

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	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	:	

RECOMMENDED DECISION

Before
Katrina L. Dunderdale
Administrative Law Judge

INTRODUCTION

This Recommended Decision recommends the Joint Petition for Settlement be adopted without modification, which proposes the Purchased Gas Cost for Peoples Gas Company LLC increase by \$0.8039 per Mcf, or by 8.5%, as of October 1, 2021, for the residential class. In addition, the Producer Retainage Charge rate, for gas produced in conventional wells and gathered into the system, will be 3.4% and the tariffed retainage rate for all classes will increase to 7.4%, effective on October 1, 2021. The presiding officer recommends the Commission approve the Joint Petition for Settlement as it is in the public interest and consistent with the requirements of the Public Utility Code, 66 Pa.C.S.A. §§ 1307(f) and 1318.

HISTORY OF THE PROCEEDINGS

Pursuant to Section 1307(f) of the Public Utility Code, 66 Pa.C.S.A. § 1307(f), on April 1, 2021, Peoples Gas Company LLC (Peoples Gas, PG or the Company) filed a Pro Forma

Supplement with changes to Retail Tariff Gas Pa. P.U.C. No. 8 with the Pennsylvania Public Utility Commission (Commission or PUC), docketed at R-2021-3023967. Peoples Gas proposed the Supplement should become effective for service rendered on and after October 1, 2021, in connection with the Company's 2021 Purchased Gas Cost (PGC) filing for the period ending September 30, 2021. Peoples Gas' filing proposed an increase of \$0.7881 per Mcf for the gas cost recovery rate from residential sales service customers, in comparison to the rates in effect as of January 1, 2021. Rate changes were also proposed for other customer classes. In addition, Peoples Gas proposed to maintain its retainage rate charged to producers for gas produced in conventional wells and gathered into the system at 3.4%.

This proceeding was consolidated for purposes of litigation only with a filing by Peoples Natural Gas Company LLC (Peoples Natural Gas or PNG) on April 1, 2021.¹ Peoples Natural Gas filed a Pro Forma Supplement with changes to Tariff Gas Pa. P.U.C. No. 47, docketed at R-2021-3023965. Peoples Natural Gas' filing proposes an increase of \$1.2532 per Mcf for the gas cost recovery rate from residential sales service customers, in comparison to the rates in effect as of January 1, 2021. Rate changes were also proposed for other customer classes. In addition, Peoples Natural Gas proposed to maintain its retainage rate charged to producers for gas produced in conventional wells and gathered into the system at 5.4%, to be effective on October 1, 2021.

Various parties entered appearances, in addition to Peoples Natural Gas and Peoples Gas (collectively, the Companies), including the Commission's Bureau of Investigation and Enforcement (BIE), the Office of Small Business Advocate (OSBA), and the Office of Consumer Advocate (OCA). In addition, complaints were filed by OSBA at Docket Nos. C-2021-3024551 against PG and C-2021-3024558 against PNG and by OCA at Docket Nos. C-2021-3024610 against PG and C-2021-3024609 against PNG. Those complaints were consolidated in the Prehearing Order.

¹ A separate Recommended Decision appears in Docket No. R-2021-3023965.

The Pennsylvania Independent Oil & Gas Association (PIOGA) filed a Petition to Intervene in both proceedings on April 6, 2021. The intervention request was unopposed and was granted in the Prehearing Order dated April 9, 2021.

By Notice issued March 30, 2021, the Office of Administrative Law Judge (OALJ) scheduled a prehearing conference for April 9, 2021, at 9:00 a.m. Prehearing Memoranda were filed on behalf of Peoples Gas, BIE, OSBA, OCA and PIOGA.

The presiding officer conducted the prehearing conference on April 9, 2021, with the following parties present and represented by counsel: the Companies, BIE, OSBA, OCA and PIOGA. At the prehearing conference, the parties considered issues raised by the filing, discussed prehearing matters, as well as the litigation schedule. Thereafter, on April 9, 2021, the presiding officer issued a prehearing order which memorialized the matters discussed, established a litigation schedule.

