.

26. On June 1, 2021, the Joint Petitioners, along with PIOGA, filed a Revised Joint Stipulation for Admission of Evidence.

27. On June 4, 2021, Peoples Gas was served with the Formal Complaint of Daniel Killmeyer, which challenged Peoples Gas's proposed PGC rate increase.

28. On June 7, 2021, the ALJ issued an Interim Order granting the Revised Joint Stipulation for Admission of Evidence.

29. On June 10, 2021, Peoples Gas filed a Motion to Consolidate the complaint of Daniel Killmeyer with the above-captioned proceeding.

30. On June 11, 2021, the ALJ issued an Interim Order granting Peoples Gas's Motion for Protective Order and Peoples Gas's Motion to Consolidate the complaint of Daniel Killmeyer with the above-captioned proceeding.

31. 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.

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

II. SETTLEMENT TERMS

A. RETAINAGE AND LOST AND UNACCOUNTED FOR GAS

33. The Company's tariffed retainage rate for all classes effective October 1, 2021 shall be 7.4%. The rate represents a compromise of the Joint Petitioners' litigation positions, and does not reflect an agreed-upon formula.

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

35. Joint Petitioners acknowledge that the Company's distribution unaccounted for gas ("UFG") percentage for the twelve-month period ended August 31, 2020, is in compliance with the Commission's regulations at 52 Pa. Code § 59.111(c)(1). Joint Petitioners further acknowledge that the Company's gathering system UFG percentage is lower than the target contained in the settlement of the Company's 2018 PGC case.

B. RENEWABLE NATURAL GAS AND RESPONSIBLY SOURCED NATURAL GAS

36. Peoples Gas will consider holding a stakeholder meeting, as recommended by the OCA, in the upcoming year to evaluate the potential to incorporate Renewable Natural Gas ("RNG") and Responsibly Sourced Gas ("RSG") into the Company's system and whether special terms and conditions are appropriate. Nothing in the stakeholder meeting will preclude the Company from making a proposal regarding RNG and RSG in future PGC filings.

C. MISCELLANEOUS

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

tariff supplement attached hereto as **Appendix A** includes Peoples Gas's proposed tariff modifications that were unopposed and that will be included in the Company's tariff supplement to be filed on October 1, 2021.

38. 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, 2021.

39. 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)-2021 definitive filing.

40. The Joint Petitioners agree that the Commission should approve a new or renewed capacity contract with Columbia Transmission (TCO) for between 5,000 – 6,000 Dth/day of Firm capacity of which the mix between FSS, SST and FTS will be determined prior to the effective date of April 1, 2022, in order to minimize the amount of storage capacity that will be needed to provide adequate balancing capacity at the Fairview and Hickory Corners delivery points. Further, the parties acknowledge that the Company is in the process of analyzing several options for an additional 7,000 to 10,000 Dth/day of capacity to renew or replace expiring capacity contracts.

41. Peoples Gas' proposal to begin including capacity charge over/under collections with the capacity charge is approved. Beginning October 1, 2021, Peoples Gas will segregate the recovery of capacity charge and commodity charge over/under collections. After one year of segregating these recoveries, Peoples Gas will begin including the capacity charge over/under collections with the projected capacity charge and will charge a single capacity charge effective

October 1, 2022. The Gas Cost Adjustment Charge (“GCA”) will then only be for the recovery of commodity over/under collections.

III. RATE IMPACT OF SETTLEMENT

42. 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).

43. Consistent with past proceedings, the requested information is set forth in the table below:

Peoples Gas							
<u>Rate Schedule</u>	Average Annual Usage (Mcf)	Existing Tariff Rates 1/	As-Filed Gas Cost Change	Percent Change	Settlement Gas Cost Change	Annual Bill As-Filed	Annual Bill Settlement
RS	86	\$9.4201	\$0.8039	8.5%	\$0.0000	\$ 1,054.06	\$ 1,054.06
SGS	202	\$7.7399	\$0.7913	10.2%	\$0.0000	\$ 2,111.78	\$ 2,111.78
MGS	2,393	\$7.5058	\$0.7881	10.5%	\$0.0000	\$ 20,679.84	\$ 20,679.84
LGS < 100,000 Mcf/yr	50,000	\$6.4786	\$0.7881	12.2%	\$0.0000	\$ 379,985.72	\$ 379,985.72

1/ PG net billing rate effective January 1, 2021

IV. PROPOSED FINDINGS OF FACT

44. 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.)

45. 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 Eastern Gas Transmission and Storage, Inc. ("EGTS")(f/k/a Dominion Energy Transmission, Inc.), 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.)

46. Over the 1307(f)-2021 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 EGTS; (3) interstate pipeline transportation service from TETCO; and (4) interstate pipeline transportation and storage services from TCO. (Peoples Gas Statement No. 2, p. 16.)

47. 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 EGTS 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.)

48. 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.)

49. In Peoples Gas’s 1307(f)-2015 proceeding, Peoples Gas described the various service arrangements that would be in effect between Peoples Gas and Equitrans over what was the 1307(f) projected period, and the costs associated with them. In its final order in that proceeding, the Commission approved rates for the collection of Peoples Gas’s natural gas costs that included the costs associated with the Equitrans service arrangements. The same process occurred in all subsequent 1307(f) proceedings when the Commission approved rates for the collection of Peoples Gas’s natural gas costs that included the costs associated with the Equitrans

service arrangements over what is now the 1307(f)-2021 historical period. (Peoples Gas Statement No. 2, pp. 17-18).

50. For the 1307(f)-2021 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 EGTS. (Peoples Gas Statement No. 2, p. 19.) Effective March 31, 2022, the contract for GSS firm storage and storage transportation service will expire. (Peoples Gas Statement No. 2, pp. 16-17).

51. 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. 21.)

52. For the 1307(f)-2021 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. 22.) The Company's contracts with TCO are scheduled to expire March 31, 2022. (Peoples Gas Statement No. 2, p. 23-24.)

53. Through the spring of 2015, the Company regularly received gas at the Tennessee Pittsburgh Terminal, pursuant to a transportation agreement with TGP for 2013 and then

pursuant to delivered gas purchase arrangements for 2014 and 2015. With the rearrangement of pipeline capacity services in 2015, the Company anticipated that the firm supply source from TGP would no longer be operationally needed. Since then, the Company has operated without a firm contractual delivery at the TGP interconnect but has on occasion purchased gas at that delivery point to bolster system operations in that area of its service territory. (Peoples Gas Statement No. 2, pp. 24-25.)

54. During the 1307(f)-2021 historical period the Company successfully issued an RFP for a firm delivered supply at the TGP interconnect without a corresponding reservation charge. This contract provides for up to 5,000 Dth/day of firm supply delivered to the TGP interconnect.. (Peoples Gas Statement No. 2, p. 25.)

55. Peoples Gas currently owns and operates four storage fields which have 567,000 Mcf of combined storage capacity and 23,300 Mcf of expected design day withdrawal capacity. (Peoples Gas Statement No. 2, p. 27.)

56. Peoples Natural Gas and Peoples Gas have a gas exchange agreement that provides for an exchange of equivalent volumes between Peoples Natural Gas 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 Peoples Natural Gas at interconnections located in Mars, PA and Indiana, PA. In exchange, Peoples Natural Gas receives equivalent volumes of gas from Peoples Gas at various interconnections. (Peoples Gas Statement No. 2, p. 29.)

