



COMMONWEALTH OF PENNSYLVANIA

June 13, 2024

E-FILED

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: Peoples Natural Gas Company LLC (Peoples Natural Gas Division and Peoples Gas Division) Base Rate Case Filing Original Tariff GAS – PA PUC No. 48 / Docket No. R-2023-3044549

Dear Secretary Chiavetta:

Enclosed please find the Reply Brief of the Office of Small Business Advocate (“OSBA”), in the above-captioned proceeding.

Copies of this Reply Brief will be served on all known parties in this proceeding, as evidenced by the enclosed Certificate of Service.

If you have any questions, please do not hesitate to contact me.

Sincerely,

/s/ Steven C. Gray

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

Enclosures

cc: Mark Ewen
Robert D. Knecht
Parties of Record

TABLE OF CONTENTS

I.	Introduction.....	1
	A. Description of the Office of Small Business Advocate	1
	C. Procedural History	1-2
II.	Summary of Argument	2
IX.	Revenue Allocation and Rate Design	2
	B. Cost Service	2-3
	C. Revenue Allocation	4
XVI.	Conclusion	5

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Peoples Natural Gas Company LLC : Docket No. R-2023-3044549
(Peoples Natural Gas Division and :
Peoples Gas Division) Base Rate Case :
Filing Original Tariff GAS – PA PUC No. :
48 :

**REPLY BRIEF
OF THE OFFICE OF SMALL BUSINESS ADVOCATE**

I. Introduction

A. Description of the Office of Small Business Advocate

The Office of Small Business Advocate (“OSBA”) is authorized and directed by the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50, to represent the interests of small business consumers of utility services in matters before the Pennsylvania Public Utility Commission (“Commission”).

C. Procedural History

On May 30, 2024, Peoples Natural Gas Company LLC (“Peoples or “the Company”), the Bureau of Investigation and Enforcement (“I&E”) of the Commission, the OSBA, Peoples Industrial Intervenors (“PII”), and the Pennsylvania Independent Oil and Gas Association (“PIOGA”), filed a Joint Petition for Approval of Non-Unanimous Settlement among the Settlement Parties (“*Non-Unanimous Settlement*”). The OSBA filed a Statement in Support of the *Non-Unanimous Settlement*.

On May 30, 2024, the Office of Consumer Advocate (“OCA”) filed its Main Brief. The OCA did not join the *Non-Unanimous Settlement*.

The OSBA submits this Reply Brief in accordance with Administrative Law Judge Mary D. Long's February 5, 2024, Prehearing Order.

II. Summary of Argument

The *Non-Unanimous Settlement* proposes to average the cost-of-service methodologies employed by the Company, the OCA, and the OSBA. The OSBA submits that this is a just and reasonable result for this issue.

Employing the peak and average methodology, as advocated by the OCA, would unfairly provide preferential treatment for the residential class.

The revenue allocation proposed by the *Non-Unanimous Settlement* is a just and reasonable resolution of this issue.

Implementing the revenue allocation proposed by the OCA, which is based upon the OCA's preferred peak and average methodology, would unfairly provide preferential rates for the residential class.

IX. Revenue Allocation and Rate Design

B. Cost of Service

In its Main Brief, the OCA argued that its preferred cost of service methodology, the peak and average method, "should be given greater weight than the cost-of-service studies performed by other parties."¹ The OCA argument in favor of the peak and average method relies on essentially two foundations.

First, the OCA argues that "the peak and average method because it has consistently and historically been preferred by the Commission to determine the cost of providing natural gas

¹ OCA Main Brief, at 89.

distribution services.”² However, the Commission specifically stated that precedent regarding cost-of-service methodologies does not control the issue:

We note that even in cases in which the revenue allocation methodology is litigated, a determination regarding which ACCOSS should be used should be determined on a case-by-case basis. We have observed that ‘the inherent distinctions between utilities and rate cases may result in different methodologies to be reasonable for different reasons. In other words, the best-suited ACCOSS may depend on the circumstances of the situation on a case-by-case basis.’

Columbia Gas, Docket No. R-2022-303122, et al. (Order entered December 8, 2022), at 107, footnote 30 (*citation omitted*). Thus, the OSBA respectfully submits that the OCA’s appeal to “history” is misplaced.

Second, the OCA argues that cost of service studies employed by “other parties” (including the OSBA) should be disregarded because the “actual usage characteristics and design of a system have significantly more influence on the cost of service in a distribution system than the number of customers serviced by the system.”³ This, of course, is the fundamental disagreement among utility expert witnesses – whether a cost-of-service study include a customer component.

Unsurprisingly, many experts disagree with the OCA’s assertion. OSBA witness Robert D. Knecht testified, in detail, about the various cost of service methodologies, including a lengthy discussion about the necessity of including a customer component in any cost-of-service study.⁴

² OCA Main Brief, at 89.

³ OCA Main Brief, at 93.

⁴ Mr. Knecht provides a detailed discussion of cost-of-service methodologies in OSBA Statement No. 1 (Revised), at 18-40.

The OSBA supported the proposed solution to this issue that is set forth in the. Specifically, the cost-of-service methodologies employed by the Company, the OCA, and the OSBA are averaged together.⁵ The OSBA submits that this is a just and reasonable result for this contentious issue.

C. Revenue Allocation

Revenue allocation flows from the cost-of-service study adopted in a rate case. As is expected, the OCA argues that the revenue allocation in this proceeding should be based upon its preferred peak and average cost of service methodology.⁶

While calling all other cost of service studies presented in this proceeding “inaccurate,” the true reason why the OCA supports peak and average is because it greatly favors the residential class.⁷ The OCA admits that it proposes to “prevent residential customers from unnecessarily bearing the cost of service” and demands that the Commission adopt the peak and average methodology.⁸

The OSBA observes that there are more classes at issue in this proceeding than just the residential class. Consequently, the OSBA respectfully requests the ALJ and the Commission to adopt the revenue allocation set forth in the *Non-Unanimous Settlement*.⁹

⁵ *Non-Unanimous Settlement*, at Paragraph 62.

⁶ OCA Main Brief, at 94-98.

⁷ OCA Main Brief, at 98.

⁸ OCA Main Brief, at 98.

⁹ *Non-Unanimous Settlement*, at Paragraph 66.

XVI. Conclusion

Therefore, the OSBA respectfully requests that the ALJ and Commission adopt the *Non-
Unanimous Settlement* in its entirety.

Respectfully submitted,

/s/ Steven C. Gray _____

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Small Business Advocate

Date: June 13, 2024

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Peoples Natural Gas Company LLC : **Docket No. R-2023-3044549**
(Peoples Natural Gas Division and : **C-2024-3045385**
Peoples Gas Division) Base Rate Case :
Filing Original Tariff GAS – PA PUC :
No. 48 :

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing have been served via email (*unless otherwise noted below*) upon the following persons, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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