Peoples Gas filed its direct testimony with the initial filing on April 1, 2021. On April 28, 2021, written direct testimony was served on the parties from BIE and OCA. On May 17, 2021, written rebuttal testimony was served on the parties from Peoples Gas.

On May 20, 2021, Daniel Killmeyer, a customer of Peoples Gas, filed a formal complaint at Docket No. C-2021-3026236 regarding Peoples Gas' proposed purchased gas cost rate changes. On June 11, 2021, the presiding officer consolidated Mr. Killmeyer's formal complaint with the above-captioned proceeding in the Third Interim Order.

The presiding officer scheduled the initial hearings for May 27, 2021, and May 28, 2021. Prior to the start of the proceedings, the parties informed the presiding officer on May 20, 2021, that the parties reached a full settlement, and the parties proposed to submit all written testimony and exhibits by stipulation. Accordingly, the presiding officer cancelled the hearings.

According to the established litigation schedule, the parties were given until June 22, 2021, in which to submit a fully executed settlement with substantive Statements in Support. All testimony and exhibits admitted into evidence by stipulation of the parties are listed in the Revised Joint Stipulation for Admission of Evidence, which the Joint Petitioners filed with the Commission on June 1, 2021, and which is included as Attachment A to this Recommended Decision. The parties stipulated the aforementioned statements and exhibits are authentic and each witness sponsoring each statement and exhibit, if called under oath, would testify as indicated in the statements and exhibits. Thereafter, on June 7, 2021, the presiding officer issued the Interim Order Granting the Revised Joint Stipulation for Admission of Evidence.

On June 22, 2021, the Joint Petition for Settlement (Settlement or Joint Petition), including Statements in Support by Peoples Gas, BIE, OSBA and OCA, was filed with the Secretary's Bureau. Intervenor PIOGA did not join in the Settlement; however, PIOGA filed a Statement in Support of the Settlement on June 16, 2021. Complainant Killmeyer was provided with a copy of the Settlement and did not indicate his objection or agreement with the Settlement.

On July 1, 2021, the presiding officer issued an Interim Order Closing the Hearing Record. On July 8, 2021, the presiding officer issued the Fourth Interim Order which reopened the record to admit evidence into the record and re-close the hearing record. The parties had pre-served the evidence and listed the same in the Joint Stipulation to Admit Evidence but the correct list of evidence was not listed in the Third Interim Order dated June 7, 2021.

This Recommended Decision recommends the Settlement be adopted without modification.

DESCRIPTION AND TERMS OF SETTLEMENT

In accordance with Rule 5.231 of the Commission's Rules of Practice and Procedure, 52 Pa.Code § 5.231, the parties explored the possibility of settlement. As a result of settlement discussions, the parties achieved a settlement in principle under which all issues are

resolved. The Settlement, which is fully executed by Peoples Gas, BIE, OCA and OSBA (signatories or Joint Petitioners), consists of 22 pages and 5 appendices. Appendix A sets forth the tariff supplement describing the agreed upon rates. Appendix B sets forth the Statement in Support of Peoples Gas Company LLC. Appendix C sets forth the Statement in Support of the Commission's Bureau of Investigation and Enforcement. Appendix D sets forth the Statement in Support of the Office of Consumer Advocate. Appendix E sets forth the Statement in Support of the Office of Small Business Advocate.

The parties express their agreement with respect to three matters: (1) Retainage and Lost and Unaccounted For Gas; (2) Renewable Natural Gas and Responsibly Sourced Natural Gas; and (3) Capacity Charge Over/Undercollections. The Joint Petitioners specifically agreed to the following settlement terms, as provided in the Settlement at Section II, paragraphs Nos. 33 through 41, and as provided *verbatim* below.

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.