57. Due to an inadvertent recording error, 872,102 MCF of volumes were not included in the monthly reporting of exchange volumes. Peoples Natural Gas will purchase

supply during 2021 and deliver it to the Peoples Gas system to pay back the exchange imbalance. (Peoples Gas Statement No. 2, p. 31).

58. 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, pp. 32-33.)

59. 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, pp. 36-37.)

60. 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. 39.)

61. Consistent with the Peoples Companies' Combined UFG Mitigation Plan, Peoples Gas has been working on reducing UFG. The gathering UFG of 0.6 Bcf for 2020 is down significantly from the 1.3 Bcf in 2018, while the production moving through the gathering

system has dropped by 13%. This results in an overall decrease to the gathering loss rate to a level of 6.3% when producer retainage of 368 MMcf is considered. The distribution UFG has also decreased during this period from 0.60 Bcf to 0.55 Bcf, which yields a 2.75% loss rate for 2020. This distribution loss remains below the Commission's target for distribution UFG of 3.0%. the combined total system volumetric loss is down from 1.7 Bcf in 2018 to 1.16 Bcf in 2020. Even though the receipts have decreased by 17%, the total system loss rate has dropped from 6.71% to 5.5% during that 2-year period. (Peoples Gas Statement No. 5, pp. 3-4.)

62. Peoples Gas has taken several steps to reduce UFG on the gathering system, as outlined in Peoples Gas Exhibit No. 16. In addition to the activity and spending listed in Peoples Gas Exhibit No. 16, Peoples Gas continued its audit process of producer meters, which found a number of wells that were operating outside of the Company's standards and, in some cases, contributing to UFG. Peoples Natural Gas took action in each of these cases to have the issues remedied, which in many cases, resulting in shutting in the production. This audit process continued into 2020. (Peoples Gas Statement No. 5, p. 6.)

63. In addition, the following activities were performed: (1) expired and removed 58 zero flow production meters; (2) completed 1092 meter service/repair orders; and (3) continued automation of measurement data for ready UFG analysis. (Peoples Gas Statement No. 5, pp. 5-6.)

64. 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. 2; Peoples Gas Statement No. 4, pp. 7-8)

V. STANDARDS, FINDINGS, AND PROPOSED CONCLUSIONS OF LAW

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

66. With respect to Peoples Gas's gas purchases and gas purchasing practices during the 12-month historical reconciliation period ended January 31, 2021, 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, 2021:

- 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 obligations 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. This includes, but is not limited to, the credit amount of the imbalance reflected in Peoples Gas Exhibit No. 11 and Peoples Gas Exhibit No. 8, as explained in Peoples Gas Statement No. 2, at pages 31-32.

67. 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).

68. 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).

69. 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).

70. 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).

71. 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).

72. 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).

73. During the eight-month interim period beginning February 1, 2021, and the projected 12-month period beginning October 1, 2021, when rates contained in this Settlement will be in effect,⁴ 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

⁴ The proposed tariff rates effective October 1, 2021, will be updated to reflect actual and projected over/undercollections through September 30, 2021, as stated in Paragraph 34 of this Settlement.

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, 2021, through September 30, 2022, 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, 2021, and the 12-month application period commencing October 1, 2021, and ending September 30, 2022.

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

VI. PROPOSED ORDERING PARAGRAPHS

75. That the Settlement among 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, in the above-captioned case is hereby approved and adopted.

76. That Peoples Gas Company LLC shall file a tariff supplement to become effective on October 1, 2021, 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.

77. 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.

78. 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, 2021.

79. That the complaint filed by the Office of Small Business Advocate in this proceeding at Docket No. C-2021-3024551 be marked closed.

80. That the complaint filed by the Office of Consumer Advocate in this proceeding at Docket No. C-2021-3024610 be marked closed.

81. That the complaint filed by Daniel Killmeyer at C-2021-3026236 be marked closed.

82. That the investigation at Docket No. R-2021-3023967 be marked closed.

VII. THE PUBLIC INTEREST

83. 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, I&E, and OCA, and written rebuttal testimony by Peoples Gas,

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

85. 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.

86. Attached as **Appendices B through E** 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. PIOGA's letter of non-opposition is submitted as **Appendix F**.

VIII. CONDITIONS OF SETTLEMENT

87. 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.

88. 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.

89. 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.

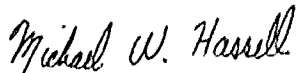
90. The Joint Petitioners acknowledge that the Settlement reflects a compromise of competing positions and does not necessarily reflect any party's position with respect to any issues raised in this proceeding. This Settlement may not be cited as precedent in any future proceeding, except to the extent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

91. 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,



Date: June 22, 2021

Michael W. Hassell, Esquire
Nicholas A. Stobbe, Esquire
Post & Schell, P.C.
17 North Second Street
12th Floor
Harrisburg, PA 17101-1601

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

For Peoples Gas Company LLC

Date: _____

David T. Evrard, Esquire
Aron J. Beatty, Esquire
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

For Office of Consumer Advocate

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.

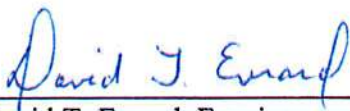
Respectfully submitted,

Michael W. Hassell, Esquire
Nicholas A. Stobbe, Esquire
Post & Schell, P.C.
17 North Second Street
12th Floor
Harrisburg, PA 17101-1601

Date: _____

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

For Peoples Gas Company LLC



David T. Evrard, Esquire
Aron J. Beatty, Esquire
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

Date: 6/22/2021

For Office of Consumer Advocate

Allison C. Kaster

6/22/2021

Date: _____

Allison C. Kaster, Esquire
Bureau of Investigation and Enforcement
Commonwealth Keystone Building
400 North Street, 2nd Floor West
PO Box 3265
Harrisburg, PA 17105-3265

For Bureau of Investigation and Enforcement

Date: _____

Erin K. Fure, Esquire
Office of Small Business Advocate
Forum Place
555 Walnut Street, 1st Floor
Harrisburg, PA 17101

For Office of Small Business Advocate

12th Floor
Harrisburg, PA 17101-1601

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

For Peoples Gas Company LLC

David T. Evrard, Esquire
Aron J. Beatty, Esquire
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

Date: _____

For Office of Consumer Advocate

Allison C. Kaster, Esquire
Bureau of Investigation and Enforcement
Commonwealth Keystone Building
400 North Street, 2nd Floor West
PO Box 3265
Harrisburg, PA 17105-3265

Date: _____

For Bureau of Investigation and Enforcement

Erin K. Fure

Erin K. Fure, Esquire
Office of Small Business Advocate
Forum Place
555 Walnut Street, 1st Floor
Harrisburg, PA 17101

Date: June 22, 2021

For Office of Small Business Advocate

APPENDIX A

SUPPLEMENT NO. ___
TO
TARIFF GAS - PA PUC NO. 8

PEOPLES GAS COMPANY LLC

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

ISSUED: _____

EFFECTIVE: _____

1307(f) – 2021 Annual Gas Cost Filing

ISSUED BY:

