

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

| | | |
|--|---|----------------|
| Pennsylvania Public Utility Commission | : | R-2023-3037928 |
| Office of Small Business Advocate | : | C-2023-3038899 |
| Office of Consumer Advocate | : | C-2023-3039644 |
| | : | |
| v. | : | |
| | : | |
| Peoples Natural Gas Company LLC | : | |
| 1307(f) Proceeding | : | |

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 Natural Gas Division (PNGD or Peoples Natural Gas Division), which is part of Peoples Natural Gas Company LLC, as of October 1, 2023, should include a decrease of \$4.8940/Mcf, or by -37.7%, for the residential class, and proposed the Purchased Gas Cost for Peoples Gas Company Retail Division (PGD or Peoples Gas Division) should include a decrease of \$4.9317/Mcf, or -33.9%. 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. §§ 1307(f) and 1318.

HISTORY OF THE PROCEEDING

Pursuant to Section 1307(f) of the Public Utility Code, Peoples Natural Gas Company LLC (Peoples Natural Gas, the Company or PNG) filed a Pro Forma Supplement with changes to Tariff Gas Pa. P.U.C. No.47 and docketed at R-2023-3037928, on March 31, 2023, to provide for projected changes in tariff rates resulting from changes in purchased gas costs. The Pro Forma Tariff Supplement contained proposed changes to the Peoples Natural Gas Division's Retail Tariff Gas – Pa. P.U.C. No. 47 and the Peoples Gas Division's Retail Tariff Gas – Pa. P.U.C. No. 8.¹ In the tariff supplement, Peoples Natural Gas proposed a decrease of \$4.8931 per Mcf in its rates for Peoples Natural Gas Division, and a decrease of \$4.9308 per Mcf for the Peoples Gas Division, for recovery of purchased gas costs applicable to residential sales service customers.²

Various parties entered appearances in addition to Peoples Natural Gas, 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 No. C-2023-3038899, and by OCA at Docket No. C-2023-3039644 against Peoples Natural Gas. No party indicated to date any opposition to consolidating those complaints into these rate proceedings, and that will be so ordered in Ordering Paragraphs below.

By Notice issued April 6, 2023, the Office of Administrative Law Judge (OALJ) scheduled a prehearing conference for April 13, 2023 at 9:00 a.m., as an initial call-in telephonic prehearing conference, with the presiding officer and all parties appearing through the Commission's conference bridge capability. The Pennsylvania Independent Oil & Gas Association (PIOGA) filed a Petition to Intervene on April 11, 2023. Prehearing Memoranda were filed on behalf of the Company, BIE, OSBA, OCA and PIOGA.

¹ See Peoples Natural Gas Exhibit No. 5 in the Company's Initial Filing.

² Effective January 1, 2023, the public utility known as Peoples Natural Gas Company LLC legally merged with the public utility known as Peoples Gas Company LLC. The merger produced one public utility entity known as Peoples Natural Gas Company LLC, which entity has two divisions: Peoples Natural Gas Division (PNGD or "Peoples Natural Gas Division") and Peoples Gas Division (PGD or Peoples Gas Division). When a division is not specified, the combined divisions will be referred to herein as the Company, Peoples Natural Gas or PNG.

The presiding officer conducted the prehearing conference on April 13, 2023, with the following parties present and represented by counsel: Peoples Natural Gas, BIE, OSBA, OCA and PIOGA. At the prehearing conference, the parties considered issues raised by the filings, discussed prehearing matters and established a litigation schedule. Thereafter, the presiding officer issued the Prehearing Order on April 13, 2023, which memorialized the matters discussed, decided and agreed to by the parties during the prehearing conference. In addition, the presiding officer granted PIOGA's unopposed intervention request and consolidated the complaints of OSBA and OCA into this proceeding in the Prehearing Order.

Peoples Natural Gas filed its direct testimony with the initial filing on March 31, 2023. On May 1, 2023, OCA served the written direct testimony of Jerome Mierzwa and PIOGA served the written direct testimony of Dan Weaver. On May 19, 2023, Peoples Natural Gas served the written rebuttal testimonies of four witnesses: Carol A. Scanlon, Steven P. Kolich, Anthony Caldoro and Lynda W. Petrichevich. On May 26, 2023, OCA served the written surrebuttal testimony of Jerome Mierzwa.

On May 16, 2023, Peoples Natural Gas filed a Motion for Protective Order. On May 22, 2023, the presiding officer issued an order granting the Company's request for protective order.

The presiding officer scheduled the initial hearings for May 31, 2023 and June 5, 2023. On May 30, 2023, the parties informed the presiding officer 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 hearing scheduled for June 5, 2023, by Notice of Cancellation dated May 30, 2023.

On May 31, 2023, the presiding officer conducted a telephonic evidentiary hearing for the purpose of admitting pre-served testimony. The following parties were present and represented at the evidentiary hearing: Peoples Gas, Peoples Natural Gas, BIE, OCA, OSBA and PIOGA. The written statements and exhibits admitted into the hearing record are attached hereto as Appendix A.

On June 29, 2023, the Joint Petition for Settlement of the Section 1307(f) Rate Investigation (Settlement or Joint Petition), including Statements in Support from Peoples Natural Gas, OCA and PIOGA, was filed with the Secretary's Bureau. BIE and OSBA did not join in the Settlement, however, BIE included a Letter of Non-Opposition with the Settlement and OSBA filed a Letter of Non-Opposition with the Commission on June 29, 2023.

On July 3, 2023, the presiding officer issued an Interim Order Closing the Hearing Record.

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 is fully executed by Peoples Natural Gas, OCA and PIOGA (signatories or Joint Petitioners) and consists of 87 pages with 6 appendices. Appendix A sets forth the tariff supplement describing the agreed upon rates. Appendices B through D set forth the Statements in Support of Peoples Natural Gas, OCA and PIOGA, respectively. Appendices E and F set forth the Letters of Non-Opposition of BIE and OSBA, respectively.

The parties express their agreement with respect to six (6) matters: (1) Calculation of Retainage and Balancing Charges; (2) Hedging Program; (3) Interim PGC Rate Filings; (4) Producer Retainage Rate for the Goodwin System; (5) Lost and Unaccounted For Gas; and (6) Miscellaneous items. The Joint Petitioners specifically agreed to the following settlement terms, as provided in the Settlement at Section II, Paragraph Nos. 30 through 41, and as provided *verbatim* below.

SETTLEMENT TERMS

A. Calculation of retainage and balancing charges

30. The Peoples Natural Gas stand-alone tariffed retainage rate for all classes for both divisions effective October 1, 2023 shall be 5.9%. This represents an average of the Company's proposal and OCA's proposal. This shall not serve as the methodology for future filings but rather a settlement methodology.

31. With respect to the balancing charge, the Parties agreed to the inclusion of overrun/operational flow order ("OFO") charges. This results in a balancing charge of \$0.4468 for SGS/MGS and \$0.1165 for LGS.

B. HEDGING PROGRAM

32. If the Company's rate in effect for commodity reaches \$5.00 or more for at least two consecutive quarters, Peoples Natural Gas will propose a hedging program in its then-next annual PGC filing. This provision will be in effect beginning with the October 1, 2023, quarterly rate change and end after eight quarters.

C. INTERIM PGC RATE FILINGS

33. The Company will monitor natural gas commodity prices to consider making interim filings in the future. The purpose of this monitoring is to avoid significant over or under collections of gas cost commodity costs in the future.

34. The Company will accelerate the refund of the over collections of gas cost commodity costs experienced during the 2022/2023 winter by decreasing the Gas Cost Adjustment ("GCA") charge to customers for the period of October 1, 2023 through December 31, 2023. This accelerated refund will be consistent with the methodology described in Peoples Natural Gas Company Statement No. 1-R – the Rebuttal Testimony of Carol Scanlon.

35. The accelerated refund for the period of October 1, 2023, through December 31, 2023, will be excluded from the Price to Compare.

D. PRODUCER RETAINAGE RATE FOR THE GOODWIN SYSTEM

36. As proposed in Peoples Natural Gas Company Statement No. 5, the Producer Retainage Rate for the Goodwin system shall be 68% for the period of October 1, 2023, to September 30, 2024. The Producer Retainage

Rate for the Goodwin system shall be calculated using the method delineated in Peoples Natural Gas's 2022 PGC settlement at Docket Nos. R-2022-3030661, *et al.* (See Peoples Natural Gas 2022 PGC Joint Petition for Settlement, ¶ 27; See also Peoples Natural Gas Company Statement in Support of Joint Petition for Settlement of 2022 PGC proceeding, p. 11 (Then effective annual retainage rate * (1-annual rate of pipeline replacement))).

E. LOST AND UNACCOUNTED FOR GAS

37. Parties acknowledge that the Peoples Natural Gas distribution unaccounted for gas ("UFG") percentage for the twelve-month period ending August 31, 2022, is in compliance with the Commission's regulations at 52 Pa. Code § 59.111(c)(1).

F. MISCELLANEOUS

38. The overrun and OFO charges incurred and included in this filing were prudently incurred and in compliance with the least cost gas standard.

39. Except as revised by this Settlement, the proposed rates and other requested approvals contained in the Peoples Natural Gas's 2023 PGC filing should be approved. Peoples Natural Gas reserves the right to include unopposed proposals in the Settlement provisions.

40. In accordance with the provisions of 52 Pa. Code § 53.64(i)(5), the Peoples Natural Gas compliance filing in this proceeding will reflect updated actual and projected over/under collections through September 30, 2024.

41. The parties agree that the Commission should approve the renewals and changes in gas supply, pipeline, and storage capacity contracts that are explained in Peoples Natural Gas Company Statement No. 2 and related exhibits included in the 1307(f)-2023 definitive filing.