IMPACT OF SETTLEMENT ON RATES

In Paragraph Nos. 42 and 43 of the Settlement, the signatories noted the presiding officer directed the parties to provide the following material in a settlement petition: (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 as a percentage of increase or decrease of the current rates; and (3) the impact on each customer class (e.g., under the proposed rate each customer would have paid X, and under the agreed-upon amount, each customer will pay Y).

Specifically, in Paragraph No. 43, the signatories provided this information in one table, provided below:

Peoples Gas							
	Average	Existing	As-Filed	Percent	Settlement	Annual Bill	Annual Bill
<u>Rate Schedule</u>	Annual Usage (Mcf)	Tariff Rates 1/	Gas Cost	Change	Gas Cost	As-Filed	Settlement
			Change	Change	Change		
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							

FINDINGS OF FACT

The signatories agreed to several proposed findings of fact with citations to the record of admitted evidence. As set forth in Section IV, Paragraphs Nos. 44 through 64 of the Settlement, these proposed findings provide the information necessary to support the “Findings of Fact” set forth as stated *in verbatim* below.

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).

DISCUSSION

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

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

interests; (3) that the utility has taken all prudent steps necessary to obtain lower cost gas supplies on both short-term and long-term bases both within and outside the Commonwealth, including the use of gas transportation arrangements with pipelines and other distribution companies; and (4) that the utility has not withheld from the market or caused to be withheld from the market any gas supplies which should have been utilized as part of a least cost fuel procurement policy. The issues specifically addressed by the parties are discussed below.

SETTLEMENT AND STATEMENTS IN SUPPORT

Natural Gas Cost Rates effective October 1, 2021

The Company Position

Peoples Gas asserts the purchased gas cost (PGC) and the balancing rates, proposed to be effective on October 1, 2021, are supported by record evidence. Peoples Gas used cost projections, sales projections, and the reconciliation process to explain the development of the natural gas supply rates and the testimony it submitted into the record provides full support for the rates and their underlying calculations. (Peoples Gas Statement No. 3). Further, the unopposed evidence of record demonstrates the Company needs to enter in new or renewed capacity contracts to better service customers' requirements. (Peoples Gas Statement No. 2, pp. 16-37; Peoples Gas Exhibit Nos. 9-10). Peoples Gas avers these settlement provisions concerning the proposed PGC and balancing rates are just, reasonable and should be approved without modification.

Peoples Gas notes the Joint Petitioners agreed 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, Peoples Gas asserts it will update the proposed rates in the Company's compliance filing to reflect updated actual and projected over/undercollections through September 30, 2021. (Settlement ¶ 38). Finally, the Joint Petitioners agreed 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 this 2021 definitive filing pursuant to Section 1307(f). (Settlement ¶ 39), including a new or renewed capacity contract with Columbia Transmission (TCO) for between 5,000 – 6,000 Dth/day of Firm capacity. Peoples Gas points out the mix between FSS, SST and FTS will be determined prior to the effective date of April 1, 2022, which should minimize the amount of storage capacity needed to provide adequate balancing capacity at the Fairview and Hickory Corners delivery points. (Settlement ¶ 40). Peoples Gas notes the Joint Petitioners acknowledged 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).

BIE Position

BIE asserts the proposed rates and other requested approvals contained in the Company's PGC filing should be approved, except as revised by the Settlement. BIE maintains these rates should be approved because it analyzed the Company's proposed rates and determined that ratepayers are protected. BIE notes 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.A. § 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...." BIE contends its review of all available information in this proceeding confirms this representation.

BIE points out a least cost fuel procurement policy will protect ratepayers from unnecessary and imprudent gas costs and will prevent the Company from making a profit on gas supplies provided to its GCR customers. BIE asserts this Settlement provides that the natural gas costs 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 Peoples Gas will continually obtain gas on a reliable basis for its customers, at the most advantageous prices possible.