MICHAEL HUWAR
PRESIDENT
PEOPLES GAS COMPANY LLC
205 NORTH MAIN STREET
BUTLER, PENNSYLVANIA 16001

PEOPLES GAS COMPANY LLC

SUPPLEMENT NO. ___
TO
TARIFF GAS – PA PUC NO. 8
REVISÉ PAGE NO.1
CANCELING _____ REVISÉ PAGE NO.1

LIST OF CHANGES MADE BY THIS TARIFF

	<u>Current</u>	<u>Proposed</u>	<u>Increase/ (Decrease)</u>
Rider PGC			
<u>Rate RS, SGS, MGS, LGS, NGPV</u>			
Capacity Charge			
RS	\$0.8572	\$0.9020	\$0.0448
SGS	\$0.8572	\$0.9020	\$0.0448
MGS	\$0.8572	\$0.9020	\$0.0448
LGS	\$0.8572	\$0.9020	\$0.0448
Gas Cost Adjustment Charge	\$0.1126	(\$0.0314)	(\$0.1440)
Natural Gas Supply Charge	\$1.8974	\$2.7847	\$0.8873
<u>Rider MFC – Merchant Function Charge</u>			
Rate RS	\$0.0573	\$0.0731	\$0.0158
Rate SGS	\$0.0118	\$0.0150	\$0.0032
<u>Balancing Charges</u>			
SGS	\$0.3657	\$0.4263	\$0.0606
MGS	\$0.3180	\$0.3439	\$0.0259
LGS	\$0.2145	\$0.2271	\$0.0126
<u>Retainage Rate</u>			
(RS-T, SGS-T, MGS-T, LGS-T)	6.8%	6.9%	0.1%

ISSUED: _____

EFFECTIVE: _____

PEOPLES GAS COMPANY LLC

SUPPLEMENT NO. __ TO GAS—PA PUC NO. 8
REVISÉ PAGE NO. 12
CANCELLING _____ REVISÉ PAGE NO. 12

Annual 1307(f)	Rider PGC - Gas Cost Charges			Base Rate Charges	Rider STA	Rider MFC	Rider USP	Rider GPC	Rider ARC Rate Credit	Rider Supplier Choice	Rider DSIC	Rider TCJA	Bill Display Total Rate
	Demand/Capacity	GCA	Commodity										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13=SUM 1 to 12)
Residential - Sales											0.00%	-7.4960%	
Customer Charge				\$ 15.7500					\$ -	\$ (0.0030)	\$ -	\$ (1.1806)	\$ 14.5664
Demand/Capacity	\$ 0.9020					\$ 0.0180					\$ -		\$ 0.9200
PTC - Commodity Charge		\$ (0.0314)	\$ 2.7847			\$ 0.0551		\$ 0.1400			\$ -		\$ 2.9484
Delivery Charge				\$ 6.7743	\$ 0.0025		\$ 0.0866		\$ -		\$ -	\$ (0.5078)	\$ 6.3556
Total per MCF													\$ 10.2240
SGS - Sales													
Customer Charge													
0 to 499 MCF/Yr				\$ 35.0000					\$ -	\$ (0.0030)	\$ -	\$ (2.6236)	\$ 32.3734
500 to 999 MCF/Yr				\$ 65.0000					\$ -	\$ (0.0030)	\$ -	\$ (4.8724)	\$ 60.1246
Demand/Capacity 1/	\$ 0.4263										\$ -	\$ -	\$ 0.4263
Price-to-Compare Charge 1/	\$ 0.4757	\$ (0.0314)	\$ 2.7847			\$ 0.0150		\$ 0.1400			\$ -		\$ 3.3840
Delivery Charge				\$ 5.1008	\$ 0.0025				\$ -		\$ -	\$ (0.3824)	\$ 4.7209
Total per MCF													\$ 8.5312
MGS - Sales													
Customer Charge													
1,000 to 2,499 MCF/Yr				\$ 75.0000					\$ -		\$ -	\$ (5.6220)	\$ 69.3780
2,500 to 24,999 MCF/Yr				\$ 175.0000					\$ -		\$ -	\$ (13.1180)	\$ 161.8820
Demand/Capacity 1/	\$ 0.3439					\$ -					\$ -	\$ -	\$ 0.3439
Price-to-Compare Charge 1/	\$ 0.5581	\$ (0.0314)	\$ 2.7847			\$ -		\$ 0.1400			\$ -		\$ 3.4514
Delivery Charge				\$ 4.8604	\$ 0.0025				\$ -		\$ -	\$ (0.3643)	\$ 4.4986
Total per MCF													\$ 8.2939
LGS - Sales < 100,000 Mcf/yr													
Customer Charge													
25,000 to 49,999 MCF/Yr				\$ 800.0000							\$ -	\$ (59.9680)	\$ 740.0320
50,000 to 99,999 MCF/Yr				\$ 1,500.0000							\$ -	\$ (112.4400)	\$ 1,387.5600
Demand/Capacity 1/	\$ 0.2271					\$ -					\$ -	\$ -	\$ 0.2271
Price-to-Compare Charge 1/	\$ 0.6749	\$ (0.0314)	\$ 2.7847			\$ -		\$ 0.1400			\$ -		\$ 3.5682
Delivery Charge				\$ 3.7500	\$ 0.0025						\$ -	\$ (0.2811)	\$ 3.4714
Total per MCF													\$ 7.2667
LGS - Sales > 100,000 Mcf/yr													
Customer Charge													
100,000 to 199,999 MCF/Yr				\$ 5,000.0000							\$ -	\$ (374.8000)	\$ 4,625.2000
Over 200,000 MCF/Yr				\$ 7,500.0000							\$ -	\$ (562.2000)	\$ 6,937.8000
Demand/Capacity 1/	\$ 0.2271					\$ -					\$ -	\$ -	\$ 0.2271
Price-to-Compare Charge 1/	\$ 0.6749	\$ (0.0314)	\$ 2.7847			\$ -		\$ 0.1400			\$ -		\$ 3.5682
Delivery Charge				\$ 0.9988	\$ 0.0025						\$ -	\$ (0.0749)	\$ 0.9264
Total per MCF													\$ 4.7217