Settlement pp. 5-7.

RATE IMPACT OF SETTLEMENT

In Paragraph Nos. 42 and 43 of the Settlement, the signatories noted the presiding officer directed the parties to provide the necessary 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 Nos. 42 and 43, the signatories provided this information in two tables, provided *verbatim* below:

42. The ALJ has directed the Joint Petitioners to set forth the following in their Joint 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 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:

Table 1: Rate Changes

| Peoples Natural Gas Division | | | As-Filed | | Settlement | | |
|-------------------------------------|-----------------------------------|---------------------------------|------------------------|-----------------------|------------------------|-----------------------------|-------------------------------|
| <u>Rate Schedule</u> | <u>Average Annual Usage (Mcf)</u> | <u>Existing Tariff Rates 1/</u> | <u>Gas Cost Change</u> | <u>Percent Change</u> | <u>Gas Cost Change</u> | <u>Annual Bill As-Filed</u> | <u>Annual Bill Settlement</u> |
| RS | 86 | \$12.9496 | (\$4.8931) | -37.8% | (\$0.0009) | \$ 854.47 | \$ 854.39 |
| SGS | 183 | \$10.7876 | (\$4.7641) | -44.2% | (\$0.0008) | \$ 1,325.21 | \$ 1,325.07 |
| MGS | 2,145 | \$10.5761 | (\$4.8104) | -45.5% | (\$0.0008) | \$ 13,314.82 | \$ 13,313.11 |
| LGS | 50,000 | \$10.2133 | (\$4.7685) | -46.7% | (\$0.0008) | \$ 280,599.39 | \$ 280,559.39 |

1/ Peoples Natural Gas net billing rate effective January 1, 2023.

| <u>Peoples Gas Division</u> | | | <u>As-Filed</u> | | <u>Settlement</u> | | <u>Annual Bill</u> | | <u>Annual Bill</u> |
|-----------------------------|-----------------------------------|---------------------------------|------------------------|-----------------------|------------------------|----|--------------------|----|--------------------|
| <u>Rate Schedule</u> | <u>Average Annual Usage (Mcf)</u> | <u>Existing Tariff Rates 1/</u> | <u>Gas Cost Change</u> | <u>Percent Change</u> | <u>Gas Cost Change</u> | | <u>As-Filed</u> | | <u>Settlement</u> |
| RS | 86 | \$14.5628 | (\$4.9308) | -33.9% | (\$0.0009) | \$ | 1,001.76 | \$ | 1,001.68 |
| SGS | 183 | \$12.3065 | (\$4.8233) | -39.2% | (\$0.0008) | \$ | 1,754.80 | \$ | 1,754.65 |
| MGS | 2,145 | \$12.0860 | (\$4.8233) | -39.9% | (\$0.0008) | \$ | 16,404.34 | \$ | 16,402.63 |
| LGS < 100,000 Mcf/yr | 50,000 | \$11.0670 | (\$4.8233) | -43.6% | (\$0.0008) | \$ | 328,701.98 | \$ | 328,661.98 |

1/ PGD net billing rate effective January 1, 2023.

Settlement pp. 7-8.

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 85 of the Settlement, the signatories asserted these proposed findings provide the information necessary to support the “Findings of Fact” and the proposed findings are adopted and set forth as stated *verbatim* below.

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

45. Peoples Natural Gas’s interstate assets consist of a portfolio of transportation and storage services that Peoples Natural 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”), Equitrans, L.P. (“Equitrans”), National Fuel Gas Supply Corporation (“NFG”), and Columbia Gas Transmission, LLC (“TCO”). The Company also has interconnects with Tennessee Gas Pipeline Company, LLC (“Tennessee” or “TGP”), but does not currently contract for either transportation or storage services on Tennessee. Those interstate assets give Peoples Natural Gas access to a variety of locations at which it can receive gas supplies that are produced upstream of the Peoples Natural Gas system. The interstate storage assets allow Peoples Natural

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 Natural Gas's interstate natural gas supplies during periods of peak demand. Peoples Natural Gas's interstate supplies are primarily EQT Energy, LLC ("EQT Energy") and other Appalachian-produced gas that it purchases from suppliers upstream of the Peoples Natural Gas system for delivery into various receipt points of the interstate pipelines and occasionally purchases on a delivered basis to the city-gate. (Peoples Natural Gas Company Statement No. 2, p. 5.)

46. Over the 1307(f)-2023 historical period, Peoples Natural Gas's 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; (4) interstate pipeline transportation and storage services from NFG; and (5) interstate pipeline transportation and storage service from TCO. In addition, Peoples Natural Gas purchases winter-only, firm, city-gate delivered supply via Tennessee, and winter-only, firm, city gate delivered supply via TETCO. Although these are gas purchase arrangements, Peoples Natural Gas treats them the same as interstate capacity for planning purposes because the Company requires deliveries at the respective delivery points and would pursue firm capacity at these points if firm city-gate delivered supply was not available. (Peoples Natural Gas Company Statement No. 2, pp. 16-17.)

47. Beginning December 17, 2013, when the acquisition of Equitable Gas Company ("Equitable") closed, Equitrans began providing firm transportation and firm storage services from Equitrans's AVC to the Company's PNGD. The AVC services consist of transportation service under Rate Schedule EFT, no-notice transportation service under Rate Schedule FTSS, and Storage Service under Rate Schedule GSS. The FTSS and GSS service agreements provide PNGD and its customers with access to AVC storage capacity of 8.6 MMDth annually and maximum deliverability of 200,000 Dth per day. The EFT service agreement provides Peoples Natural Gas and its customers up to 251,700 Dth per day of firm transportation capacity. These service agreements provide for a total of 451,700 Dth per day of firm capacity on the AVC system. (Peoples Natural Gas Company Statement No. 2, pp. 19-20.)

48. Beginning April 1, 2014, Equitrans began providing the former PNGD firm transportation service under Rate Schedule FTS from Equitrans's Mainline system. Gas transported under this agreement is sourced from receipt points on the Sunrise section of the Mainline system and delivered to Equitrans' Ginger Hill station, which is the point of interconnection between Equitrans' Mainline and AVC systems. The capacity is seasonal, and the maximum firm daily quantity is 251,700 Dth during November through

March and 62,000 Dth during April through October. (Peoples Natural Gas Company Statement No. 2, p. 20.)

49. In Peoples Natural Gas's 1307(f)-2022 proceeding, Peoples Natural Gas and Peoples Gas described the various service arrangements that would be in effect between Peoples Natural Gas and EGTS and Peoples Gas and EGTS and the costs associated with them over what is now the 1307(f)-2023 historical period. Under the settlement, the Parties agreed that the Commission should approve the Company's gas supply, pipeline and storage capacity contracts. In its final order in that proceeding, the Commission approved the settlement including the rates for the collection of Peoples Natural Gas's natural gas costs that included the costs associated with the EGTS service arrangements over what is now the 1307(f)-2023 historical period. (Peoples Natural Gas Company Statement No. 2, p. 24.)

50. For the 1307(f)-2023 historical period, EGTS provides service to Peoples Natural Gas Division under four service agreements and three rate schedules which all have an expiration date of March 31, 2034. EGTS provides year-round Rate FTNN no-notice transportation service at 40,000 Dth/day, Rate FT firm transportation service of 40,000 Dth/day, and Rate GSS storage service under two separate service agreements, one with capacity of 4.6 MMDth annually and maximum deliverability of 40,000 Dth/day and the other with capacity of 2.48 MMDth annually and up to 40,000 Dth/day of deliverability. These agreements promote service reliability in parts of the PNGD distribution system that are particularly well-suited for gas deliveries from EGTS. (Peoples Natural Gas Company Statement No. 2, pp. 22-23.)

51. Under a service agreement with EGTS that ended on March 31, 2022, PGD had 25,000 Dth/day of FT firm transportation service, 25,000 Dth/day of FT-GSS firm transportation service, and 25,000 Dth/day of GSS firm storage service with a total storage capacity of 1,500,000 Dth. Under a service agreement with EGTS that expires on March 31, 2029, PGD additionally has 10,000 Dth/day of FT firm transportation service and 10,000 Dth/day of GSS firm storage service with a storage capacity of 600,000 Dth. PGD also held 10,000 Dth/day of FT transportation service that expires October 31, 2023. (Peoples Natural Gas Company Statement No. 2, p. 23.)

52. TETCO provides Peoples Natural Gas with firm transportation service under Rate Schedule FT-1 and also delivers firm to the city-gate purchases made by Peoples Natural Gas from suppliers who are TETCO shippers. Peoples Natural Gas requires gas deliveries in the eastern portion of its service territory at Ebensburg, Delmont, Claysburg, and Rockwood and supplies into these delivery points are essential during the winter Peoples Natural Gas purchases gas on TETCO and moves it over TETCO's

facilities under its Rate FT-1 service agreement primarily to the Ebensburg and Delmont delivery points. Peoples Natural Gas also contracts with gas suppliers for the purchase of firm supply that is delivered on TETCO to Peoples Natural Gas's city-gates at the Claysburg and Rockwood delivery points in addition to occasionally supplementing the firm transportation deliveries at Ebensburg. TETCO also provides an operational balancing agreement that helps Peoples Natural Gas manage the unanticipated swings in demand at its physical interconnections with TETCO. (Peoples Natural Gas Company Statement No. 2, p. 25.)