OCA Position

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

OSBA Position

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

Retainage and Lost and Unaccounted For Gas

The Company Position

Concerning the Retainage Rate, Peoples Gas recommends 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 Company asserts it calculated the proposed retainage rate 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). Peoples Gas disagreed with OCA's proposal to 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. (OCA Statement No. 1, pp. 7-8; OCA Schedule JDM-1). Specifically, OCA recommended a non-discounted retainage charge of 8.6%, contending that using a percentage average system loss would lead to PGC customers paying for an allegedly disproportionate share of losses, because losses are not directly related to system receipts. (OCA Statement No. 1, pp. 7-8; OCA Schedule JDM-1).

Peoples Gas disagrees with OCA's recommendation because: (1) 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); (2) OCA erred to contend throughput is irrelevant to UFG. (Peoples Gas Statement No. 1-R, pp. 3); and (3) Peoples Gas

contended OCA's "method is not clearly better than the Company's method, and [OCA] has not presented sufficient reason to change methods." (Peoples Gas Statement No. 1-R, p. 3).

On rebuttal, Peoples Gas provided 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). Then, 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). Peoples Gas asserted the results of those competing methods varied, and the Company contended the results indicated "neither methodology is clearly superior to the other." (Peoples Gas Statement No. 1-R, p. 4).

Peoples Gas points out the tariffed retainage rate for all classes shall be 7.4%, effective October 1, 2021, pursuant to the Settlement. (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 OCA's recommendations for an alternative retainage calculation. Peoples Gas asserts these settlement provisions are reasonable and in the public interest and should be approved without modification.

Concerning the Producer Retainage Charge, Peoples Gas 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.

Concerning the Distribution and Gathering UFG, Peoples Gas asserts its distribution Unaccounted For Gas for the last reporting period was 2.75%, which UFG was below the Commission's target for distribution UFG of 3.0%. (Peoples Gas Statement No. 5, pp. 3-4). Furthermore, the Company points out its gathering UFG for the last reporting period was 6.3%, which figure is less than the gathering UFG target established in the settlement of Peoples Gas' 2018 Purchased Gas Cost (§ 1307(f)) proceeding. (Peoples Gas Statement No. 5, pp. 3-4). Under the 2018 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

The Company contends it 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; Peoples Gas Exhibit No. 16). Through Peoples Gas Exhibit No. 16, Peoples Gas notes it made preliminary decisions on a direction for future years' mitigation efforts, while 2021 is the last year of the current UFG mitigation plan, and these future efforts include a decreased focus on gathering UFG in favor of reducing overall UFG. The Company asserts 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).

Peoples Gas points out 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 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 the Company's gathering system UFG percentage is lower than the target contained in the settlement of the Company's 2018 PGC

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).

case. (Settlement ¶ 35). Peoples Gas contends these settlement provisions acknowledge its compliance with these UFG requirements as well as the Company's progress in reducing UFG on its distribution and gathering systems. Accordingly, Peoples Gas asserts these settlement provisions are reasonable, in the public interest and should be approved without modification.

BIE Position

BIE notes the parties agree the tariffed retainage rate for all rate classes should be 7.4%, which is a compromise of the litigation positions and does not reflect an agreed upon formula. BIE asserts it did not challenge the retainage rates proposed by the Company or OCA. BIE points out, however, this issue is one BIE reviews closely in annual PGC proceedings. BIE maintains the agreed upon retainage rate is in the public interest because it is a reasonable compromise of the two retainage calculations (by the Company and OCA) and should be approved without modification.

BIE also points out the Settlement asserts the Company's UFG percentage for the twelve-month period ended August 31, 2020, complies with the Commission's regulations, 52 Pa.Code § 59.111(c)(1), and prior settlement agreements. BIE contends it closely analyzed the Company's UFG as the percentage historically has been a concern. BIE did not raise an issue with UFG because the Company 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 2018 settlement of the Company's PGC case (Peoples Gas Statement No. 5, p. 4; Joint Petition ¶ 61). BIE notes it recognizes Peoples Gas satisfied these targets for distribution and gathering losses in this PGC reporting period.

