

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2024-3045945
Office of Small Business Advocate	:	C-2024-3047498
Office of Consumer Advocate	:	C-2024-3047727
	:	
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, should include a decrease of $-\$0.0013/\text{Mcf}$, for the residential class as of October 1, 2024, and proposed the Purchased Gas Cost for Peoples Gas Company Retail Division (PGD or Peoples Gas Division) should include a decrease of $-\$0.0013/\text{Mcf}$, as of October 1, 2024. 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 on

April 1, 2024, with proposed changes to the Peoples Natural Gas Company LLC – 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. This filing was docketed at R-2024-3045945, to provide for projected changes in tariff rates resulting from changes in purchased gas costs.¹

In the tariff supplement, Peoples Natural Gas proposed a decrease of \$0.2230 per Mcf, or -2.6%, in the Residential rate for Peoples Natural Gas Company LLC – Peoples Natural Gas Division (Peoples Natural Gas Division or PNGD), and an increase of \$0.5287 per Mcf, or 4.8%, in the Residential rate for the Peoples Natural Gas Company LLC – Peoples Gas Division (Peoples Gas Division or PGD), for recovery of purchased gas costs applicable to residential sales service customers.² If approved, the proposed rates would produce a decrease in the annual Residential rate from the current \$853 to the proposed \$835 for Peoples Natural Gas Division customers, and an increase in the annual Residential rate from the current \$1,080 to the proposed \$1,122 for Peoples Gas Division customers.

Various parties entered appearances in addition to the utilities, 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-2024-3047498, and by OCA at Docket No. C-2024-3047727.

By Notice issued March 28, 2024, the Office of Administrative Law Judge (OALJ) scheduled an initial call-in telephonic prehearing conference for April 8, 2024, with the presiding officer and all parties appearing through the Commission’s conference call line. On March 28, 2024, the presiding officer served the Prehearing Conference Order on the parties and outlined some procedural rules and processes, including the requirement to file a prehearing memorandum. On April 2, 2024, the Pennsylvania Independent Oil & Gas Association (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 and 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.

filed a Petition to Intervene. Prehearing Memoranda were filed on behalf of the Company, BIE, OSBA, OCA and PIOGA.

The presiding officer conducted the prehearing conference on April 8, 2024, 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 15, 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 April 1, 2024. On May 1, 2024, OCA served the written direct testimony of Jerome Mierzwa. On May 20, 2024, Peoples Natural Gas served the written rebuttal testimonies of two witnesses: Carol A. Scanlon and Dawn Folks.

On May 22, 2024, Peoples Natural Gas filed a Motion for Protective Order. On June 17, 2024, the presiding officer issued an order granting the Company's request for protective order.

The presiding officer scheduled the initial evidentiary hearings for May 30, 2024, and June 3, 2024. On May 23, 2024, the presiding officer cancelled the evidentiary hearings after the parties communicated a settlement had been reached. Thereafter, on June 18, 2024, the presiding officer issued the Corrected Interim Order³ which outlined the evidence to be admitted into the hearing record, in addition to correcting the date when the parties would have to submit the settlement petition. The written statements and exhibits admitted into the hearing record are attached hereto as Appendix G.

³ An Interim Order was served on June 17, 2024, which did not correctly identify the written statements and exhibits to be admitted into the hearing record. The Corrected Interim Order provided the correct listing.

On June 18, 2024, the Joint Petition for Settlement of the Section 1307(f) Rate Investigation (Settlement or Joint Petition), including Statements in Support from Peoples Natural Gas, BIE and OCA, was filed with the Secretary's Bureau. OSBA and PIOGA did not join in the Settlement, however, Letters of Non-Opposition to the Settlement were filed separately by OSBA and PIOGA on June 18, 2024.

On June 22, 2024, 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, BIE and OCA (signatories or Joint Petitioners) and consists of 31 pages with six 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, BIE and OCA, respectively. Appendices E and F set forth the Letters of Non-Opposition of OSBA and PIOGA, respectively.

The parties express their agreement with respect to seven matters:

(1) Transportation Service Balancing Charge; (2) Anticipated Audit Finding; (3) Allegheny Valley Connector (AVC) Rates; (4) Retainage Rates; (5) Producer Retainage Rates; (6) Unaccounted For Gas; and (7) Miscellaneous items. The Joint Petitioners specifically agreed to the following settlement terms, as provided in the Settlement at Section II, Numbered Paragraph Nos. 30 through 43, and as provided *verbatim* below.