53. Peoples Natural Gas had 15,650 Dth/day of FT-1 firm transportation service under contract from TETCO for the entire 1307(f)-2023 historical period. Gas supplies under this transportation contract, which expires on April 30, 2024, are delivered by TETCO primarily at Peoples Natural Gas's Ebensburg delivery point located in TETCO's market zone M3. This service agreement may also be used to deliver gas supplies at Claysburg, also in M3, and Rockwood, which is upstream of Ebensburg in TETCO's market zone M2. Peoples Natural Gas plans to renew this TETCO FT-1 firm transportation service agreement during the 1307(f)-2023 projected period. (Peoples Natural Gas Company Statement No. 2, p. 25.)

54. PNGD proposed in the 1307(f)-2015 proceeding to put in place an arrangement for additional firm gas deliveries of up to 25,000 Dth per Day to the Ebensburg delivery point for the 2015-2016 winter period. In the following year's 1307(f)-2016 proceeding, PNGD recommended seeking proposals for similar arrangements for the following winter, and this recommendation was accepted. Subsequent Request for Proposals ("RFP") resulted in firm agreements covering each winter period from 2016-2017 through 2022-2023. This most recent winter included two days with 67 and 58 HDDs on December 23 and 24, 2023, respectively, when PNGD used the firm agreements to deliver approximately 23,000 Dth each day at Ebensburg, which assisted effectively to hold up gas service in the eastern portion of the PNGD service territory. (Peoples Natural Gas Company Statement No. 2, pp. 27-28.)

55. PNGD can accept up to 11,000 Dth/day at its Rockwood interconnection with TETCO in TETCO's market zone M-2. Prior to 2007, Peoples Natural Gas satisfied this requirement with TETCO firm transportation capacity, but the M-2 firm transportation capacity was not renewed upon its March 31, 2007 expiration. Peoples Natural Gas then entered into a series of annual agreements for either firm delivered supply or for the purchase of released capacity that Peoples Natural Gas then matched with spot purchases that extended through the 2013-2014 winter period. For the next two winter seasons, Peoples Natural Gas satisfied its needs at this delivery point with delivered gas purchases. From 2017 through 2023, Peoples Natural Gas issued RFPs and contracted for firm

delivered gas agreements for up to 3,000 Dth/day for each winter season. (Peoples Natural Gas Company Statement No. 2, p. 28.)

56. In July 2022, PNGD issued an RFP for firm deliveries of up to 3,000 Dth/day at TETCO M2 Rockwood and 25,000 Dth/day at TETCO M3 Ebensburg, for the period of November 22 2022 through March 2023. Approximately twenty potential suppliers were solicited and proposals were received for the 3,000 Dth/day at M2 Rockwood, and only one proposal was received for the 25,000 Dth/day at M3 Ebensburg. (Peoples Natural Gas Company Statement No. 2, pp. 28-29.)

57. Peoples Natural Gas accepted Sequent Energy's M2 Rockwood proposal for 3,000 Dth/day since it included no reservation charge for the deal term. The deal allowed for combinations of baseload and daily calls for supply. Baseload supply would be priced at the INSIDE FERC's Gas Market Report, Monthly Bidweek Spot Gas Price Index for Texas Eastern, M-2 Receipts for that month plus \$0.20 per Dth. Daily supply would be priced at Gas Daily midpoint pricing for Texas Eastern, M-2 Receipts reported for the day of flow plus \$0.20 per Dth. There was no minimum call provision for baseload or daily supply to Rockwood. The other offer was rejected.

58. Peoples Natural Gas accepted Colonial Energy Services' M3 Ebensburg proposal for 25,000 Dth/day which included a reservation charge of \$0.029 per Dth, or \$110,000 for the term of the deal. The deal allows for combinations of baseload and daily calls for supply. Baseload supply would be priced at the INSIDE FERC's Gas Market Report, Monthly Bidweek Spot Gas Price Index for Texas Eastern, M-2 Receipts for that month plus TETCO M2 to M2 transportation variable costs per Dth. Daily supply would be priced at Gas Daily midpoint pricing for Texas Eastern, M-2 Receipts reported for the day of flow plus TETCO M2 to M2 transportation variable costs per Dth. There was no minimum call provision for baseload or daily supply to Ebensburg. (Peoples Natural Gas Company Statement No. 2, p. 29.)

59. In PNGD's 1307(f)-2022 proceeding, PNGD described its service arrangements with TETCO and firm suppliers that would be in effect over what is now the 1307(f)-2023 historical period. Under the settlement, the Parties agreed that the Commission should approve the Company's gas supply, pipeline and storage capacity contracts. In its final order in that proceeding, the Commission approved the settlement including the rates for the collection of PNGD's natural gas costs that included the costs associated with the TETCO service arrangements. (Peoples Natural Gas Company Statement No. 2, p. 30.)

60. NFG provides PNGD with no-notice storage service and firm transportation service under rates approved by the FERC. PNGD uses NFG's services primarily to serve the isolated Grove City area of its service territory. PNGD uses its storage service from NFG as a no-notice balancing service to manage supply to an uncertain demand and as a way to reduce natural gas costs, by buying supplies when they generally are cheaper during the summer months and injecting them into storage, and to enhance reliability, by withdrawing the volumes from storage during the winter when demand is highest. PNGD utilizes its firm transportation service from NFG both to support the NFG storage service and for deliveries from other supply sources. (Peoples Natural Gas Company Statement No. 2, pp. 30-31.)

61. During the entire 1307(f)-2023 historical period and for the first two months of the 1307(f)-2023 projected period, NFG provided 9,793 Dth/day of no-notice storage service to PNGD under its Rate ESS and 15,476 Dth/day of firm transportation service to PNGD under its Rate EFT. PNGD entered into both of those contracts in the mid-1990s, and the primary terms of those contracts expired on March 31, 2003. However, each of the contracts contains a one-year notice of termination provision so that if neither party gives the other one-year's notice of termination, the contracts automatically renew for another year. The contracts have automatically renewed on April 1 of each year since 2003 and renewed again, effective April 1, 2023. As a result, the NFG contracts will be in effect throughout the 1307(f)-2023 projected period. (Peoples Natural Gas Company Statement No. 2, p. 31.)

62. In PNGD's 1307(f)-2022 proceeding, PNGD described the arrangements between PNGD and NFG that would be in effect, over what is now the 1307(f)-2023 historical period. PNGD also described the reasons why it entered into those arrangements and the costs associated with them. Under the settlement in the 2022 1307(f) proceeding, the parties agreed that the Commission should approve the Company's gas supply, pipeline, and storage capacity contracts. In its final order in that proceeding, the Commission approved the settlement including the rates for the collection of PNGD's natural gas costs that included the costs associated with the NFG service arrangements over what is now the 1307(f)-2023 historical period. (Peoples Natural Gas Company Statement No. 2, p. 32.)

63. For the 1307(f)-2023 historical period, TCO provided PGD firm transportation service under Rate FTS of up to 3,257 Dth/day along with 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 that expired March 31, 2022. Effective April 1, 2023, TCO provided PGD firm transportation service under Rate FTS of up to 4,000 Dth/day. TCO also provided firm storage service under Rate GSS and

related firm transportation service under Rate SST of up to 2,000 Dth/day with a total storage capacity of 112,860 Dth with an expiration date of March 31, 2025. The Company utilizes the TCO services to maintain system integrity in the Fairview and Hickory Corners area of the system. (Peoples Natural Gas Company Statement No. 2, pp. 32-33.)

64. In PGD's 1307(f)-2022 proceeding, Peoples Gas Division described the arrangements between PGD and TCO that would be in effect, over what is now the 1307(f)-2023 historic period. Peoples Gas Division also described the reasons why Peoples Gas Division entered into those arrangements and the costs associated with them. Under the settlement, the Parties agreed that the Commission should approve the Company's gas supply pipeline and storage capacity contracts. In the final order in that proceeding, the Commission approved the settlement including the rates for the collection of PGD's natural gas costs that included the costs associated with the TCO service arrangements over what is now the 1307(f)-2023 historical period. (Peoples Natural Gas Company Statement No. 2, p. 33.)

65. Peoples Natural Gas annually issues an RFP for firm city gate delivered supply for the upcoming winter season. These delivered supply agreements require the supplier to utilize Tennessee pipeline delivery points directly into Peoples Natural Gas at Pittsburgh Terminal and Pulaski. In addition, the agreements also required deliveries into the Columbia Gas of Pennsylvania, Inc. ("CPA") natural gas distribution system at New Castle, PA. This supply supports an exchange agreement under which CPA delivers gas into the Grove City area of Peoples Natural Gas's service territory, which is not physically integrated with the rest of the Peoples Natural Gas system. (Peoples Natural Gas Company Statement No. 2, p. 34.)

66. During the 1307(f)-2023 historical period, following the RFP process, PNGD entered into an agreement with one supplier for the period of November 2022 through March 2023. The contract provides for up to 26,000 Dth/day of firm supply delivered to PNGD with 0 - 20,000 Dth/day delivered to Pittsburgh Terminal, 0 - 3,000 Dth/day delivered to Pulaski, and 0 - 3,000 Dth/day delivered to New Castle. The agreement included no reservation fee and a specified baseload supply priced at the INSIDE FERC's Gas Market Report, Monthly Bidweek Spot Gas Price Index for Tennessee, Zone 4-200 Leg for that month plus \$0.105 plus TGP zone 4 to zone 4 variable transportation charges per Dth. For daily requested quantities, the proposal specified pricing at Gas Daily midpoint pricing for Tennessee, Zone 4-200 Leg reported for the day of flow plus \$0.105 plus TGP zone 4 to zone 4 variable transportation charges per Dth. There was no minimum call provision of baseload or daily supply associated with the deal. (Peoples Natural Gas Company Statement No. 2, pp. 34-35.)