OCA Position

OCA recommends PG's retainage charge calculation should 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 maintains 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 notes PG's losses averaged 1,606,200 Mcf over the last three years, however, the retainage calculation as 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. OCA contends 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, OCA asserts it demonstrated there is no direct relationship between system receipts and losses, and changing the retainage calculation 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. OCA notes the Company's proposed retainage charge would increase from 6.9 to 8.6 percent, under OCA's methodology.

OCA points out PG disagreed with changing the method for calculating its retainage charge, and concluded that neither its method nor OCA's method is entirely precise, because both methods rely on projected throughput volumes for the period the retainage rate is in place. The Company also contended OCA's method assumes 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 had stated that if this assumption was accurate, then incremental throughput would not contribute anything toward UFG. The Company asserted that while it has consistently acknowledged that UFG does not change in direct proportion to throughput, throughput is not irrelevant to experienced losses, either.

OCA notes that, in Settlement, the Company offered a stated percentage rate of 7.4% for the retainage charge. This rate is memorialized in Settlement ¶ 33. The 7.4% rate is a compromise between a rate of 8.6% using OCA's calculation method and 6.9% using the Company's method. OCA asserts the 7.4% is a specified percentage rate arrived at for purposes of settlement and 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, OCA concludes it is in the best interests of customers and administrative economy, to accept the Company's settlement proposal as a reasonable compromise between the positions of the parties.

OSBA Position

Concerning Lost and Unaccounted-for Gas (LAUFG), OSBA points out Peoples Gas does not exhibit the lowest levels of 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. OSBA acknowledges the Company's distribution and gathering system UFG percentages comply with Commission regulations and/or past settlements. Settlement, ¶ 35.

Concerning retainage rates, OSBA notes the Company's tariffed retainage rate for all classes effective October 1, 2021, will be 7.4% under the Settlement. Settlement, ¶ 33. Also as originally proposed by PG, the producer retainage rate will be standardized at 3.4%. Settlement, ¶ 34. OSBA reviewed the Company's proposed retainage rates, participated in the settlement discussions, and found the retainage rates contained in the Settlement, which were arrived at through the negotiation process, to be reasonable.

Renewable Natural Gas and Responsibly Sourced Natural Gas

The Company Position

Peoples Gas notes 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 helping 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).

The Company notes such integration may not be considered part of a traditional overall least cost fuel procurement policy (Peoples Gas Statement No. 2, p. 39), and suggests “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).

Peoples Gas acknowledges OCA suggested the Company should establish a stakeholder group to explore future opportunities if the Company wants to pursue additional RNG and RSG opportunities. (OCA Statement No. 1, p. 10). Peoples Gas notes BIE also indicated it was open to discuss the issues surrounding RNG and RSG, although BIE took no 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). Peoples Gas reiterated on rebuttal 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). The Company explained it “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).

Peoples Gas points out the Settlement reflects its agreement 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 to consider whether special terms and conditions are appropriate. (Settlement ¶ 36). However, PG points out nothing in the stakeholder meeting will preclude it from making a proposal regarding RNG and RSG in future PGC filings. This provision 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.

BIE Position

BIE notes the parties agree 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. BIE notes 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. BIE points out this issue arose because the Company indicated it was interested in understanding other parties' position on this issue because the Company believes incorporating RNG and RSG into the system supply gas portfolio may have environmental benefits and should be evaluated, although the Company agreed it was not seeking Commission approval to pay a premium for RNG and RSG at this time.

BIE acknowledges this concept - purchasing RNG or RSG at a premium for environmental or security purposes - is a relatively new issue being introduced in purchased gas cost proceedings. BIE asserts it remains open to discussing this issue with the Company and other parties. BIE notes, however, a great deal more information would be required that is not currently available in the Company's filing before this issue can be productively considered. (I&E Statement No. 1, p. 4). Accordingly, BIE asserts this settlement term is in the public interest because it provides BIE and other stakeholders with an opportunity to discuss this emerging issue and to better understand the respective positions of the parties.