SETTLEMENT TERMS

A. Transportation Service Balancing Charge

30. Peoples shall include the \$460,727 incurred in interstate pipeline overrun charges and penalties for violating operation flow order (“OFO”) tolerances in its Transportation Balancing Charge calculation.

31. As a result of this inclusion, Peoples Rate [Small General Service/Medium General Service] SGS/MGS balancing charge shall be \$0.4199/Mcf, and Peoples Rate [Large General Service] LGS balancing charge shall be \$0.1048/Mcf.

B. ANTICIPATED AUDIT FINDING

32. Peoples shall price summer storage withdrawals at the prior month [Weighted Average Cost Of Gas] WACOG rate rather than the using the price of the current month injections, as explained in **Peoples Natural Gas Company Statement No. 1, pp. 14-15.**

33. Peoples will make the aforementioned change to the storage valuation process and finalize the adjustment that covers the full period between April 2020 through the effective date of the change in the Company’s evaluation process. The final adjustment amount, plus applicable interest, shall be included in the Company’s E-factor component of the rate effective October 1, 2024, to be recovered over a 12-month period. *See Peoples Natural Gas Company Statement No. 1, pp. 14-15 and Peoples Natural Gas Company Statement No. 1-R.*

C. AVC RATES

34. Peoples shall blend the [Allegheny Valley Connector] AVC rate for both its PGD and its PNGD, as outlined in **Peoples Natural Gas Company Statement No. 1, pp. 8-11.**

D. RETAINAGE RATES

35. Peoples’ stand-alone tariffed retainage rate for all classes for both divisions effective October 1, 2024 shall be 5.8%.

E. PRODUCER RETAINAGE RATES

36. Peoples producer retainage rate will be 2.61% for all conventional production entering either the PNGD system or the PGD system effective October 1, 2024.

37. Retainage Rate for the Goodwin system will be 56.4% for the period of October 1, 2024 to September 30, 2025.

F. UNACCOUNTED FOR GAS (“UFG”)

38. Parties acknowledge that the Peoples’ distribution UFG percentage for the twelve-month period ending August 31, 2023, is in compliance with the Commission’s regulations at 52 Pa. Code § 59.111(c)(1).

G. MISCELLANEOUS

39. Parties agree that actions taken by Peoples in response to the issues identified in last year’s 1307(f) with Equitrans AVC Storage service are reasonable. **See Peoples Natural Gas Statement No. 2, pp. 21-22.**

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

41. Except as revised by this Settlement, the proposed rates and other requested approvals contained in the Peoples’ 2024 PGC filing should be approved. Peoples reserves the right to include unopposed proposals in the Settlement provisions.

42. In accordance with the provisions of 52 Pa. Code § 53.64(i)(5), the Peoples compliance filing in this proceeding will reflect updated actual and projected over/under collections through September 30, 2025.

43. 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)-2024 definitive filing.

Settlement pp. 4-6.

RATE IMPACT OF SETTLEMENT

In Paragraph No. 44 of the Settlement, the signatories noted the presiding officer directed the parties to provide the following material in a settlement petition: (1) current rates for each customer class; (2) requested and negotiated changes in gas costs for each customer class, identified in terms of dollar amounts and as a percentage of increase or decrease of the current rates; and (3) the impact on each customer class (e.g., under the proposed rate each customer would have paid X, and under the agreed-upon amount, each customer will pay Y).

Specifically, in Paragraph No. 45, the signatories provided this information in two tables, provided *verbatim* below:

45. 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		
	Average	Existing	Gas Cost	Percent	Gas Cost	Annual Bill	Annual Bill
<u>Rate Schedule</u>	<u>Annual Usage (Mcf)</u>	<u>Tariff Rates 1/</u>	<u>Change</u>	<u>Change</u>	<u>Change</u>	<u>As-Filed</u>	<u>Settlement</u>
RS	80	\$8.5213	(\$0.2230)	-2.6%	(\$0.0013)	\$ 834.71	\$ 834.61
SGS	250	\$6.8835	(\$0.2495)	-3.6%	(\$0.0013)	\$ 1,894.13	\$ 1,893.81
MGS	1,750	\$6.6121	(\$0.2171)	-3.3%	(\$0.0013)	\$ 12,192.47	\$ 12,190.19
LGS	50,000	\$6.3007	(\$0.2781)	-4.4%	(\$0.0013)	\$ 309,964.27	\$ 309,899.27
1/ Peoples Natural Gas net billing rate effective January 20, 2024.							
Peoples Gas Division			As-Filed		Settlement		
	Average	Existing	Gas Cost	Percent	Gas Cost	Annual Bill	Annual Bill
<u>Rate Schedule</u>	<u>Annual Usage (Mcf)</u>	<u>Tariff Rates 1/</u>	<u>Change</u>	<u>Change</u>	<u>Change</u>	<u>As-Filed</u>	<u>Settlement</u>
RS	80	\$10.9791	\$0.5287	4.8%	(\$0.0013)	\$ 1,122.03	\$ 1,121.93
SGS	250	\$8.9494	\$0.4677	5.2%	(\$0.0013)	\$ 2,801.87	\$ 2,801.55
MGS	1,750	\$8.6932	\$0.2372	2.7%	(\$0.0013)	\$ 16,587.36	\$ 16,585.09
LGS < 100,000 Mcf/yr	50,000	\$7.5098	(\$0.0231)	-0.3%	(\$0.0013)	\$ 393,518.26	\$ 393,453.26
1/ Peoples Gas net billing rate effective March 1, 2024.							

Settlement p. 7.

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. 46 through 91 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.

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

47. Peoples’ interstate assets consist of a portfolio of transportation and storage services that Peoples 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 access to a variety of locations at which it can receive gas supplies that are produced upstream of the Peoples system. The interstate storage assets allow Peoples to use its upstream assets more efficiently, mitigate the effects of price swings in the natural gas market, and enhance the deliverability of Peoples’ interstate natural gas supplies during periods of peak demand. Peoples’ interstate supplies are primarily EQT Energy, LLC (“EQT Energy”) and other Appalachian-produced gas that it purchases from suppliers upstream of the Peoples 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.)

48. Over the 1307(f)-2024 historical period, Peoples' 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 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 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, p. 16.)

49. 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 [Enhanced Firm Transportation Service] EFT, no-notice transportation service under Rate Schedule [Firm Transportation Storage Service] FTSS, and Storage Service under Rate Schedule [General Storage Service] GSS. The FTSS and GSS service agreements provide PNGD and its customers with access to AVC storage capacity of 8.6 [Million Dekatherms] MMDth annually and maximum deliverability of 200,000 [Dekatherm] Dth per day. The EFT service agreement provides Peoples 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, p. 19.)

50. 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, pp. 19-20.)

51. In Peoples' 1307(f)-2023 proceeding, Peoples described the various service arrangements that would be in effect between Peoples and EGTS and the costs associated with them over what is now the 1307(f)-2024 historical period. In its final order in that proceeding, the Commission approved rates for the collection of Peoples' natural gas costs that included the costs associated with the Equitrans service arrangements over what is now the 1307(f)-2024 historical period. (Peoples Natural Gas Company Statement No. 2, p. 21.)

52. For the 1307(f)-2024 historical period, EGTS provides service to PNGD under four service agreements and three rate schedules which all have an expiration date of March 31, 2024. EGTS provides year-round Rate [Firm Transportation, No-Notice] 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, p. 23.)

53. Under a service agreement with EGTS that expires on March 31, 2020, PGD had 25,000 Dth/day of FT firm transportation service, 10,000 Dth/day of FT-GSS firm transportation service, and 10,000 Dth/day of GSS firm storage service with a total storage capacity of 600,000 Dth. PGD additionally has 10,000 Dth/day of FT transportation service that expires October 31, 2024. (Peoples Natural Gas Company Statement No. 2, p. 23.)

54. TETCO provides Peoples with firm transportation service under Rate Schedule FT-1 and also delivers firm to the city-gate purchases made by Peoples from suppliers who are TETCO shippers. Peoples 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 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' 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 manage the unanticipated swings in demand at its physical interconnections with TETCO. (Peoples Natural Gas Company Statement No. 2, pp. 24-25.)