67. During the 1307(f)-2023 historical period, following the RFP process, PGD entered into an agreement with one supplier for the period of November 2022 through March 2023. The contract provides for up to 5,000 Dth/day of firm supply delivered to Pittsburgh Terminal. The agreement included no reservation fee and specified baseload supply pricing at the INSIDE FERC's Gas Market Report, Monthly Bidweek Spot Gas Price Index for Tennessee, Zone 4-200 Leg for that month plus \$0.105 plus TGP zone 4 to zone 4 variable transportation charges per Dth. For daily requested quantities, the proposal specified pricing related to Gas Daily midpoint pricing for Tennessee, Zone 4-200 Leg reported for the day of flow plus \$0.105 plus TGP zone 4 to zone 4 variable transportation charges per Dth. For the November 2022 through March 2023 period, no other offers were received. (Peoples Natural Gas Company Statement No. 2, p. 35.)

68. The Company proposes to issue another RFP for firm delivered supply on Tennessee that will provide for delivery of natural gas on a firm basis for up to 33,000 Dth/day delivered to Peoples Natural Gas with 0 - 27,000 Dth/day delivered to Pittsburgh Terminal, 0 - 3,000 Dth/day delivered to Pulaski, and 0 - 3,000 Dth/day delivered to New Castle for the winter period of November 2023 through March 2024. (Peoples Natural Gas Company Statement No. 2, p. 35.)

69. In Peoples Natural Gas's 1307(f)-2022 proceeding, Peoples Natural Gas described its intention to issue RFPs for firm delivered service arrangements on Tennessee that would be in effect, over what is now the 1307(f)-2023 historical period. Peoples Natural Gas also included estimated costs for these arrangements and described the reasons why Peoples Natural Gas entered into those firm supply arrangements. Under the Settlement, the Parties agreed that the Commission should approve the Company's gas supply, pipeline and storage capacity contracts. In its final order in that proceeding, the Commission approved the settlement including the rates for the collection of Peoples Natural Gas's natural gas costs that included the costs associated with this arrangement over what is now the 1307(f)-2023 historical period. (Peoples Natural Gas Company Statement No. 2, p. 36.)

70. Peoples Natural Gas currently owns and operates the five storage fields, which have 2,097,000 Mcf of storage capacity and 55,300 Mcf of maximum design day withdrawal capacity. (Peoples Natural Gas Company Statement No. 2, p. 38.)

71. There are two categories of natural gas costs that Peoples Natural Gas incurs to own and operate its on-system storage facilities. The first of those categories is the portion of Peoples Natural Gas's requirements for company use and lost and unaccounted for gas that was attributable to those facilities. The second is the weighted average cost that Peoples Natural Gas assigns to each Mcf that is injected into and withdrawn from its on system

(and interstate) storage facilities. For the 1307(f)-2023 historical period, the weighted average cost was based on the cost of all supplies that Peoples Natural Gas acquired over calendar year 2022. The total weighted average costs that Peoples Natural Gas assigned to injections into and withdrawals from storage over the historical period were those set forth on Peoples Natural Gas Company Exhibit No. 6. (Peoples Natural Gas Company Statement No. 2, p. 39.)

72. In Peoples Natural Gas's 1307(f)-2022 proceeding, Peoples Natural Gas set forth projections regarding the use of on-system storage over what is now the 1307(f)-2023 historical period. In that proceeding, Peoples Natural Gas described the projected weighted average costs assigned to the supplies that Peoples Natural Gas anticipated injecting into and withdrawing from its on-system and interstate storage facilities over that same period. In its final order in that proceeding, the Commission approved rates for the collection of Peoples Natural Gas's natural gas costs that included the weighted average costs of supplies that Peoples Natural Gas anticipated injecting into and withdrawing from storage over what is now the 1307(f)-2023 historical period. The rates approved by the Commission also included the cost of Peoples Natural Gas's projected requirements for company use and lost or unaccounted for gas, including the portion of those requirements attributable to its on-system storage facilities. (Peoples Natural Gas Company Statement No. 2, pp. 39-40.)

73. Peoples Natural Gas projects to incur the weighted average costs of supplies injected into and withdrawn from storage that were set forth on Peoples Natural Gas Company Exhibit Nos. 7 and 8. While Peoples Natural Gas has done its best to anticipate what those weighted average costs will be, when the Company looks back next year, the weighted average costs likely will be different than what Peoples Natural Gas is projecting here, again because of the inability to predict the exact price of market-priced supplies. (Peoples Natural Gas Company Statement No. 2, p. 40.)

74. Peoples Natural Gas and its customers continue to purchase a substantial amount of their gas supply from Pennsylvania and Appalachian producers. Year-round base load gas supply is purchased by the Company from approximately 126 local Pennsylvania producers at approximately 1,947 supply meters. The majority of this gas is produced from conventional gas wells drilled into shallow upper Devonian formations (approximately 4,000 ft.). Over the last 100 years, the Company's pipeline system has been designed and operated to accommodate local supply, which must be delivered at varying pressures. (Peoples Natural Gas Company Statement No. 2, p. 41.)

75. The deliverability of Pennsylvania gas has historically declined as the gas wells age. Such decline is characteristic of these small volume local

wells and thus, over time, deliverability of existing wells will continue to fall as these wells are depleted. Over the last several years, the decline in new shallow well development resulted in production from the new gas wells failing to offset the production deliverability declines of the existing Pennsylvania gas wells. Production from Marcellus wells has accounted for roughly 21.2% of the total local production into Peoples' system. Adding new Marcellus gas is limited due to the lower operating pressures of the gathering system and most Marcellus production is sold to the transport market since its steady, year-round supply matches up better with the less heat sensitive large industrial load. (Peoples Natural Gas Company Statement No. 2, p. 41.)

76. In Peoples Natural Gas's 1307(f)-2022 proceeding, Peoples Natural Gas described its contracts for local gas supplies that would be in effect over what is now the 1307(f)-2023 historical period. Under the settlement, the Parties agreed that the Commission should approve the Company's gas supply, pipeline and storage capacity contracts. In its final order in that proceeding, the Commission approved the settlement including the rates for the collection of Peoples Natural Gas's natural gas costs that included the costs associated with the local gas contracts over what is now the 1307(f)-2023 historical period. (Peoples Natural Gas Company Statement No. 2, p. 44.)

77. Besides the Vintage and Dedicated gas purchase agreements, which only represent a small percentage of the total local supply purchased, all of the Company's other local gas supply contracts are subject to renegotiation due to the evergreen nature of the agreements. During the 1307(f)-2023 historical period, there were a number of local production meters that switched from system supply to transportation agreements and vice versa but the amount of local supplies Peoples Natural Gas purchased for its customers was virtually the same as the 1307(f)-2022 historical period. (Peoples Natural Gas Company Statement No. 2, pp. 44-45.)

78. Peoples Natural Gas uses the spot market to purchase a substantial amount of its natural gas requirements. A large portion of its interstate supply deals are done as day-ahead deals and reference a published index for pricing, allowing the final pricing to be determined by the market. Along with its local gas supplies, these are the supplies that Peoples Natural Gas uses to meet the demands of those customers who continue to buy their supplies from Peoples Natural Gas. These are also the supplies that Peoples Natural Gas uses its various interstate pipeline assets to transport and store. (Peoples Natural Gas Company Statement No. 1, pp. 45-46.)

79. Peoples Natural Gas continually adjusts its daily supply plan based on actual and projected daily weather and customer usage. As part of that process, Peoples Natural Gas determines if additional supply is required at

various parts of its system or, during the storage injection season, at various off-system storage receipt points. Peoples Natural Gas monitors the New York Mercantile Exchange (“NYMEX”) futures prices and the Intercontinental Exchange (“ICE”) cash and forward prices, and monitors various spot market gas index prices for areas from which it purchases spot market supplies. With this information, Peoples Natural Gas will determine the least cost option to serve areas of its system that requires additional supply. Peoples Natural Gas is in frequent contact with many gas suppliers who will agree to deliver spot market supplies to pipeline receipt points from which Peoples Natural Gas is able to secure transportation to its city gate or to storage receipt points pursuant to off-system storage contracts. (Peoples Natural Gas Company Statement No. 2, p. 46.)

80. Since 2010, Peoples Natural Gas has been working to reduce UFG. The Company’s UFG volume was 7.0 Bcf in 2017, which resulted in a loss rate of 4.46%. For the period ending August 31, 2022, the overall Company system amount was 5.6 Bcf, which resulted in an overall system loss rate of 3.9%, or 20% less during this recent 5-year period. The two main components of the Company’s overall UFG are Distribution UFG and Gathering UFG. Distribution UFG for the last reporting period is 3.1 Bcf which results in a loss rate of 2.19% which is below the Commission’s targeted loss rate for Distribution UFG of 3.0%. The Gathering UFG for the 2022 reporting period is 2.6 Bcf¹ and equates to a loss rate of 7.49%, down from 9.83% in 2017 when the Company began the most recent mitigation plan. (Peoples Natural Gas Company Statement No. 5, p. 4.)

81. Despite the efforts to reduce UFG, Peoples Natural Gas remains challenged to reduce UFG on its pipelines that gather gas from local production wells. The Peoples Natural Gas gathering system is comprised of older (mostly pre-1970), low pressure pipe, much of which has provided service for producers and customers for many years and is nearing the end of its useful life. The customers are generally scattered across the gathering system in relatively rural areas, although there are a very few areas where there are high concentrations of customers. Since the Commission adopted regulations beginning in 2014 requiring industry-wide UFG reporting, Peoples Natural Gas has segmented the loss attributable to the gathering pipelines from the loss attributable to other functional pipeline systems. (Peoples Natural Gas Company Statement No. 5, p. 4.)