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: _____

PEOPLES GAS COMPANY LLC

SUPPLEMENT NO. ___ TO GAS—PA PUC NO. 8
REVISOR: _____ REVISED PAGE NO. 13
CANCELLING _____ REVISED PAGE NO. 13

Annual 1307(f)	Base Rate Charges (1)	Rider STA (2)	Rider USR (3)	Rider PGC Capacity (4)	Balancing (5)	Rider ARC Rate Credit (6)	Rider Supplier Choice (7)	Rider DSIC (8)	Rider TCJA (9)	Bill Display Total Rate (10=SUM 1 to 9)	Retainage Charge
Rate RS-T (Transportation Service)								0.00%	-7.4960%		
Customer Charge	\$ 15.7500					\$ -	\$ (0.0030)	\$ -	\$ (1.1806)	\$ 14.5664	
Demand/Capacity				\$ 0.9020						\$ 0.9020	
Delivery Charge	\$ 6.7743	\$ 0.0025	\$ 0.0866			\$ -		\$ -	\$ (0.5078)	\$ 6.3556	6.9%
Total per MCF										\$ 7.2576	
Rate SGS-T (Transportation Service)											
Customer Charge											
0 to 499 MCF/Yr	\$ 35.0000					\$ -	\$ (0.0030)	\$ -	\$ (2.6236)	\$ 32.3734	
500 to 999 MCF/Yr	\$ 65.0000					\$ -	\$ (0.0030)	\$ -	\$ (4.8724)	\$ 60.1246	
BB&A 1/				\$ 0.4263						\$ 0.4263	
Delivery Charge	\$ 5.1008	\$ 0.0025				\$ -		\$ -	\$ (0.3824)	\$ 4.7209	6.9%
Total per MCF										\$ 5.1472	
Rate MGS-T (Transportation Service)											
Customer Charge											
1,000 to 2,499 MCF/Yr	\$ 75.0000					\$ -		\$ -	\$ (5.6220)	\$ 69.3780	
2,500 to 24,999 MCF/Yr	\$ 175.0000					\$ -		\$ -	\$ (13.1180)	\$ 161.8820	
BB&A 1/				\$ 0.3439						\$ 0.3439	
Delivery Charge	\$ 4.8604	\$ 0.0025				\$ -		\$ -	\$ (0.3643)	\$ 4.4986	6.9%
Total per MCF										\$ 4.8425	
Rate LGS-T (Transportation Service)											
Customer Charge											
25,000 to 49,999 MCF/Yr	\$ 800.0000							\$ -	\$ (59.9680)	\$ 740.0320	
50,000 to 99,999 MCF/Yr	\$ 1,500.0000							\$ -	\$ (112.4400)	\$ 1,387.5600	
BB&A 1/				\$ 0.2271						\$ 0.2271	
Delivery Charge	\$ 3.7500	\$ 0.0025						\$ -	\$ (0.2811)	\$ 3.4714	6.9%
Total per MCF										\$ 3.6985	
Rate LGS-T (Transportation Service)											
Customer Charge											
100,000 to 199,999 MCF/Yr	\$ 5,000.0000							\$ -	\$ (374.8000)	\$ 4,625.2000	
Over 200,000 MCF/Yr	\$ 7,500.0000							\$ -	\$ (562.2000)	\$ 6,937.8000	
BB&A				\$ 0.2271						\$ 0.2271	
Delivery Charge	\$ 0.9988	\$ 0.0025						\$ -	\$ (0.0749)	\$ 0.9264	6.9%
Total per MCF										\$ 1.1535	

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: _____

PEOPLES GAS COMPANY LLC

SUPPLEMENT NO. ____
TO
TARIFF GAS – PA PUC NO. 8

REVISÉD PAGE NO. 84
CANCELING _____ REVISÉD PAGE NO. 84

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 6.9%. (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: _____

APPENDIX B

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,	:	Docket Nos. R-2021-3023967
Office of Small Business Advocate	:	C-2021-3024551
Office of Consumer Advocate	:	C-2021-3024610
Daniel Killmeyer	:	C-2021-3026236
	:	
v.	:	

Peoples Gas Company LLC

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

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”) in the above-captioned Purchased Gas Cost (“PGC”) proceeding.¹ 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

¹ 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.

Settlement provides benefits to customers and is in the public interest. Thus, it should be approved without modification.

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, OCA, and I&E served direct testimony and accompanying exhibits. Peoples Gas also served rebuttal testimony. The Joint Petitioners participated in 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 2021 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 ¶ 37.) Further, the proposed rates will be updated in the Company's compliance filing to reflect updated actual and projected over/undercollections through September 30, 2021. (Settlement ¶ 38.) 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)-2021 definitive filing. (Settlement ¶ 39.) This includes a new or renewed capacity contract with Columbia Transmission (TCO) for between 5,000 – 6,000 Dth/day of Firm capacity of which the mix between FSS, SST and FTS will be determined prior to the effective date of April 1, 2022 in order to minimize the amount of storage capacity that will be needed to provide adequate balancing capacity at the Fairview and Hickory Corners delivery points. (Settlement ¶ 40.) The Joint Petitioners also acknowledge that the Company is in the process of analyzing several options for an additional 7,000 to 10,000 Dth/day of capacity to renew or replace expiring capacity contracts. (Settlement ¶ 40.)

The PGC and balancing rates that Peoples Gas proposes to place into effect on October 1, 2021, 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.) Further, the unopposed evidence of record demonstrates the need for the Company to enter into new or renewed capacity contracts to service customers' requirements. (Peoples Gas Statement No. 2, pp. 16-37; Peoples Gas Exhibit Nos. 9-10.) Accordingly, these settlement provisions concerning Peoples Gas's proposed PGC and balancing rates, and capacity contracts, 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 witness Carol Scanlon recommended a tariffed retainage rate of 6.9% for all non-discounted transportation customers. (Peoples Gas Statement No. 1, pp. 3, 5-6; Peoples Gas Exhibit No. 3.) The proposed retainage rate was calculated based on the most recent three-year percentage average for unaccounted for gas ("UFG") and company use ("CU"). (Peoples Gas Statement No. 1, pp. 5-6; Peoples Gas Exhibit No. 3.)

OCA witness Mierzwa proposed that the Company adopt a retainage rate based on the three-year average of actual loss volumes of UFG, rather than the three-year percentage average as proposed by the Company. (*See* OCA Statement No. 1, pp. 7-8; OCA Schedule JDM-1.) Specifically, he recommended a non-discounted retainage charge of 8.6%. (OCA Statement No. 1, pp. 7-8; OCA Schedule JDM-1.) Mr. Mierzwa contended that, because losses are not directly related to system receipts, using a percentage average system loss would lead to PGC customers paying for an allegedly disproportionate share of losses. (OCA Statement No. 1, p. 7.)

In rebuttal, Peoples Gas witness Carol Scanlon disagreed with Mr. Mierzwa's recommendation for several reasons. (Peoples Gas Statement No. 1-R, pp. 3-5.) Witness Scanlon explained that the Company's methodology of averaging experienced loss percentage was the standard methodology used by gas utilities in Pennsylvania, and that no other Pennsylvania gas utility calculated retainage by averaging lost volumes. (Peoples Gas Statement No. 1-R, pp. 4-5.) Witness Scanlon also explained that Mr. Mierzwa erred in contending that throughput is irrelevant to UFG. (Peoples Gas Statement No. 1-R, pp. 3.) Ms. Scanlon further demonstrated that "Mr. Mierzwa's method is not clearly better than the Company's method, and Mr. Mierzwa has not presented sufficient reason to change methods." (Peoples Gas Statement No. 1-R, p. 3.)

Ms. Scanlon prepared a calculation to compare the effective retainage rates under the Company's and OCA's methodologies for the past three years, and applied the percentages to the actual volumes experienced from October 2017 through September 2020 to determine the amount of UFG recoveries that would have been experienced under each of the methods. (Peoples Gas Statement No. 1-R, pp. 3-4.) Next, the Company compared the actual UFG for the same periods against the amount of UFG recoveries that would have been experienced under each of the methods, to see which method was more precise. (Peoples Gas Statement No. 1-R, pp. 4.) Witness Scanlon explained the results of those competing methods, noting "as shown in Peoples Gas Exhibit No 1-R, the results varied, indicating that neither methodology is clearly superior to the other." (Peoples Gas Statement No. 1-R, p. 4.)