55. Peoples had 15,650 Dth/day of FT-1 firm transportation service under contract from TETCO for the entire 1307(f)-2024 historical period. Gas supplies under this transportation contract, which expires on April 30, 2025, are delivered by TETCO primarily at Peoples' 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 plans to renew this TETCO FT-1 firm transportation service agreement during the 1307(f)-2025 projected period. (Peoples Natural Gas Company Statement No. 2, pp. 25-26.)

56. 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 52 and 48 HDDs on January 16 and 1, 2024, respectively, when PNGD used the firm agreements to deliver approximately 21,000 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.)

57. 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 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 then entered into a series of annual agreements for either firm delivered supply or for the purchase of released capacity that Peoples then matched with spot purchases that extended through the 2013-2014 winter period. For the next two winter seasons, Peoples satisfied its needs at

this delivery point with delivered gas purchases. From 2017 through 2024, Peoples issued RFPs and contracted for firm delivered gas agreements for up to 6,000 Dth/day for each winter season. (Peoples Natural Gas Company Statement No. 2, p. 28.)

58. In July 2023, PNGD issued an RFP for firm deliveries of up to 6,000 Dth/day at TETCO M2 Rockwood for the period of November 2023 through March 2024. Approximately twenty potential shippers were solicited, and one proposal was received. Peoples accepted the offer for up to 6,000 Dth/day at Rockwood. The accepted Rockwood proposal included a reservation charge of \$36,000 per month or \$180,000 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 5 Report, Monthly Bidweek Spot Gas Price Index for Texas Eastern, M-2 Receipts for that month plus TETCO M2-M2 FT rate variable charges. Daily supply would be priced Gas Daily midpoint pricing for Texas Eastern, M-2 Receipts reported for the day of flow plus M2-M2 FT rate variable charges. There was no minimum call provision for baseload or daily supply to Rockwood. (Peoples Natural Gas Company Statement No. 2, pp. 28-29.)

59. In July 2023, Peoples issued an RFP for firm deliveries of up to 31,000 Dth/day at TETCO M3 Ebensburg for the period of November 2023 through March 2024. Peoples received four proposals, from three companies, for Ebensburg supply. Peoples accepted the Ebensburg proposal which had no reservation charge 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-3 Receipts for that month. Daily supply would be priced Gas Daily midpoint pricing for Texas Eastern, M-2 Receipts reported for the day of flow plus \$0.45 per Dth. There was no minimum call provision for baseload or daily supply to Ebensburg. (Peoples Natural Gas Company Statement No. 2, p. 29.)

60. In Peoples' 1307(f)-2023 proceeding, PNGD described its service arrangements with TETCO and its intent to enter into arrangements for delivered gas on TETCO that would be in effect over what is now the 1307(f)-2024 historical period. Peoples also included estimated costs for these arrangements and described the reasons why Peoples 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 PNGD's natural gas costs that included the costs associated with the TETCO service arrangements. (Peoples Natural Gas Company Statement No. 2, p. 30.)

61. Similar to prior years, in addition to utilizing the FT contracts the Company holds with TETCO, the Company proposes to issue an RFP to potential suppliers for TETCO Zone M-2 delivered supply but up to 10,000 Dth/day for the winter period November 2024 through March 2025 to assist in balancing out Design Peak Day Requirements as presented earlier. For the same reason, the Company also proposes to issue a separate RFP to potential suppliers for TETCO Zone M-3 delivered supply up to 31,000 Dth/day for the winter period November 2024 through March 2025. The Company is currently in discussions with a few potential suppliers about providing this TETCO Zone M-3 delivered supply with a higher priority curtailment ranking than has been contracted for in the past. This is because TETCO has increased the number of OFOs it has normally issued for Zone M-3 deliveries, and the Company believes that this trend will continue due to the large electric generation load now attached to this part of TETCO's system. (Peoples Natural Gas Company Statement No. 2, pp. 30-31.)

62. 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, p. 31.)

63. During the entire 1307(f)-2024 historical period and for the first two months of the 1307(f)-2024 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 will renew again, effective April 1, 2024. As a result, the NFG contracts will be in effect throughout the 1307(f)-2024 projected period. (Peoples Natural Gas Company Statement No. 2, p. 32.)

64. In Peoples' 1307(f)-2023 proceeding, PNGD described the arrangements between PNGD and NFG that would be in effect, over what is now the 1307(f)-2024 historical period. PNGD also described the reasons why it entered into those arrangements and the costs associated with them. Under the settlement in the 2023 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)-2024 historical period. (Peoples Natural Gas Company Statement No. 2, pp. 32-33.)