82. The Company has seen less and less local gas delivered into the Company’s lines in recent years due to normal production declines and decreased new drilling in these systems. As the total amount of gas entering the gathering system is reduced, the same volumetric loss would result in a higher UFG rate. In fact, a lower volumetric loss can still result in an increased UFG rate because there is less gas flowing through the system. The production declined by more than 1.7 BCF or 4.7% during the latest

period, so the decreased production loss has impacted the latest year's UFG rate. Had the production stayed at the same rate, the 2023 loss rate would have been 7.14%.

83. Peoples Natural Gas has taken several steps to reduce UFG on the gathering system, as outlined in Peoples Natural Gas Company Exhibit No. 13. In addition to the activity and spending listed in Peoples Natural Gas Company Exhibit No. 13, Peoples Natural 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, resulted in shutting in the production. This audit process is continuing in 2023. (Peoples Natural Gas Company Statement No. 5, p. 7.)

84. In addition, the following activities were performed: (1) expired and removed 85 zero flow production meters; (2) completed 1126 meter service/repair orders; and (3) continued automation of measurement data for ready UFG analysis. (Peoples Natural Gas Company Statement No. 5, p. 7.)

85. Peoples Natural Gas monitors and participates in various proceedings before the FERC. Peoples Natural Gas undertakes legal action as necessary to protect the interests of its ratepayers. (Peoples Natural Gas Company Exhibit No. 2; Peoples Natural Gas Company Statement No. 1, pp. 6-7.)

Settlement pp. 8-24.

STATEMENTS IN SUPPORT

A. Calculation of Retainage and Balancing Charges

The Company Position

Peoples Natural Gas asserts the signatories agreed the Company's proposed rates and other requested approvals should be approved (Settlement ¶ 39), and the changed rates changed by the Settlement are the tariffed stand-alone retainage rate, the balancing charge calculation and the over/under collection or E-factor. Peoples Natural Gas notes it agreed to monitor natural gas commodity prices and consider making interim filings in the future. The

Company asserts this monitoring is meant to avoid significant future over or under collections of gas cost commodity costs (Settlement ¶ 33.) Additionally, the Company asserts the proposed rates will be updated in its compliance filing to reflect updated actual and projected over/undercollections through September 30, 2023 (Settlement ¶ 40.) Further, the Company points out the Settlement requests the Commission approve the renewals and changes in gas supply, pipelines, and storage capacity contracts, as explained in Peoples Natural Gas Statement No. 2 and related exhibits included in the 1307(f)-2023 definitive filing (Settlement ¶ 41.)

The Company contends the PGC and balancing rates, that it proposes to place into effect on October 1, 2023, are supported by record evidence, and the Company asserts it explained the development of the natural gas supply rates utilizing cost projections, sales projections, and the reconciliation process in detail. Peoples Natural Gas asserts it provided testimony that fully supports the rates and the underlying calculations, including the proposed retainage charge of 5.8%. (Peoples Natural Gas Company St. No. 1; Peoples Natural Gas Company Exhibit No. 3.) The Company makes this assertion, cognizant of the counter argument from OCA that Peoples Natural Gas's calculation of its retainage charge should be modified to calculate said charge by a three-year average of actual losses, rather than a three-year average of percentage of losses which, if accepted, would require an adjustment to the company's retainage charge calculation and would increase the charge from 5.8% to 6.0%. (OCA St. No. 1, p. 6). Further, the Company notes OCA argued the overrun and penalty charges the Company incurred when it violated operational flow order (OFO) tolerances should be included in the balancing charge calculation, rather than recovered solely from PGC customers, and the transportation service balancing charges should be adjusted to reflect on-system storage losses. (OCA St. No. 1, pp. 8-9.) The Company notes that, if accepted, this recommendation would increase the Company's Rate SGS/MGS balancing charge by \$0.108/Mcf from the Company's original proposal and increase the Company's Rate LGS balancing charge by \$0.0047/Mcf. (OCA St. No. 1, p. 10.)

Peoples Natural Gas notes it opposed OCA's recommendations through the testimony of its witness, Carol A. Scanlon. The Company argues the calculation under either methodology relies on projected throughput volumes for the period the retainage rate is in place

but the actual throughput for both transportation and sales customers will vary from projected volumes. Further, the actual throughput can affect the actual recoveries of unaccounted for gas (UFG), depending on the degree of variation. Second, the Company argued OCA's proposal assumed the overall level of UFG is a fixed amount as an average of the three prior years, and is not affected by throughput but, if true, then incremental throughput would not contribute anything toward UFG. (Peoples Natural Gas Company St. No. 1-R, pp. 3-4). In addition, while the Company's witness, Anthony Caldoro, agreed with OCA's proposal to include overrun charges and penalties in the Company's balancing charge calculation (Peoples Natural Gas Company St. No. 3-R, pp. 2-3), the Company disagreed with including on-system storage losses in the balancing charge calculations. (Peoples Natural Gas Company St. No. 3-R, pp. 2-3).

Peoples Natural Gas contended it would be inappropriate to recover storage losses related to on-system storage commodity from transportation customers via the balancing charge because it is not appropriate to assign on-system storage losses to transportation customers and the on-system storage deliverability is what satisfies transportation customers' balancing needs, not the on-system storage commodity. (Peoples Natural Gas Company St. No. 3-R, p. 3). The Company contended revised balancing charges would moderately increase, taking into account overrun charges and penalties: "[t]he SGS/MGS charge increases from the as-filed \$0.4441/Mcf to \$0.4468/Mcf and the LGS charge increases from the as-filed \$0.1157/Mcf to \$0.1165/Mcf." (Peoples Natural Gas Company St. No. 3-R, p. 3).

Peoples Natural Gas notes the signatories agree that overrun and OFO charges incurred by the Company were prudently incurred charges and comply with the least cost gas standard (Settlement ¶ 38). No party disputed these charges and the Company contends this Settlement provision should be approved without modification as being just and reasonable. Further, Peoples Natural Gas asserts the Settlement provision on this point reflects a compromise between the positions of OCA and the Company, as the Company agreed to include overrun charges in its balancing charge calculation as promoted by OCA. (Settlement ¶ 31; Peoples Natural Gas Company St. No. 3-R, p. 2.) However, the Company notes the Settlement does not adopt OCA's recommendation to include on-system storage losses in the Company's balancing charge, a recommendation which the Company asserts was thoroughly rebutted by its witness,

Mr. Caldro. Accordingly, the Company contends the Commission should approve this Settlement provision without modification as the provision is just and reasonable.

OCA Position

OCA explained that retainage refers to natural gas retained to recover lost and unaccounted for gas (LUGG) and gas used in company operations (company use gas) (collectively, losses) from transportation customers. Transportation customers are assessed for retainage through a percentage adjustment to the quantity of gas required to be delivered to a Natural Gas Distribution Company on their behalf. OCA noted the Company proposed to set the percentage adjustment for retainage at 5.8% (Peoples St. 1 at 8) and, to arrive at this figure, Peoples Natural Gas used a 3-year average of the percentages of losses experienced in 2020, 2021 and 2022. Alternatively, OCA recommended the Company should use a three-year average of actual loss volumes rather than use the average of the percentage losses from the last three years because OCA asserted the losses are not directly related to system receipts. (OCA St. 1 at 6-7). OCA contended a retainage rate based on an average of the percentage of losses is not as accurate as a rate based on an average of the *actual loss volumes* but, if Peoples Natural Gas uses the three-year average of percentage of losses rather than a three-year average of actual losses, the Company's PGC customers pay a disproportionate share of losses as a result of the transportation customers not being assessed adequate retainage. OCA acknowledges the Company disagreed with OCA's methodology and assumptions, but OCA insisted the Company's percentage method assumes losses are directly related to system receipts.

OCA points out the signatories agreed the retainage rate should be 5.9%, which rate is the average between the Company's proposed 5.8% and OCA's proposed 6.0%, in order to settle the parties' disagreement over the proper method for calculating the retainage rate. OCA submits this Settlement provision is a reasonable result and avoids the time and expense of further litigation.

In addition to discussions about the retainage rate, OCA points out the signatories discussed balancing services. OCA notes the Company provides balancing services for its

transportation customers who arrange with a third-party supplier for the purchase and delivery of the gas supplies needed to meet their daily requirements to the Peoples Natural Gas' system. OCA acknowledges the quantity of gas delivered to Peoples Natural Gas daily to serve a transportation customer will vary from the quantity of gas used by that customer. OCA points out that the balancing service addresses these differences between daily deliveries and usage, where Peoples Natural Gas utilizes its interstate pipeline storage arrangements and its on-system storage facilities to provide balancing services.

OCA notes its witness identified two items Peoples Natural Gas incorrectly excluded from the balancing charge calculation: (1) losses associated with the operation of the Company's on-system storage facilities were not reflected in the balancing charge calculation, leading to recovery inappropriately of all on-system storage losses from PGC customers; and (2) Peoples Natural Gas incurred interstate pipeline overrun charges and penalties for violating operational flow order (OFO) tolerances which the Company proposed to recover solely from PGC customers. OCA asserts it argued these charges should be included in Peoples Natural Gas' balancing charge calculation, since responsibility for the overrun and penalty charges cannot readily be determined and since the charges were incurred to manage system demands and balance supply with system requirements. (OCA St. 1 at 9-10). OCA notes Peoples Natural Gas agreed with OCA's proposal regarding the interstate pipeline overrun charges but disagreed OCA's proposal to include the on-system storage losses in the balancing charge calculation.