OCA Position

OCA acknowledges PG has been reviewing potential opportunities within its service territory to incorporate RNG and RSG into its system. OCA recommended Peoples Gas should create a stakeholder group to further explore such opportunities, if the Company is interested in pursuing opportunities related to RNG and RSG, and once PG and the stakeholder group have developed a proposal, that proposal should be filed with the Commission for review before any further action is taken. OCA notes Peoples Gas admitted it did not have any specific proposals at this time for how to incorporate RNG or RSG into the PG System. Peoples Gas had asserted that it would reach out to the statutory parties with specific project information, if the

Company identifies a specific project prior to its 2022 PGC filing, and would address the possibility of proceeding before general terms and conditions for such projects are adopted and approved. Peoples Gas also acknowledged it would 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.

OCA notes PG agreed within the Settlement to adopt the recommendation of OCA and to consider holding a stakeholder meeting during the upcoming year to evaluate the potential for incorporating RNG and RSG into the Company's system, including a consideration about whether special terms and conditions are appropriate.

OSBA Position

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

Capacity Charge Over/Under Collections

The Company Position

Peoples Gas proposes 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, which methodology the Commission approved in 2019 in Peoples Natural Gas' § 1307(f) proceeding (at Docket Nos. R-2019-3007612 and R-2019-3007617). (Peoples Gas Statement No. 3, pp. 11-12). The Company asserts it includes capacity charge over/under collections along with the commodity charge over/under collections in its Gas Cost Adjustment Charge (GCA) under the current methodology. (Peoples Gas Statement No. 3, pp. 11-12). Peoples Gas explains, "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 proposes 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). Then, after one year of segregating these recoveries, Peoples Gas will include the capacity charge over/under collections with the projected capacity charge, and the Company will 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). Peoples Gas asserts 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.

The Company notes no Joint Petitioner opposes this proposal, and the Settlement expressly incorporates the Company's unopposed proposal. (Settlement ¶ 41). Therefore, the Company contends this settlement provision is reasonable, in the public interest and should be approved without modification.

BIE Position

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

OCA Position

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

OSBA Position

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

RECOMMENDATION

In this proceeding, the parties reached a settlement. The Commission encourages parties in contested on-the-record proceedings to settle cases,³ because settlements eliminate the

³ 52 Pa.Code § 5.231.

time, effort and expense of litigating a matter to its ultimate conclusion, which may entail review of the Commission's decision by the appellate courts of Pennsylvania. Such savings benefit not only the individual parties, but also the Commission and all ratepayers of a utility, who otherwise may have to bear the financial burden such litigation necessarily entails.

By definition, a "settlement" reflects a compromise of the positions the parties of interest held, which arguably fosters and promotes the public interest. When active parties in a proceeding reach a settlement, the benchmark or inquiry to determine whether a settlement is acceptable is if the proposed terms and conditions are in the public interest.⁴ I recommend the Commission accept the Company's Section 1307(f) filing, as modified by the Settlement. The Settlement is in the public interest, advances the least cost procurement objective, which benefits all ratepayers, and is a fair, just and reasonable resolution.

In their supporting statements, People Gas, BIE, OSBA and OCA conclude, after extensive discovery and discussion, this Settlement resolves the issues in these dockets, fairly balances the interests of the Company and its ratepayers, is in the public interest, is consistent with the requirements of Sections 1307 and 1318 of the Public Utility Code,⁵ and should be approved.

This recommendation is based in large part upon the representations made by the statutory advocates averring the Settlement is in the interests of the constituencies that they represent. The parties conducted a thorough review of the initial filing and supporting information, discovery responses and the filing data, and engaged in settlement discussions. As a result, the Settlement maintains a proper balance of the interests of all parties, no further action is necessary on the issues contained within the Settlement and the investigation of this filing is complete. Accordingly, the Commission should approve the Settlement.

⁴ *Pa. Pub. Util. Comm'n v. C.S Water & Sewer Assocs.*, 74 Pa. PUC 767 (1991).