65. For the 1307(f)-2024 historical period, TCO provided PGD firm transportation service under Rate FTS of up to 4,000 Dth/day along with 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, p. 33.)

66. In Peoples' 1307(f)-2023 proceeding, PGD described the arrangements between PGD and TCO that would be in effect, over what is now the 1307(f)-2023 historic period. PGD also described the reasons why it 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)-

2024 historical period. (Peoples Natural Gas Company Statement No. 2, p. 34.)

67. Peoples 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 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’ service territory, which is not physically integrated with the rest of the Peoples system. (Peoples Natural Gas Company Statement No. 2, pp. 34-35.)

68. In July 2023, Peoples issued an RFP for deliveries to its TGP meters at Pitt Terminal (meter 420199) and Pittsburgh Terminal (meter 420385), Pulaski and New Castle, for the period of November 2023 through March 2024. Approximately twenty potential suppliers were solicited, and three offers were received. Peoples entered into an agreement with the supplier to make deliveries ranging from zero Dth/day to 36,000 Dth/day. The agreement included no reservation fee for the deal term. The agreement 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 fuel and variables 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 fuel and variables per Dth. There was no minimum call provision of baseload or daily supply associated with either of the deals. (Peoples Natural Gas Company Statement No. 2, p. 35.)

69. In Peoples’ 1307(f)-2023 proceeding, Peoples described its intention to issue RFPs for delivered service arrangements on Tennessee that would be in effect, over what is now the 1307(f)-2024 historical period. Peoples also included estimated costs for these arrangements and described the reasons why Peoples entered into those supply arrangements. Under the 1307(f)-2023 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 costs that included the costs associated with this arrangement over what is now the 1307(f)-2024 historical period. (Peoples Natural Gas Company Statement No. 2, p. 36.)

70. 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 35,000 Dth/day delivered to Peoples with 0 - 29,000 Dth/day delivered to Pittsburgh Terminal, 0 -3,000 Dth/day delivered to Pulaski, and 0 - 3,000 Dth/day delivered to New Castle and 0 – 6,000 Dth/day delivered to Pitt Terminal (Former Peoples Gas citygate) for the winter period of November 2024 through March 2025. (Peoples Natural Gas Company Statement No. 2, p. 36.)

71. Peoples currently owns and operates the five storage fields, which have 2,147,000 Mcf of storage capacity and 55,300 Mcf of maximum design day withdrawal capacity. (Peoples Natural Gas Company Statement No. 2, p. 41.)

72. There are two categories of natural gas costs that Peoples incurs to own and operate its on-system storage facilities. The first of those categories is the portion of Peoples' 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 assigns to each Mcf that is injected into and withdrawn from its on system (and interstate) storage facilities. For the 1307(f)-2024 historical period, the weighted average cost was based on the cost of all supplies that Peoples acquired over calendar year 2023. The total weighted average costs that Peoples 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, pp. 41-42.)

73. In Peoples' 1307(f)-2023 proceeding, Peoples set forth projections regarding the use of on-system storage over what is now the 1307(f)-2024 historical period. In that proceeding, Peoples described the projected weighted average costs assigned to the supplies that Peoples 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 costs that included the weighted average costs of supplies that Peoples anticipated injecting into and withdrawing from storage over what is now the 1307(f)-2024

historical period. The rates approved by the Commission also included the cost of Peoples' 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, p. 42.)

74. Peoples 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 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 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. 43.)

75. Peoples 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 207 local Pennsylvania producers at approximately 1265 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. 43.)

76. 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 22.1% 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, pp. 43-44.)

77. In Peoples' 1307(f)-2023 proceeding, Peoples described its contracts for local gas supplies that would be in effect over what is now the 1307(f)-2024 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 costs that included the costs associated with the local gas contracts over what is now the 1307(f)-2024 historical period. (Peoples Natural Gas Company Statement No. 2, p. 47.)

78. 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)-2024 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 purchased for its customers was virtually the same as the 1307(f)-2023 historical period. (Peoples Natural Gas Company Statement No. 2, p. 47.)

79. Peoples 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 uses to meet the demands of those customers who continue to buy their supplies from Peoples. These are also the supplies that Peoples uses its various interstate pipeline assets to transport and store. (Peoples Natural Gas Company Statement No. 1, p. 48.)