Under the Settlement, the tariffed retainage rate for all classes shall be 7.4% effective October 1, 2021. (Settlement ¶ 33.) The settled retainage rate falls between the Company's and OCA's litigated positions on the issue, and does not reflect an agreed upon formula for establishing the retainage rate in this or future proceedings. As a result, these settlement provisions reflect a

reasonable compromise of the Company's proposed retainage rate and the OCA's recommendations for an alternative retainage calculation. 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 maintain its producer retainage at the level of 3.4% currently charged for all conventional production, regardless of where it enters the system. (Peoples Gas Statement No. 5, p. 6.) The purpose of the producer retainage charge remains the same—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, pp. 6-7)

None of the Joint Petitioners opposed the Company's proposal to continue the current producer retainage charge, and the Settlement expressly incorporates the Company's unopposed proposal. (Settlement ¶ 34.) Therefore, this settlement provision is reasonable and in the public interest and should be approved without modification.

3. Distribution and Gathering UFG

In her direct testimony, Company witness Petrichevich stated that the Company's distribution UFG for the last reporting period was 0.55 Bcf or 2.75%, which was below the Commission's target for distribution UFG of 3.0%. (Peoples Gas Statement No. 5, pp. 3-4.) Furthermore, Peoples Gas's gathering UFG for the last reporting period was 0.6 Bcf or 6.3%. This figure is less than the gathering UFG target established in the settlement of Peoples Gas's 1307(f)-2018 case. (Peoples Gas Statement No. 5, pp. 3-4.) Under that settlement, the gathering UFG target rate for the 2020 PGC period of September 2019 to August 2020 was 8.5%. (Peoples Gas

Statement No. 5, p. 4.)² As witness Petrichevich explains, the Company has made substantial efforts to reduce gathering UFG, including the activity and spending listed in Peoples Gas Exhibit No. 16. (Peoples Gas Statement No. 5, pp. 4-5; *see* Peoples Gas Exhibit No. 16.) Through Peoples Gas Exhibit No. 16, Peoples Gas also explained that, while 2021 is the last year of the current UFG mitigation plan, the Company has made preliminary decisions on a direction for future years' mitigation efforts. These future efforts include a decreased focus on gathering UFG in favor of reducing overall UFG. Reducing gathering UFG will remain a priority as its loss level is still higher than distribution UFG, but the Company will be incorporating more measures to reduce the distribution UFG. (Peoples Gas Exhibit No. 16, pp. 10-11.)

No party took issue with, or presented testimony on, the Company's UFG figures for the reporting period or the Company's plans on the direction for UFG mitigation efforts in future years. In fact, under the Settlement, the Joint Petitioners acknowledge that the Company's distribution UFG percentage for the twelve-month period ending August 31, 2020, complies with the Commission's regulations at 52 Pa. Code § 59.111(c)(1). (Settlement ¶ 35.) The Joint Petitioners further acknowledge that the Company's gathering system UFG percentage is lower than the target contained in the settlement of the Company's 2018 PGC case. (Settlement ¶ 35.) These settlement provisions acknowledge Peoples Gas's compliance with these UFG requirements as well as the Company's progress in reducing UFG on its distribution and gathering systems. Thus, these settlement provisions are reasonable and in the public interest and should be approved without modification.

² The Company's 2020 gathering loss of 6.3%, is also below the target level of 7.5% for the 12-month period ending August 31, 2021. (Peoples Gas Statement No. 5, pp. 4-5.)

C. RENEWABLE NATURAL GAS AND RESPONSIBLY SOURCED NATURAL GAS

In his direct testimony, Company witness Steven Kolich noted that the use of renewable natural gas (“RNG”) and responsibly sourced natural gas (“RSG”) have potential benefits, including: 1) contributing to a reduction in methane emissions and help Pennsylvania achieve climate goals including Governor Wolf’s Executive Order; and 2) spurring economic development in the area where RNG production facilities are built by providing royalty revenues to the business creating the methane and jobs for workers running the RNG processing plants. (Peoples Gas Statement No. 2, pp. 37-38.)

While Mr. Kolich did not make any specific proposals regarding the incorporation of RNG and RSG into the Company’s system, he did note that such integration may not be considered part of a traditional overall least cost fuel procurement policy. (Peoples Gas Statement No. 2, p. 39.) As such, the Company suggested that “the Commission could consider providing natural gas utilities authorization or incentives to pay a premium to obtain additional RNG and RSG in their supply portfolios, or to invest in RNG facilities.” (Peoples Gas Statement No. 2, p. 39.)

In the OCA’s direct testimony, Mr. Mierzwa explained that “if Peoples Gas is interested in pursuing additional RNG and RSG opportunities, I recommend that the Company establish a stakeholder group to further explore such opportunities. Once Peoples Gas and the stakeholder group have developed a specific proposal, the Company should present it to the Commission for consideration before pursuing the opportunities.” (OCA Statement No. 1, p. 10.)

Similarly, I&E witness Ethan H. Cline explained that I&E is open to discussing the issues surrounding RNG and RSG. However, Mr. Cline noted that I&E is not taking a position regarding the Commission providing authorization or incentives for natural gas distribution companies to pay a premium for RNG or RSG. (I&E Statement No. 1, p. 4.) With that said, Mr. Cline did

recommend that the Company provide, in its next PGC case, additional information regarding RNG and RSG. (I&E Statement No. 1, pp. 4-5.)

In rebuttal, Peoples Gas witness Kolich reiterated that the Company is reviewing potential opportunities to incorporate RNG and RSG into its system, “including special gas purchase and plant investment options that may not be considered part of a traditional overall least cost fuel procurement policy but that may be justified by environmental benefits associated with increased utilization of RNG and RSG.” (Peoples Gas Statement No. 2-R, p. 2.) In response to Mr. Mierzwa’s recommendation that the Company convene a stakeholder meeting, Mr. Kolich explained that “Peoples Gas will also consider holding a stakeholder meeting. . . in the upcoming year to evaluate the potential to incorporate additional RNG and RSG into the Company’s system and whether special terms and conditions are appropriate.” (Peoples Gas Statement No. 2-R, p. 3.)

Under the Settlement, Peoples Gas agrees to consider holding a stakeholder meeting, as recommended by OCA, in the upcoming year to evaluate the potential to incorporate RNG and RSG into the Company’s system and whether special terms and conditions are appropriate. (Settlement ¶ 36.) However, nothing in the stakeholder meeting will preclude the Company from making a proposal regarding RNG and RSG in future PGC filings. This ensures that even if a stakeholder meeting does not produce a consensus, the Company may present any proposals it has concerning RNG and RSG in the future. This settlement provision reflects a reasonable compromise of the Joint Petitioners’ positions on RSG and RNG, and should be approved without modification.

D. CAPACITY CHARGE OVER/UNDER COLLECTIONS

In the Company’s 1307(f)-2021 definitive filing, Peoples Gas witness Robert Waruszewski explained that the Company is proposing to change its methodology with respect to recovery of

capacity charge over/under collections to mirror the methodology used by Peoples Natural Gas Company LLC (“Peoples Natural Gas”), which was approved in Peoples Natural Gas’s 1307(f)-2019 proceeding at Docket Nos. R-2019-3007612 and R-2019-3007617. (Peoples Gas Statement No. 3, pp. 11-12.)