OCA notes the signatories agreed to compromise in the settlement and to include in the balancing charge calculation the OFO overrun charges and penalties and to exclude the on-system storage losses. OCA asserts this compromise is a reasonable resolution which avoids the time and expense of further litigation.

PIOGA Position

PIOGA expressed no position on these issues but asserts these settlement modifications to Peoples Natural Gas' proposals are supported by the evidence of record as explained in the statements in support of Peoples Natural Gas and OCA.

B. Hedging Program

The Company Position

Peoples Natural Gas notes its original filing did not propose to initiate a PGC hedging program,³ however, it acknowledged it did commit, during the Company's 2022 PGC 1307(f) proceeding, to investigate modifications to its Gas Cost Procurement Strategy, specifically including hedging, that *could* mitigate future rate volatility. As part of that commitment, Peoples Natural Gas agreed to provide an assessment of those modifications in the Company's 2023 PGC pre-filing, which was made on March 1, 2023. (*See* Peoples Natural Gas 2022 1307(f) Settlement at Para. 31, at Docket No. R-2022-3030661). Peoples Natural Gas asserts a summary of the analysis performed by the Company accompanied the assessment, along with an explanation that it did not believe a hedging program was appropriate as of March 1, 2023. (*See* Peoples Natural Gas Company Exhibit No. 16, pp. 119-145). The Company notes OCA disagreed with the Company's assessment and recommended the Company should reconsider its decision not to administer a hedging program.

Peoples Natural Gas asserts that, if it initiates a hedging program and the market continues to correct itself, then Peoples Natural Gas will find itself in a very similar situation to the time it operated a hedging program from 2006 through 2013. The Company contends that from 2006 through 2013 the hedging resulted in higher costs than unhedged purchases, and a hedging program with higher costs than unhedged purchases would translate into customers paying more for natural gas purchases. The Company contends it has a procurement strategy which has certain components that mitigate price volatility and currently its customers have options available to further reduce volatility (budget billing, CAP, NGS offerings, etc.). (Peoples Natural Gas Company St. No. 2-R, pp. 4-5). Further, the Company opined, through its witness, Steven P. Kolich, that "recent factors affecting the entire global economy have driven commodity prices to levels not realized in a number of years, [and] the Company does not

³ The Company avers that "commodity hedging is a gas procurement strategy that seeks to reduce the risk related to future price fluctuations by fixing future purchases based upon current projections of those prices." (Peoples Natural Gas Company Exhibit No. 15).

believe that the last year's run up in natural gas prices warrants the initiation of a hedging program at this time." (Peoples Natural Gas Company St. No. 2-R, p. 7).

Peoples Natural Gas notes that, following discussions and discovery, the Settlement provides that the Company will propose a hedging program if the rate in effect for the commodity reaches \$5.00 or more for at least two consecutive quarters. (Settlement ¶ 32). If that contingency applies, the Company asserts it agreed to make a hedging program proposal in the following annual PGC filing, with the commitment being in effect beginning with the October 1, 2023, quarterly rate change and ending after eight quarters. (Settlement ¶ 32). Peoples Natural Gas contends this compromise reflects a concession by Peoples Natural Gas to institute a hedging program if certain pricing conditions are met, but with a limited term of eight quarters beginning October 1, 2023. Thus, under this commitment, Peoples Natural Gas' and OCA's concerns regarding hedging are addressed because the hedging program will only be proposed if and when the Company experiences a prolonged period of rising commodity pricing and, in turn, price volatility, while also addressing OCA's concerns regarding price volatility in an effective – but limited – way. Accordingly, the Company requests the Commission approve these provisions as just and reasonable.

OCA Position

OCA notes it supported Peoples Natural Gas initiating a gas hedging program to help mitigate price volatility for its PGC customers in Peoples Natural Gas' 2022 PGC proceeding, and the Company's agreement to investigate modifications to its Gas Cost Procurement Strategy, specifically including hedging, as a means of mitigating future potential rate volatility. The results of that investigation were to be provided as part of the 2023 PGC proceeding pre-filing and OCA acknowledges Peoples Natural Gas provided its Price Volatility Mitigation Study in its March 1, 2023 pre-filing and again in its April 1 filing. (Peoples Exhibit No 15). OCA notes Peoples Natural Gas concluded a hedging program was unnecessary at this time on the theories that unique economic and global factors contributed to the increase in price and volatility that occurred in 2022, and that natural gas prices have declined significantly since that time.

OCA notes it disagrees with the Company's conclusions. OCA contends no one can predict when natural gas prices will turn upward and argues the Company's position - that it should delay the implementation of a hedging program until significant increases in natural gas prices have occurred - will significantly reduce the ability of a hedging program to dampen volatility. (OCA St. No. 1 p. 13). OCA notes the Company continued to disagree and offered a variety of arguments for why instituting a hedging program would be ill-advised. In response to the Company's arguments, OCA contended budget billing was a good option for customers but, if utilized as an option and if the underlying prices remain volatile, the budget billing option would result in major course corrections for under/over recoveries. OCA noted that budget billing does not reduce the volatility of costs which determine the bills despite budget billing smoothing out customer bills. OCA insisted hedging is designed to smooth out the cost of gas and assist in providing for gradualism in PGC rates. (OCA St. No. 1-SR pp. 7-8).

Further, OCA asserted a hedging program would reflect actual market purchases, consistent with the Public Utility Code and contended no provision in the law requires the Company to make default service "volatile" in order to promote shopping. (*Id.* p. 8). Accordingly, OCA contended Peoples Natural Gas should implement a hedging program.

OCA acknowledges the signatories reached an agreement, despite notable differences between the parties, that if the Company's rate in effect for natural gas reaches \$5.00 or more for at least two consecutive quarters, Peoples Natural Gas will propose a hedging program in its then-next annual PGC filing. OCA asserts this provision will be in effect beginning with the October 1, 2023, quarterly rate change and will remain in effect for eight consecutive quarters. OCA submits this provision represents a reasonable compromise which allows volatility to be curbed in the event of future sustained high natural gas prices.

PIOGA Position

PIOGA expressed no position on these issues but asserts these settlement modifications to Peoples Natural Gas' proposals are supported by the evidence of record as explained in the statements in support of Peoples Natural Gas and OCA.

C. Interim PGC Rate Filing

The Company Position

Peoples Natural Gas notes it did not propose to make any interim PGC rate filings, although it updates its PGC rates effective October 1, January 1, April 1, and July 1 of each year. (OCA St. No. 1, p. 14.) The Company points out OCA correctly noted there was a significant decline in natural gas prices during the period January 2023 through March 2023. (OCA St. No. 1, p. 15.) The Company acknowledged it did not reflect this decline in its PGC rate update on January 1, 2023, because the decline was not known at that time. The Company further acknowledges costs were lower than the originally projected gas cost due to the significant decline in natural gas prices during this period, and this decline resulted in a significant purchased gas cost overcollection. (OCA St. No. 1, pp. 15-16.) In response to this overcollection, OCA recommended Peoples Natural Gas “more closely monitor differences in its actual and projected commodity gas costs to evaluate and determine whether interim PGC rate filings would be appropriate.” (OCA St. No. 1, p. 16). The Company notes it was amenable to this proposal generally, explaining that “there have been unique circumstances experienced in the natural gas market over the last year. Natural gas prices have fluctuated wildly.” (Peoples Natural Gas Company St. No. 1-R, pp. 5-6; Settlement ¶ 33.) Prior to the hearing, the Company also explained it projected the commodity over-collection balance which it anticipated would be incorporated into the gas cost rate effective October 1, 2023, was approximately \$72.1 million and that, while “that balance includes estimated amounts for February 2023 – September 2023, the Company’s actual commodity over-collection for February 2023 varied less than 2% from the projected commodity over collection[.]” (Peoples Natural Gas Company St. No. 1-R, p. 6).

The Company contends it was correct to propose to accelerate the time period for refunding the GCA⁴ balance to provide relief to sales customers, given the significant over-collection due to the rapid decrease in gas prices. (Peoples Natural Gas Company St. No. 1-R, p. 7; Peoples Natural Gas Company Exhibit No. 10-R). Peoples Natural Gas proposed to refund the balance over the three-month period of October 2023 – December 2023, instead of a twelve-

⁴ Gas Cost Adjustment.

month period beginning October 1, 2023, and the Company proposed to exclude the GCA rate component from the Company's Price To Compare (PTC). (Peoples Natural Gas Company St. No. 1-R, pp. 7-8; Settlement ¶ 35). The Company notes OCA agreed with this proposal, noting that "the over-collection should be returned at the first reasonable opportunity. In this case, the first reasonable opportunity is the beginning of the next heating season." (OCA St. No. 1S, p. 5).

The Company asserts this proposal will provide rate relief for its sales customers at the beginning of the heating season, rather than delaying part of the refund to include the spring and summer seasons when usage is lower. The Company also contends the governing Settlement provisions are just and reasonable because the provisions include a methodology by which Peoples Natural Gas can return its GCA over-collection balance over the period of October 1, 2023, through December 31, 2023, which is the "first reasonable opportunity" to do so. (OCA St. No. 1S, p. 5). As such, these Settlement provisions should be approved without modification.