80. Peoples continually adjusts its daily supply plan based on actual and projected daily weather and customer usage. As part of that process, Peoples 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 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 will determine the least cost option to serve areas of its system that requires

additional supply. Peoples is in frequent contact with many gas suppliers who will agree to deliver spot market supplies to pipeline receipt points from which Peoples 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. 49.)

81. Since 2010, Peoples has been working to reduce UFG. The Company's UFG volume was 7.0 [Billion Cubic Feet] Bcf in 2017, which resulted in a loss rate of 4.46%. For the period ending August 31, 2023, the overall Company system amount was 6.0 Bcf, which resulted in an overall system loss rate of 4.3%, or 14% 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 3.6 Bcf which results in a loss rate of 2.69% which is below the Commission's targeted loss rate for Distribution UFG of 3.0%. The Gathering UFG for the 20223 [sic] reporting period is 2.4 Bcf and equates to a loss rate of 7.33%, down from 9.83% in 2017 when the Company began the most recent mitigation plan. (Peoples Natural Gas Company Statement No. 5, p. 4.)

82. Despite the efforts to reduce UFG, Peoples remains challenged to reduce UFG on its pipelines that gather gas from local production wells. The Peoples 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 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.)

83. 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 9.5 BCF since

2017 and by more than 1.4 BCF of 3.9% during the latest period, so the decreased production has impacted UFG rates. Had the 2023 production stayed at the same rate as it was in 2022, the 2023 loss rate would have been 7.04%. (Peoples Natural Gas Statement No. 4, pp. 5-6.)

84. Peoples began working on its UFG mitigation plan even before it was filed in Docket Nos. R-2018-2645278 and R-2018-3000236. Peoples Exhibit No. 13 is a summary of the specific actions taken since the 2018 plan inception and an update of ongoing activities though the current PGC period. (Peoples Natural Gas Company Statement No. 4, p. 6.)

85. The Company continues to focus on its major gathering systems. Additionally, the Company has installed upgraded measurement on measuring stations and one of its large field compressor stations. (Peoples Natural Gas Company Statement No. 4, p. 7.)

86. In addition, Peoples continued its audit process of producer meters and, as a result, found a number of wells that were operating outside of the Company's standards and, in some cases, contributing to UFG. Peoples acted in each of these cases to have the issues remedied, which in many cases resulted in shutting in the production. (Peoples Natural Gas Company Statement No. 4, p. 7.)

87. In addition, the following activities were performed: (1) expired and removed 77 zero flow production meters; (2) completed 1398 meter service/repair orders; and (3) continued automation of measurement data for ready UFG analysis. (Peoples Natural Gas Company Statement No. 5, p. 7.)

88. The Company is proposing a single producer retainage rate across both Divisions based on the average level currently charged for all conventional production. More specifically, Peoples proposes a producer retainage rate of 2.61% for all conventional production entering both the PNGD system and PGD systems. Since the non-gas charges are proposed to be standardized, it is appropriate to charge the same level of retainage. (Peoples Natural Gas Company Statement No. 4, p. 9.)

89. The producers are the primary beneficiaries of the gathering system and should contribute to the costs of the UFG. Through the allocation of some of the gathering system losses to

the producers whose gas flows on those systems, the Company will continue to incent the producers to partner with Peoples in developing UFG mitigation initiatives, which has produced a number of cooperative system improvements. Therefore, with UFG being an unavoidable cost component of gathering and delivering local gas, and with both producers and customers benefitting from it, it is appropriate for both producers and customers to pay a portion of the UFG costs. (Peoples Natural Gas Company Statement No. 4, p. 10.)

90. Peoples monitors and participates in various proceedings before the Federal Energy Regulatory Commission (“FERC”) as a means of assuring for Peoples’ ratepayers the future availability of reasonably priced, reliable gas supplies. (Peoples Natural Gas Company Statement No. 1, p. 6.)

91. Peoples 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. 5-7.)

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. 9-24.