Mr. Waruszewski explained that, under the current methodology, Peoples Gas includes capacity charge over/under collections along with the commodity charge over/under collections in its Gas Cost Adjustment Charge (“GCA”). (Peoples Gas Statement No. 3, pp. 11-12.) Mr. Waruszewski further explained that, “while Priority One transportation customers pay the capacity charge, they do not pay the GCA, thus, [Priority One] transportation customers do not share in the cost/benefit of over/under collections of capacity charges that were incurred to serve them.” (Peoples Gas Statement No. 3, pp. 11-12.) As such, the Company is proposing to begin including capacity charge over/under collections with the capacity charge. Beginning on October 1, 2021, Peoples Gas proposes to segregate the recovery of capacity charge and commodity charge over/under collections. (Peoples Gas Statement No. 3, p. 12.) After one year of segregating these recoveries, Peoples Gas will begin including the capacity charge over/under collections with the projected capacity charge and charge a single capacity charge effective October 1, 2022. The GCA will then only be for the recovery of commodity over/under collections. (Peoples Gas Statement No. 3, p. 12.)

As noted by Company witness Waruszewski, this change will align Peoples Gas with the current method used by Peoples Natural Gas with respect to the recovery of capacity charge over/under collections. None of the Joint Petitioners opposed this proposal, and the Settlement expressly incorporates the Company’s unopposed proposal. (Settlement ¶ 41.) Therefore, this

settlement provision is 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 of the 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 on these issues, as is evident by the fact that all active parties have agreed to the resolution of all 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, 2021, find the rates proposed in the Joint Petition for Settlement to be just and reasonable, and approve the Joint Petition for Settlement without modification.

Respectfully submitted,

Michael W. Hassell

William H. Roberts II (ID # 54724)
Peoples Gas Company LLC
375 North Shore Drive
Pittsburgh, PA 15212
Phone: 412-208-6527
Fax: 412-208-6834
E-mail: william.h.robertsII@peoples-gas.com

Michael W. Hassell (ID # 85522)
Nicholas A. Stobbe (ID # 329583)
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, PA 17101-1601
Phone: 717-731-1970
Fax: 717-731-1985
E-mail: mhassell@postschell.com
E-mail: nstobbe@postschell.com

Of Counsel:

Post & Schell, P.C.

Dated: June 22, 2021

For Peoples Gas Company LLC

APPENDIX C

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2021-3023967
	:	
Peoples Gas Company LLC	:	

**BUREAU OF INVESTIGATION AND ENFORCEMENT
STATEMENT IN SUPPORT OF
JOINT PETITION FOR SETTLEMENT**

TO ADMINISTRATIVE LAW JUDGE KATRINA L. DUNDERDALE:

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), by and through its Prosecutor, Allison C. Kaster, hereby 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 interest of Peoples Gas Company LLC (“Peoples Gas” or the “Company”) and its customers.

I. INTRODUCTION

On April 1, 2021, Peoples Gas submitted its annual Purchased Gas Cost Rate filing pursuant to 66 Pa. C. S. §1307(f), including supporting testimony. The Company’s pre-filing was submitted on March 1, 2021.

I&E entered its appearance on March 2, 2021. The Office of Small Business Advocate (“OSBA”) filed a Notice of Appearance, Complaint, and Public Statement on March 11, 2021, and the Office of Consumer Advocate (“OCA”) filed a Notice of Appearance, Formal Complaint, and Public Statement on March 16, 2021. The Pennsylvania Independent Oil & Gas Association (“PIOGA”) filed its Petition to Intervene on April 6, 2021.

A prehearing conference was held on Friday, April 9, 2021, at 9 a.m. with Administrative Law Judge Katrina L. Dunderdale (“ALJ”) presiding. A litigation schedule and discovery modifications were approved at the prehearing conference.

In accordance with the litigation schedule, I&E served its direct testimony on April 28, 2021. The Company served rebuttal testimony on May 17, 2021. On May 24, 2021, I&E served a letter indicating that it would not be submitting surrebuttal testimony.

In accordance with the Commission’s policy favoring settlements over costly and time consuming litigation, 52 Pa. Code § 5.231, the parties were successful in achieving a full and complete settlement of all issues utilizing the discovery and settlement negotiation process. On May 20, 2021, the Company informed the ALJ that a settlement of all issues was reached. Thereafter, the ALJ canceled the evidentiary hearings and permitted the parties to enter their written testimony and exhibits into the record by stipulation. The ALJ further directed the parties to file the Settlement and Statements in Support by June 22, 2021. Accordingly, I&E submits this timely Statement in Support of the Joint Petition.

II. SETTLEMENT

A. RETAINAGE AND LOST AND UNACCOUNTED FOR GAS (JOINT PETITION ¶¶ 33-35)

Pursuant to the Joint Petition, the parties agree that the tariffed retainage rate for all rate classes is 7.4%, which is a compromise of the litigation positions and does not reflect an agreed-upon formula. The OCA proposed that the Company modify its retainage calculation from one based on a three-year average percentage of losses to one based on a three-year average of actual loss volumes, which increased the Company's proposed retainage from 6.9% to 8.6% (Peoples Gas Statement No. 1-R, p. 2). In rebuttal testimony, the Company analyzed the historic results under both methods and concluded that "neither of the methodologies will be entirely precise" (Peoples Gas Statement No. 1-R, pp. 3-4). Although I&E did not challenge the retainage rates proposed by the Company or OCA, this issue is one that I&E reviews closely in annual PGC proceedings. I&E maintains that the agreed upon retainage rate is in the public interest as it is a reasonable compromise of the two retainage calculations and should be approved without modification.

The Settlement further states that the Company's unaccounted for gas ("UFG") percentage for the twelve-month period ended August 31, 2020, is in compliance with the Commission's regulations, 52 Pa. Code § 59.111(c)(1), and prior settlement agreements. I&E closely analyzes the Company's UFG as it has historically been a concern; however, in this proceeding, I&E did not raise an issue with UFG as the Company has satisfied the required targets for its distribution and gathering systems. Specifically, the Company's

distribution UFG of 2.75% is lower than the Commission's 3.0% target threshold for distribution losses (Peoples Gas Statement No. 5, pp. 3-4; Joint Petition ¶ 61) and the Company's gathering UFG of 6.3% is lower than the 8.5% threshold contained in the settlement of the Company's 2018 PGC case (Peoples Gas Statement No. 5, p. 4; Joint Petition ¶ 61). I&E recognizes that Peoples Gas has satisfied these targets for distribution and gathering losses in this PGC reporting period.

B. RENEWABLE NATURAL GAS AND RESPONSIBLY SOURCED NATURAL GAS (JOINT PETITION ¶ 36)

The parties agree that Peoples Gas will consider holding a stakeholder meeting in the upcoming year to evaluate the potential to incorporate Renewable Natural Gas ("RNG") and Responsibly Sourced Gas ("RSG") into the Company's system; however, the parties recognize that nothing in the stakeholder meeting will preclude the Company from making a proposal regarding RNG and RSG in future PGC filings.