OCA Position

OCA notes Peoples Natural Gas updates its PGC rates on a quarterly basis – on October 1, January 1, April 1, July 1 of each year. Through its witness, Mr. Mierzwa, OCA compared the projected commodity cost component of its PGC rate effective from January 1, 2023 through March 2023, with its actual commodity costs for the same period. (OCA St. 1 p. 15). OCA points out the natural gas commodity prices declined significantly during that time period, however, the PGC rate filed by Peoples to be effective January 1, 2023 did not reflect these declines, and could not have reflected these declines as they were not known at the time the filing was made. OCA contends its comparison showed that Peoples Natural Gas' actual gas costs during the January through March 2023 period were significantly lower than the Company's projected gas costs, resulting in significant gas cost over-collections. OCA argues Peoples Natural Gas should have made an interim PGC rate filing effective March 1, 2023, given the significant decline in gas costs that occurred during January and February 2023, and which were anticipated for March 2023. OCA wants Peoples Natural Gas to monitor closely the

differences in its actual and projected commodity gas costs for the purpose of evaluation and determination of whether interim PGC rate filings would be appropriate. (*Id.* p. 15-16).

OCA notes Peoples Natural Gas agreed with OCA's recommendation and has a large projected commodity over-collection balance to be incorporated into the gas cost rate effective October 1, 2023. It indicates that a refund of \$1.32 per Mcf is expected to be due to PGC customers on that date. Rather than return that refund to customers over the following 12-month period, Peoples proposed accelerating the time period by which it will refund the over-collection balance in order to provide relief to its sales customers during winter months that are within the same calendar year that the majority of the over-collected balance occurred. The Company proposed to calculate the rate using projected volumes for the period October 1, 2023 through December 31, 2023. The result would be a projected refund amount of \$3.9962 per Mcf that would be in effect October 1, 2023 through December 31, 2023. Peoples St. 1-R at 5-7. In conjunction with the accelerated refund, Peoples proposed to exclude the gas cost component from its Price to Compare for the period October 1, 2023 through December 31, 2023. The Company stated that due to the accelerated nature of the overcollection refund, the PTC would be skewed by including this amount and would not be indicative as a point of comparison for use by customers during this period. To do so, the Company indicated, would require a waiver of the Commission's regulations related to calculation of the PTC for the applicable period. *Id.* p. 7-8.

OCA points out three Settlement provisions (Settlement ¶¶ 33-35) commit the Company to monitor natural gas commodity prices and to consider making future interim filings, with the stated purpose to avoid significant over-collections or under-collections of gas cost commodity costs. The signatories accepted the Company's proposal to accelerate the refund of the over-collections of gas cost commodity costs experienced during the 2022/2023 winter by decreasing the GCA charge to customers for the period of October 1, 2023 through December 31, 2023. Finally, OCA notes the Settlement provides that the PTC will exclude the accelerated refund for the period of October 1, 2023, through December 31, 2023. OCA asserts these provisions are consistent with its proposal – to monitor gas costs more closely and to implement interim PGC filings in avoidance of large over-collections or under-collections – and are settlement provisions OCA fully supports.

PIOGA Position

PIOGA expressed no position on these issues but asserts these settlement modifications to Peoples Natural Gas' proposals are supported by the evidence of record as explained in the statements in support of Peoples Natural Gas and OCA.

D. Producer Retainage Rate for the Goodwin System

The Company Position

Peoples Natural Gas contends the producer retainage rate for the Goodwin system should be 68% for the period of October 1, 2023, to September 30, 2024, and should be calculated using the method delineated in Peoples Natural Gas's 2022 PGC settlement at Docket No. R-2022-3030661 (Settlement ¶ 36). In (*See* Peoples Natural Gas Company St. No. 5, pp. 11-12). The Company explained the producer retainage rate, to become effective on October 1, 2023, should be 68%. Peoples Natural Gas noted PIOGA disputed the Company's methodology and its consistency with last year's proceeding's settlement requirements, even though it agreed with the ultimate revised Goodwin producer retainage rate to be effective October 1, 2023, of 68% as promoted in the Company's main filing. (PIOGA St. No. 1, p. 5). The Company noted it explained through its witness, Ms. Petrichevich, that the different formulas both provided the same result over time and, therefore, contended no disagreement existed between the Company and PIOGA that the recommended retainage rate should be 68%. (Peoples Natural Gas Company St. No. 5-R, p. 3).

Peoples Natural Gas asserts the Settlement provision clarifies the methodology for calculating the producer retainage rate, by specifying the Producer Retainage Rate and the calculation method as delineated in Peoples Natural Gas's 2022 PGC settlement at Docket Nos. R-2022-3030661, *et al.* (Peoples Natural Gas 2022 PGC Joint Petition for Settlement, ¶ 27; *See* Peoples Natural Gas Company Statement in Support of Joint Petition for Settlement of 2022 PGC proceeding. p. 11; Settlement ¶ 36). The Company contends this Settlement provision is just and reasonable because it confirms settlement commitments and methodologies agreed to by

the parties in last year's PGC proceeding, which were approved by the Commission. Peoples Natural Gas points out it did not keep the Goodwin retainage rate as originally proposed but it has delineated the methodology used to reach the 68% figure and, as such, it should be approved.

OCA Position

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

PIOGA Position

PIOGA points out the Settlement adopts the Producer Retainage Rate proposed by Peoples Natural Gas for the Goodwin system of 68% for the period October 1, 2023, to September 30, 2024, as revised by the Company in a discovery response. PIOGA Exhibit DW-1, PIOGA-I-2(a). PIOGA notes the Settlement also clarifies that, going forward, the Goodwin system Producer Retainage Rate will be calculated using the method delineated in Peoples Natural Gas' 2022 PGC settlement. PIOGA asserts it agrees with the revised 68% rate but disagrees with the "cumulative pipeline replacement percentage" methodology used by Peoples Natural Gas to calculate that rate. PIOGA St. No. 1 (Weaver) at 5:15; Peoples St. No. 5-R (Petrichevich) at 3:12-16; PIOGA St. No. 1 at 5:4-9, 15-19.

PIOGA asserts that the testimony provided by Peoples Natural Gas and by PIOGA in Peoples Natural Gas' 2022 PGC proceeding established that "the settlement language requires the annual, not cumulative, pipeline replacement percentage to be applied to the 'then-effective' or current annual retainage rate." PIOGA St. No. 1 (Weaver) at 5:15; Peoples St. No. 5-R (Petrichevich) at 3:12-16; PIOGA St. No. 1 at 5:4-9, 15-19. PIOGA points out the proposed Settlement herein provides for the use of the methodology that both Peoples Natural Gas and PIOGA agree is required, which resolves PIOGA's concern.

E. Lost and Unaccounted For Gas

The Company Position

The Company asserted its overall system Unaccounted For Gas (UFG) amount was 5.6 Bcf, which resulted in an overall system loss rate of 3.9%. (Peoples Natural Gas St. No. 5, p. 4). This figure represented a 20% decrease from the Company's UFG volume in 2017. (Peoples Natural Gas St. No. 5, p. 4). Further, the Company noted the two main components of the Company's overall UFG are Distribution UFG and Gathering UFG, of which the distribution UFG for the last reporting period was 3.1 Bcf, resulting in a loss rate of 2.19%. The Company noted that loss rate was below the Commission's targeted loss rate for Distribution UFG of 3.0%. Further, the Company noted its Gathering UFG for the 2022 reporting period was 2.6 Bcf, resulting in a loss rate of 7.49%, which rate was down from 9.83% in 2017 when the Company began the most recent mitigation plan. (Peoples Natural Gas Company St. No. 5, p. 4). The Company explained it has observed lower production levels being delivered into its lines in recent years, due to normal production declines and decreased new drilling within the Company's system. (Peoples Natural Gas Company St. No. 5, pp. 5-6). The Company also noted production declined by more than 1.7 BCF, or 4.7%, during the relevant PGC period (Peoples Natural Gas Company St. No. 5, p. 6), but had the production stayed at the same rate, the 2023 loss rate would have been 7.14%. (Peoples Natural Gas Company St. No. 5, p. 6).

Peoples Natural Gas explained the success and specific accomplishments of its UFG mitigation plan, which included; abandonment and replacement of 48.2 miles of pipe during 2022; removal of 85 zero flow production meters; completion of 1126 meter service and/or repair orders; and continued automation of measurement data for ready UFG analysis. (Peoples Natural Gas Company St. No. 5, pp. 6-7). The Company noted 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, and pointed out that, under the Settlement, the signatories acknowledge the Company's distribution UFG percentage for the twelve-month period ending August 31, 2022, complies with the Commission's regulations at 52 Pa. Code § 59.111(c)(1). (Settlement ¶ 3).

The Company asserts this Settlement provision acknowledges Peoples Natural Gas's compliance with relevant UFG requirements as well as the Company's progress in reducing UFG on its distribution and gathering systems. Accordingly, the Company contends this Settlement provision is reasonable and in the public interest, and the Commission should approve it without modification.

OCA Position

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

PIOGA Position

PIOGA expressed no position on these issues but asserts these settlement modifications to Peoples Natural Gas' proposals are supported by the evidence of record as explained in the statements in support of Peoples Natural Gas and OCA.

F. Natural Gas Rate Effective October 1, 2023

The Company Position

Peoples Natural Gas asserted the Settlement changes the Company's tariffed stand-alone retainage rate, the Company's balancing charge calculation and the over/under-collection or E-factor. The Company noted it agreed to monitor natural gas commodity prices to consider making interim filings in the future for the purposing of avoiding significant over-collections or under-collections of gas cost commodity costs in the future. (Settlement ¶ 33). Peoples Natural Gas contended it would update the proposed rates in its compliance filing to reflect updated actual and projected over/under-collections through September 30, 2023. (Settlement ¶ 40). The Company pointed out the Joint Petitioners agreed the Commission should approve the renewals and changes in gas supply, pipelines, and storage capacity contracts, as explained in Peoples Natural Gas Statement No. 2 and related exhibits included in the 1307(f)-2023 definitive filing. (Settlement ¶ 41). Lastly, the Company noted the producer retainage rate

for the Goodwin system will be 68% for the period of October 1, 2023, to September 30, 2024, and was calculated using the method delineated in Peoples Natural Gas's 2022 PGC settlement at Docket Nos. R-2022-3030661, *et al.* (Settlement ¶ 36).