STATEMENTS IN SUPPORT

A. Transportation Service Balancing Charge

Company Position

Peoples Natural Gas asserts it agreed to include \$460,727 - incurred in interstate pipeline overrun charges and penalties for violating operation flow order (“OFO”) tolerances - in its Transportation Balancing Charge calculation. (Settlement ¶ 30). Peoples Natural Gas notes the Peoples Rate SGS/MGS balancing charge will become \$0.4199/Mcf, and the Peoples Rate LGS balancing charge will become \$0.1048/Mcf. (Settlement ¶ 31). The Company notes it

agreed with OCA's recommendation to include the overrun charges of \$460,727 in the calculation of the balancing charge (Peoples Natural Gas Company St. No. 3-R, pp. 1-2.), but disagreed with the recommendation to include on-system storage losses in its balancing charge calculation. (Peoples Natural Gas Company St. No. 3-R, p. 2).

Peoples Natural Gas notes the Settlement reflects a carefully balanced compromise of both OCA's and Peoples' positions. Peoples points out it agreed to include overrun charges of \$460,727 in its calculation of the balancing charge, however on-system storage losses will not be included in the balancing charge. Peoples asserts the Commission should approve these provisions without modification because the provisions are just, reasonable and in the public interest. (Settlement ¶¶ 30-31).

BIE Position

BIE did not express an opinion concerning the Transportation Service Balancing Charge.

OCA Position

OCA notes it recommended Peoples remove from the PGC the amount of \$360,113, which OCA asserted was associated with on-system storage losses, and instead include this amount in the balancing charge calculation given that failure to include on-system storage losses in the balancing charge calculation inappropriately recovers all on-system storage losses from PGC customers. Additionally, OCA notes it recommended Peoples remove from the PGC the amount of \$460,727, associated with interstate pipeline overrun charges and penalties for violating operational flow order tolerances, and instead include these charges in Peoples' balancing charge calculation. OCA argued that responsibility for these charges cannot readily be determined, and the charges were incurred to manage system demands and balance supply with system requirements. In support of its recommendations, OCA included a recalculation of balancing charges to reflect these recommendations in Schedule JDM-1, which showed: (1) Rate SGS/MGS balancing charge of \$0.4232/Mcf, reflecting an increase of \$0.0075/Mcf from the

Company's proposed charge of \$0.4157/Mcf; and (2) Rate LGS balancing charge of \$0.1056/Mcf, reflecting an increase of \$0.0019/Mcf from the Company's proposed charge of \$0.1037/Mcf. *Id.* at 6-7.

OCA points out the Company disagreed with OCA's recommendation that the Company should include on-system storage losses in the balancing charge calculation because gas purchased for on-system storage is not used by or for transportation; thus, making it inappropriate to recover storage losses in the balancing charge. Peoples Natural Gas Company St. No. 3-R, pp. 2-3. However, OCA also noted Peoples agreed with the recommendation to include overrun charges totaling \$460,727 in the balancing charge calculation. *Id.*

OCA asserts Peoples agreed in the Settlement to include the amount of \$460,727, incurred in interstate pipeline charges and penalties for violation OFO tolerances, in its balancing charge calculation. Settlement ¶ 30. Accordingly, OCA asserts Peoples Rate SGS/MGS balancing charge shall be \$0.4199/Mcf as a result of this inclusion, and Peoples Rate LGS balancing charge shall be \$0.1048/Mcf. Settlement ¶ 31.

B. Anticipated Audit Finding

Company Position

Peoples Natural Gas notes it proposed to price summer storage withdrawals at the prior month Weight Average Cost of Gas (WACOG) rate rather than using the price of the current month injections. (*See* Peoples Natural Gas Company St. No. 1, pp. 15-16). Peoples explained that the Commission's Bureau of Audits (Audits) is requesting the Company apply this methodology, beginning in April 2020. Peoples agreed to use the methodology beginning in April 2020 for the Peoples National Gas Division but proposed using October 2022 for the Peoples Gas Division because October 2022 is the date when gas costs were combined for the two divisions. Peoples noted that Audits indicated at a meeting on May 16, 2024, that both divisions were to use April 2020 because April 2020 was when the Company changed the

process of netting storage injections and withdrawals for both divisions. (Peoples Natural Gas Company St. No. 1-R, p.2).

Peoples contends no party challenged its proposal to price summer storage withdrawals at the WACOG rate from the prior month. Peoples argues the Commission should approve this provision without modification because the provision is just, reasonable and in the public interest because no party disagreed with the proposal.

BIE Position

BIE did not express an opinion concerning the Anticipated Audit Finding.

OCA Position

OCA did not express an opinion concerning the Anticipated Audit Finding.