This issue arose because the Company indicated that, although it was not seeking Commission approval to pay a premium for RNG and RSG at this time, it was interested in understanding other parties' position on this issue as the Company believes that incorporating RNG and RSG into the system supply gas portfolio may have environmental benefits and should be evaluated. In direct testimony, I&E recognized that

The concept of purchasing RNG or RSG at a premium for environment or security purposes is a relatively new issue being introduced in purchased gas cost proceedings. I&E is certainly open to discussing this issue with the Company and other parties; however, in order for this issue to be productively considered, a great deal more information would be required that is not currently available in the Company's filing.

(I&E Statement No. 1, p. 4).

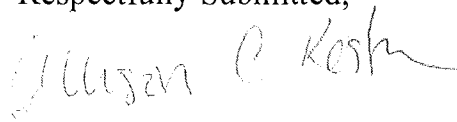
Accordingly, this term is in the public interest as it provides I&E and other stakeholders an opportunity to discuss this emerging issue and better understand the respective positions of the parties.

C. MISCELLANEOUS (JOINT PETITION ¶ 37)

The Joint Petition states that, except as revised by this Settlement, the proposed rates and other requested approvals contained in the Company's PGC filing should be approved. The current and proposed rate for each rate class is found in paragraph 43 of the Settlement. I&E maintains that these rates should be approved as it analyzed the Company's proposed rates and determined 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, 66 Pa. C.S. ¶ 1318, "[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..." I&E's review of all available information in this proceeding confirms this representation. 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 GCR customers. The Settlement provides that the natural gas costs that the Company expects to incur in the upcoming period will be based on its adherence to its established least cost fuel procurement policy. The Company's procurement strategy is in the public interest as it benefits ratepayers on an annual basis by ensuring that Peoples Gas will continually obtain gas on a reliable basis for its customers, at the most advantageous prices possible.

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 Dunderdale recommend, and the Commission subsequently approve, the foregoing Settlement, including all terms and conditions contained therein.

Respectfully Submitted,



Allison C. Kaster
Deputy Chief Prosecutor
PA Attorney ID No. 93176

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Dated: June 22, 2021

APPENDIX D

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos.	R-2021-3023967
Office of Consumer Advocate	:		C-2021-3024610
Office of Small Business Advocate	:		C-2021-3024551
Daniel Killmeyer	:		C-2021-3026236
v.	:		
	:		
Peoples Gas Company LLC	:		

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

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, 2021, 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, 2021, the Company submitted its definitive 2021 PGC filing, pursuant to which, the Company proposed an increase in its residential PGC rate of \$0.7881 per Mcf from the April 1, 2021 rate when new rates take effect on October 1, 2021.

On March 16, 2021, 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 11, 2021, the Office of Small Business Advocate (OSBA) also filed a Formal Complaint against the proposed rates. On March 2, 2021, the Commission's Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance in the case. On April 6, 2020, the Pennsylvania Independent Oil & Gas Association (PIOGA) filed a Petition to Intervene in the proceedings, which was subsequently granted. On June 4, PG customer Daniel Killmeyer filed a Formal Complaint challenging the proposed PGC rates. On June 11, 2021, Mr. Killmeyer's complaint was consolidated with the PGC proceeding. OCA, OSBA and I&E engaged in discovery regarding the proposed rates.

A prehearing conference was held on April 9, 2021, at which a procedural schedule was established for the case. Pursuant to that schedule, on April 28, 2021, the OCA submitted the Direct Testimony of its expert witness, Jerome D. Mierzwa. Mr. Mierzwa's testimony made one recommendation regarding PG's proposed PGC rates for 2021-2022: that the Company's retainage rate should be calculated based on a three-year average of the Company's actual lost and unaccounted-for volumes rather than a three-year average of the percentage of its total volumes that are lost and unaccounted-for. Mr. Mierzwa also made a recommendation with respect to PG's announced exploration of utilizing renewable natural gas (RNG) and responsibly sourced gas (RSG) on its system at some point in the future. Mr. Mierzwa's recommended that if PG is interested in pursuing opportunities with RNG and RSG, the Company should create a stakeholder group to further explore such opportunities and that once PG and the stakeholder group have developed a proposal, it should be filed with the Commission for review before any further action is taken. The Company responded to Mr. Mierzwa's recommendations in its Rebuttal Testimony submitted on May 17, 2021.

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 issues raised 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. SETTLEMENT TERMS

A. RETAINAGE AND LOST AND UNACCOUNTED FOR GAS (Settlement ¶¶ 33-35)

In its Direct Testimony, the OCA recommended that PG's retainage charge calculation be changed from one based on a three-year average percentage of its actual loss experience to one based on a three-year average of actual loss volumes. The OCA maintained that utilizing a three-year average percentage of losses rather than a three-year average of actual losses would result in PGC customers paying for a disproportionate share of losses because transportation customers would not have been assessed adequate retainage. OCA witness Mierzwa noted that PG's losses averaged 1,606,200 Mcf over the last three years. However, the retainage calculation proposed by PG would only recover losses of 1,353,414 Mcf, which is 252,786 Mcf less than the Company's actual 3-year experience. Mr. Mierzwa observed that the flaw in the Company's method of calculating the retainage charge is that it ties expected losses to expected system receipts. Using data for the years 2018 through 2020, Mr. Mierzwa demonstrated that there is not a direct relationship between system receipts and losses. He maintained that changing the retainage calculation from one based on percentage of losses to one based on actual loss volumes would more accurately portray the losses experienced on the Peoples Gas system and would restore equity in the allocation of retainage costs between PGC and transportation customers. Under Mr.

Mierzwa's method, the Company's proposed retainage charge would increase from 6.9 to 8.6 percent.

In its Rebuttal Testimony, PG disagreed with changing the method for calculating its retainage charge. Based on its analysis, the Company concluded that neither method – its current method nor Mr. Mierzwa's method – is entirely precise. The Company maintained that the calculation under either method relies on projected throughput volumes for the period the retainage rate is in place. The actual throughput for both transportation and sales customers will vary from projected volumes and depending on the degree of variation, the actual recoveries of UFG can be affected. The Company further maintains that the OCA's method assumes that the overall level of UFG is a fixed amount as an average of the three prior years, and is not affected by throughput. However, the Company states that if this were accurate, then incremental throughput would not contribute anything toward UFG. The Company states that while it has consistently acknowledged that UFG does not change in direct proportion to throughput, throughput is not irrelevant to experienced losses, either.

In its Rebuttal Testimony, the Company calculated what the proposed effective retainage rate would be under each of the methods and then applied this percentage to the actual volumes experienced from October 2017 through September 2020 to determine the amount of UFG recoveries that would have been experienced under each method. The Company then compared the actual UFG for the same periods against the amount of UFG recoveries that would have been experienced under each method to see which was more precise. The Company deemed the method that produced the result closest to zero is the better predictor. As shown in the Rebuttal Testimony, the results varied. For the periods ending September 30, 2018 and September 30, 2020, the OCA's volume method produced a result closer to zero. For the period ending September 30, 2019 and

the entire period of October 2017 through September 2020, the Company's percentage method produced a result closer to zero. The Company concluded that neither method was superior to the other.