OCA Position

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

PIOGA Position

PIOGA asserts the information presented in this section of the Settlement petition is supported by the evidence of record. In addition, PIOGA contends the resolution of the issues of concern to PIOGA is in the public interest because it provides certainty for PIOGA and Peoples Natural Gas going forward, which inures to the benefit of the public served by Peoples Natural Gas. More specifically, PIOGA argues the calculation of the annual reduction in the producer retainage rate for the Goodwin system in accordance with applicable settlement language is in the public interest because that certainty in systematic reduction encourages continued conventional production into this system. Maintaining the PNGD and PGD producer retainage rates at current levels is in the public interest for the reasons stated in the Company's testimony supporting the proposal⁵ in addition to benefitting producers and NGSs on these systems by encouraging continued lower cost conventional production into these systems for the benefit of Peoples Natural Gas' customers, thereby enhancing retail natural gas competition.

DISCUSSION

In this proceeding, three of the five active parties reached a proposed settlement and the remaining two active parties indicated no opposition to the proposed settlement. The Commission encourages parties in contested on-the-record proceedings to settle cases,⁶ because

⁵ Peoples St. No. 5 p. 10.

⁶ 52 Pa. Code § 5.231.

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

By definition, a "settlement" reflects a compromise of the parties' positions and 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.⁷ 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 Natural Gas, OCA and PIOGA asserted, after extensive discovery and discussion, this Settlement resolves the issues, 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,⁸ and, accordingly, should be approved.

Peoples Natural Gas averred the Joint Petitioners arrived at a Settlement that resolved all of the issues in the proceeding in a fair and equitable manner and resulted from a detailed examination of Peoples Natural Gas' 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.

Section 1307(f)(5) of the Public Utility Code (Code), 66 Pa.C.S. § 1307(f)(5), requires that the Commission determine the portion of Peoples Natural Gas' historic period

⁷ Pa. Pub. Util. Comm'n v. C.S Water & Sewer Assocs., 74 Pa.P.U.C. 767 (1991).

⁸ 66 Pa.C.S. §§ 1307, 1318.

actual gas costs which meet the least cost fuel procurement standards set forth in Section 1318 of the Code, 66 Pa.C.S. § 1318. In addition, Section 1318 findings must be made with respect to the new gas cost rate (GCR) to be established in this proceeding. Pursuant to Section 1317 of the Code, 66 Pa.C.S. § 1317, the Commission requires the submission of certain information to enable it to make a least cost fuel procurement policy evaluation.

In determining whether Peoples Natural 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. Those specific findings must be: (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.

RECOMMENDATION

Upon review of the Settlement and Statements in Support, the presiding officer agrees the signatories achieved a fair and reasonable compromise that resolves the issues. Peoples Natural Gas asserted the Commission should make all the findings required under 66 Pa.C.S. § 1318 concerning its gas purchases and gas purchasing practices for the 12-month period ending January 31, 2023, find the rates proposed in the Settlement are just and reasonable, and approve the Settlement without modification. Upon review of the evidence in the record, I agree with the Company's assertion.

My recommendation is based in part upon the terms of the Settlement and the salient facts presented by the parties, but also in large part upon the representations made by the

statutory advocates which aver the Settlement is in the interests of the constituencies they represent. The parties conducted a 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, renders further action unnecessary on the issues contained within the Settlement and completes the investigation of this filing. Accordingly, the undersigned presiding officer recommends the Commission should approve the Settlement.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the subject matter and the parties to this proceeding. 66 Pa.C.S. §§ 501, 1307(f), 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. § 1318.
3. Peoples Natural 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. § 1318.
4. The rates of Peoples Natural Gas Company LLC, Peoples Natural Gas Company Retail Division and Peoples Gas Company Retail Division, for purchased gas costs, as the settling parties agreed upon in this proceeding, during the relevant time period, are just and reasonable and in compliance with Section 1318 of the Public Utility Code, 66 Pa.C.S. § 1318.
5. Peoples Natural Gas Company LLC fully and vigorously represented the interests of ratepayers in proceedings before the Federal Energy Regulatory Commission and other relevant non-Public Utility Commission proceedings during the relevant time period in compliance with Section 1318(a)(1) of the Public Utility Code, 66 Pa.C.S. § 1318(a)(1).

6. Peoples Natural 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. § 1318(a)(2).

7. Peoples Natural 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. § 1318(a)(3).

8. Peoples Natural 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. § 1318(a)(4).

9. Peoples Natural 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. § 1318(b)(1).

10. The contracts of Peoples Natural 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. § 1318(b)(2).

11. Neither Peoples Natural 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. § 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.P.U.C. 767 (1991).

13. The Joint Petition for Settlement of the Section 1307(f) Rate Investigation of Peoples Natural Gas Company LLC, filed pursuant to 66 Pa.C.S. § 1307(f) and which Peoples Natural Gas Company LLC, the Office of Consumer Advocate and the Pennsylvania Independent Oil and Gas Association executed and submitted at Docket No. R-2023-3037928, is in the public interest.

ORDER

THEREFORE,

IT IS RECOMMENDED:

1. That the Joint Petition for Settlement of the Section 1307(f) Rate Investigation of Peoples Natural Gas Company LLC pursuant to 66 Pa.C.S. § 1307(f) that Peoples Natural Gas Company LLC, the Office of Consumer Advocate and the Pennsylvania Independent Oil and Gas Association have executed and filed on June 29, 2023, at Docket No. R-2023-3037928, be approved.

2. That Peoples Natural 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 aforementioned Joint Petition for Settlement of the Section 1307(f) Rate Investigation of Peoples Natural Gas Company LLC pursuant to 66 Pa.C.S. § 1307(f).

3. That the Formal Complaints of the Office of Small Business Advocate at Docket No. C-2023-3038899 and the Office of Consumer Advocate at Docket No. C-2023-3039644 be marked satisfied.

4. That Peoples Natural Gas Company LLC, the Office of Consumer Advocate and the Pennsylvania Independent Oil and Gas Association be ordered to comply with the terms and conditions of the Joint Petition for Settlement of the Section 1307(f) Rate Investigation of Peoples Natural Gas Company LLC pursuant to 66 Pa.C.S. § 1307(f) executed and submitted in this proceeding as though each term and condition stated therein had been the subject of an individual ordering paragraph.

5. That upon the filing of a tariff supplement by Peoples Natural Gas Company LLC, acceptable to the Commission as conforming with this Order and the aforementioned Joint Petition for Settlement of the Section 1307(f) Rate Investigation of Peoples Natural Gas Company LLC pursuant to 66 Pa.C.S. § 1307(f), and the Commission's approval thereof, the purchased gas cost rates established therein become effective for service rendered on and after October 1, 2023.

6. That upon acceptance and approval by the Commission of the tariff supplement and supporting data filed by Peoples Natural Gas Company LLC, as being consistent with this Order and the Joint Petition for Settlement of the Section 1307(f) Rate Investigation of Peoples Natural Gas Company LLC, pursuant to 66 Pa.C.S. § 1307(f), the inquiry and investigation at Docket No. R-2023-3037928 be terminated and the docket marked closed; and that the formal complaint dockets be marked closed at Docket Nos. C-2023-3038899 and C-2023-3039644.

Date: July 24, 2023

/s/
Katrina L. Dunderdale
Administrative Law Judge

APPENDIX A

List of Exhibits Admitted into Hearing Record

May 31, 2023

Peoples Natural Gas Company LLC

Peoples Natural Gas Exhibit No. 16 – the 30-day 1307(f) pre-filing

Direct Testimony:

- Peoples Natural Gas Statement No. 1 – Direct Testimony of Carol A. Scanlon
With Peoples Natural Gas Exhibits 2, 3 and 15
- Peoples Natural Gas Statement No. 2 – Direct Testimony of Steven P. Kolich
With Peoples Natural Gas Exhibits 1, 4, 6, 7, 8 and 15
- Peoples Natural Gas Statement No. 3 – Direct Testimony of Anthony Caldoro
With Peoples Natural Gas Exhibits 5, 6, 7, 8, 9, 10, 11 and 12
- Peoples Natural Gas Statement No. 4 – Direct Testimony of Dawn M. Folks
With Peoples Natural Gas Exhibit 1
- Peoples Natural Gas Statement No. 5 – Direct Testimony of
Lynda W. Petrichevich
With Peoples Natural Gas Exhibits 13 and 14

Rebuttal Testimony:

- Peoples Natural Gas Statement No. 1R – Rebuttal Testimony of Carol A. Scanlon
With Peoples Natural Gas Exhibits 3-R and 10-R
- Peoples Natural Gas Statement No. 2R – Rebuttal Testimony of Steven P. Kolich
- Peoples Natural Gas Statement No. 3R – Rebuttal Testimony of Anthony Caldoro
With Peoples Natural Gas Exhibit 11-R
- Peoples Natural Gas Statement No. 5R – Rebuttal Testimony of
Lynda W. Petrichevich

OCA

Direct Testimony & Schedules:

- OCA Statement No. 1 - Direct Testimony of Jerome D. Mierzwa
With Schedule JDM-1 and Schedule JDM-2

Surrebuttal Testimony & Schedules:

- OCA Statement No. 1-S - Surrebuttal Testimony of Jerome D. Mierzwa
With Schedule JDM-2 Revised and Schedule JDM-3

PIOGA

- PIOGA Statement No. 1 – Direct Testimony of Dan Weaver
With PIOGA Exhibits DW-1 and DW-2