⁵ 66 Pa.C.S.A. §§ 1307 and 1318.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the subject matter and the parties to this proceeding. 66 Pa.C.S.A. §§ 501, 1307(f) and 1317-18.

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

3. Peoples Gas Company LLC is pursuing a least cost fuel procurement policy during the relevant time period consistent with the obligation to provide safe, adequate and reliable service to customers in compliance with Section 1318 of the Public Utility Code, 66 Pa.C.S.A. § 1318.

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

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

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

7. Peoples Gas Company LLC took all prudent steps necessary during the relevant time period to obtain lower cost gas supplies on both short-term and long-term bases both within and outside the Commonwealth, including the use of gas transportation arrangements

with pipelines and other distribution companies in compliance with Section 1318(a)(3) of the Public Utility Code, 66 Pa.C.S.A. § 1318(a)(3).

8. Peoples Gas Company LLC did not withhold from the market or cause to be withheld from the market during the relevant time period any gas supplies which should have been used as part of a least cost fuel procurement policy in compliance with Section 1318(a)(4) of the Public Utility Code, 66 Pa.C.S.A. § 1318(a)(4).

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

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

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

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

13. The Joint Petition for Settlement of the Section 1307(f) Rate Investigation of Peoples Gas Company LLC, filed pursuant to 66 Pa.C.S.A. § 1307(f) and which Peoples Gas Company LLC, the Commission's Bureau of Investigation and Enforcement, the Office of

Consumer Advocate and the Office of Small Business Advocate executed and submitted at Docket No. R-2021-3023967, is in the public interest.

ORDER

THEREFORE,

IT IS RECOMMENDED:

1. That the Joint Petition for Settlement of the Section 1307(f) Rate Investigation of Peoples Gas Company LLC pursuant to 66 Pa.C.S.A. § 1307(f) that Peoples Gas Company LLC, the Commission's Bureau of Investigation and Enforcement, the Office of Consumer Advocate and the Office of Small Business Advocate have executed and filed at Docket No. R-2021-3023967, be approved.

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

3. That the formal complaints of the Office of Small Business Advocate at Docket No. C-2021-3024551, the Office of Consumer Advocate at Docket No. C-2021-3024610 and Daniel Killmeyer at Docket No. C-2021-3026236 be marked satisfied.

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

Attachment A

Exhibits Admitted into the Hearing Record
By Stipulation on June 1, 2021
Docket No. R-2021-3023967

Peoples Gas Company

1. Peoples Gas Statement No. 1 – Direct Testimony of Carol A. Scanlon, with Peoples Gas Exhibit No. 3
2. Peoples Gas Statement No. 2 – Direct Testimony of Steven P. Kolich, with Peoples Gas Exhibit Nos. 1, 4, 5, 8, 9, 10, and 17
3. Peoples Gas Statement No. 3 – Direct Testimony of Robert Waruszewski, with Peoples Gas Exhibit Nos. 6 (CONFIDENTIAL), 7, 8, 9, 10, 11, 12, 13, 14, and 17
4. Peoples Gas Statement No. 4 – Direct Testimony of Jason M. Dalton, with Peoples Gas Exhibit Nos. 1 2, and 17
5. Peoples Gas Statement No. 5 – Direct Testimony of Lynda W. Petrichevich, with Peoples Gas Exhibit Nos. 15 and 16
6. Peoples Gas Statement No. 1-R – Rebuttal Testimony of Carol A. Scanlon, with Peoples Gas Exhibit Nos. 1-R and 2-R
7. Peoples Gas Statement No. 2-R – Rebuttal Testimony of Steven P. Kolich

Bureau of Investigation and Enforcement

1. I&E Statement No. 1 – Direct Testimony of Ethan H. Cline, including I&E Exhibit No. 1

Office of Consumer Advocate

1. OCA Statement No. 1 – Direct Testimony of Jerome D. Mierzwa, including OCA Schedules JDM-1