In Settlement, the Company offered a stated percentage rate of 7.4% for the retainage charge. This is memorialized in Settlement ¶ 33. The 7.4% rate is a compromise between a rate of 8.6% using the OCA's calculation method and 6.9% using the Company's method. As noted, the 7.4% is a specified percentage rate arrived at for purposes of settlement. It is not based on an agreed-upon calculation method or formula. In view of the evidence presented, indicating the strengths and weaknesses of both methods of calculating the retainage charge, the OCA determined that it was in the best interests of customers, and in the interest of administrative economy, to accept the Company's settlement proposal as a reasonable compromise between the positions of the parties.

B. RENEWABLE NATURAL GAS AND RESPONSIBLY SOURCED NATURAL GAS (Settlement ¶ 36)

According to the Direct Testimony of Company witness Mr. Kolich, PG is reviewing potential opportunities within its service territory to incorporate RNG and RSG into its system. As noted above, OCA witness Mierzwa made a recommendation that if the Company is interested in pursuing opportunities related to RNG and RSG, it should create a stakeholder group to further explore such opportunities and once PG and the stakeholder group have developed a proposal, it should be filed with the Commission for review before any further action is taken.

In Rebuttal Testimony, Mr. Kolich acknowledged that his Direct Testimony did not include any specific proposals for incorporating RNG or RSG into the PG System. He stated that if the Company identifies a specific project prior to its 2022 PGC filing, it would reach out to the statutory parties with specific project information to address the possibility of proceeding before

general terms and conditions for such projects have been adopted and approved.

Mr. Kolich further stated that PG would also consider holding a stakeholder meeting, as recommended by Mr. Mierzwa, in the upcoming year to evaluate the potential to incorporate RNG and RSG into the Company's system and whether special terms and conditions are appropriate.

In Settlement, PG agreed to adopt the recommendation of OCA witness Mierzwa and will consider holding a stakeholder meeting during the upcoming year to evaluate the potential for incorporating RNG and RSG into the Company's system. It will also consider whether special terms and conditions are appropriate.

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,

/s/ David T. Evrard

David T. Evrard
Assistant Consumer Advocate
PA Attorney I.D. # 33870
E-mail: devrard@paoca.org

Counsel for:
Christine Maloni Hoover
Interim Acting Consumer Advocate

Office of Consumer Advocate
555 Walnut Street 5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152

June 22, 2021

311728

APPENDIX E

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

I. Introduction

The Small Business Advocate is authorized and directed to represent the interests of the small business consumers of utility services in the Commonwealth of Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. Pursuant to that statutory authority, the Office of Small Business Advocate (“OSBA”) filed a complaint in the above-captioned proceeding, which was initiated by Peoples Gas Company, LLC (“Peoples Gas” or “Company”) on April 1, 2020.

The OSBA participated in the negotiations that led to the proposed settlement and is a signatory to the Joint Petition for Settlement of the Section 1307(f) Rate Investigation (“*Joint Petition*”). The OSBA submits this statement in support of the *Joint Petition*.

II. Statement in Support of 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 that its analysis did not justify submission of testimony in this proceeding, but may merit attention in future proceedings. As set forth in the OSBA's April 8, 2021, *Prehearing Memorandum*, the OSBA analyzed and considered the issues set forth below.

A. Lost and Unaccounted-For Gas

Peoples Gas does not exhibit the lowest levels of lost and unaccounted-for gas ("LAUFG") among Pennsylvania natural gas distribution companies ("NGDCs"). For the period ending August 31, 2020, the Company's distribution and gathering LAUFG levels were 2.75% and 6.3%, respectively. However, the OSBA acknowledges that the Company's distribution and gathering system UFG percentages are in compliance with Commission regulations and/or past settlements. *Joint Petition*, at Paragraph 35.

B. Retainage Rates

The Company's tariffed retainage rate for all classes effective October 1, 2021, shall be 7.4%. *Joint Petition*, at Paragraph 33. Also as originally proposed by PNG, the producer retainage rate shall be standardized at 3.4%. *Joint Petition*, at Paragraph 34. The OSBA reviewed the Company's proposed retainage rates, participated in the settlement discussions, and found the retainage rates contained in the *Joint Petition*, which were arrived at through the negotiation process, to be reasonable.

III. Conclusion

Settlement of this proceeding avoids the litigation of complex, competing proposals and saves the possibly significant costs of further administrative proceedings. Such costs are borne not only by the Joint Petitioners, but ultimately by the Company's customers as well. Avoiding further litigation of this matter will serve judicial efficiency, and will allow the OSBA to more efficiently employ its resources in other areas.

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,

Erin K. Fure

Erin K. Fure
Assistant Small Business Advocate
Attorney ID No. 312245

Office of Small Business Advocate
555 Walnut Street
Forum Place, 1st Floor
Harrisburg, PA 17101

Dated: June 22, 2021

APPENDIX F



212 Locust Street, Suite 300
Harrisburg, PA 17101-1510
Phone: (717) 234-8525 | Fax: (717) 234-8812
Email: kevin@pioga.org

June 16, 2021

Via eFiling

Rosemary Chiavetta, Secretary
PA Public Utility Commission
400 North Street
Keystone Bldg., 2nd Floor
Harrisburg, PA 17105-3265

RE: PA PUC, *et al.* v. Peoples Gas Company LLC
Docket Nos. R-2021-3023967, *et al.*

Dear Secretary Chiavetta:

This letter confirms that the Pennsylvania Independent Oil & Gas Association (PIOGA) does not oppose the proposed settlement in the above-referenced proceeding or the Commission's approval thereof.

Very truly yours,

A handwritten signature in blue ink that reads "Kevin J. Moody".

Kevin J. Moody
General Counsel

cc: Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true and correct copy of PIOGA's non-opposition letter in the above referenced proceeding upon the parties listed below in accordance with requirements of 52 Pa. Code § 1.54 (relating to service by a party).

VIA EMAIL only

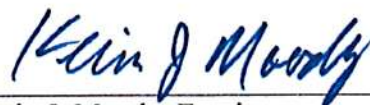
Honorable Katrina L. Dunderdale, Administrative Law Judge
Office of Administrative Law Judge
Pennsylvania Public Utility Commission
Piatt Place
301 5th Avenue, Suite 220
Pittsburgh, PA 15222
kdunderdal@pa.gov

Michael W. Hassell, Esquire Kevin J. Moody, Esquire
Nicholas Stobbe, Esquire Vice President and General Counsel
Post & Schell, P.C. PA Independent Oil & Gas Association
17 North Second Street, 12th Floor 212 Locust Street, Suite 300
Harrisburg, PA 17101-1601
mhassell@postschell.com
NStobbe@PostSchell.com

Allison C. Kaster, Esquire
Bureau of Investigation & Enforcement
Commonwealth Keystone Building
400 North Street, 2nd Floor West
PO Box 3265
Harrisburg, PA 17105-3265
akaster@pa.gov

David Evrard, Esquire
Aron J. Beatty, Esquire
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
devrard@paoca.org
abeatty@paoca.org

Erin K. Fure, Esquire
Office of Small Business Advocate
555 Walnut Street
Forum Place, 1st Floor
Harrisburg, PA 17101
efure@pa.gov



Kevin J. Moody, Esquire
General Counsel, PIOGA

Date: June 16, 2021