C. AVC Rates

Company Position

Initially, Peoples proposed to blend the Allegheny Valley Connector (AVC) rate for both divisions. (Peoples Natural Gas Company St. No. 1, pp. 811). Peoples explained:

The Company combined gas costs for the Peoples Natural Gas Division and Peoples Gas Division effective October 1, 2022. Since that time, with the exception of the AVC charge, both divisions have the same PGC rate components, balancing charges and retainage rates. In Peoples' present base rate case proceeding, the Company is proposing to combine the base rates and tariffs as the next step in the process of merging these separate divisions into one company. The blending of the AVC rate is necessary to bring the divisions together on the same footing.

(Peoples Natural Gas Company St. No. 1, pp. 9-10).

The Company notes no party challenged the blending of the AVC rate between the two divisions. Accordingly, Peoples contends this change is fully supported and the Settlement reflects a memorialization of an unopposed proposal that is just, reasonable, in the public interest and should be approved.

BIE Position

BIE did not express an opinion concerning the AVC rates.

OCA Position

OCA did not express an opinion concerning the AVC rates.

D. Retainage Rates

Company Position

Peoples notes it initially proposed the stand-alone tariffed retainage rate for all classes across both Peoples divisions should be 5.8%, effective October 1, 2024. (Peoples Natural Gas Company St. No. 1, p. 8). Peoples points out that no other party challenged this calculation of retainage rates, nor presented evidence on the subject. Peoples asserts this Settlement provision is in the public interest because it represents an unopposed proposal. Further, Peoples contends it fully supported this provision in its main filing. (Settlement ¶ 35). As such, Peoples asserts the Commission should approve this provision without modification because the provision is just and reasonable.

BIE Position

BIE did not express an opinion concerning the Retainage Rates.

OCA Position

OCA did not express an opinion concerning the Retainage Rates in its Statement in Support.

E. Producer Retainage Rates

Company Position

The Company asserts the producer retainage rate to become effective on October 1, 2024, should be 2.61% for all conventional production entering either the PNGD or PGD system. (Peoples Natural Gas Company St. No. 4, p. 9). Peoples also asserts it produced evidence regarding retainage recovery on the Goodwin system, and retainage recovery generally (*See* Peoples Natural Gas Company St. No. 4, pp. 9-12), and the retainage rate for the Company's Goodwin system should be 56.4%. (Peoples Natural Gas Company St. No. 4, pp. 11-12).

Peoples contends it is committed to reviewing the actual loss rate at six-month intervals. Further, Peoples does not expect to see the full impacts of such construction to be reflected in the rolling twelve-month loss rate until some time has passed because most of the construction work on the system will be completed during late summer. Since little additional work is completed during the winter, Peoples contends the rate should remain stable until the next construction cycle is completed, and sufficient time has passed for the results to be reflected fully in the UFG calculation. (Peoples Natural Gas Company St. No. 4, p. 12).

The Company notes no party took issues with or presented any evidence responsive to Peoples' proposal which the Company asserts it fully explained and supported. Peoples contends this Settlement provision is just and reasonable because it memorializes the Company's unopposed proposals related to producer retainage rates. (Settlement ¶¶ 36-37). As such, Peoples contends the Commission should approve this provision without modification.

BIE Position

BIE did not express an opinion concerning Producer Retainage Rates.

OCA Position

OCA did not express an opinion concerning Producer Retainage Rates in its Statement in Support.

F. Unaccounted For Gas

Company Position

Peoples asserts its overall system UFG amount was 6.0 Bcf, which resulted in an overall system loss rate of 4.3%. (Peoples Natural Gas St. No. 5, p. 4). Peoples contends this figure represented a 14% decrease from what the Company's UFG volume was in 2017. (Peoples Natural Gas St. No. 5, p. 4). Further, the Company asserts the two main components of the Company's overall UFG are Distribution UFG and Gathering UFG. Peoples' witness explained that:

Distribution UFG for the last reporting period is 3.6 Bcf which results in a loss rate of 2.69% which is below the Commission's targeted loss rate for Distribution UFG of 3.0%. The Gathering UFG for the 2023 reporting period is 2.4 Bcf and equates to a loss rate of 7.33%, down from 9.83% in 2017 when the Company began the most recent mitigation plan.

(Peoples Natural Gas Company St. No. 4, p. 4).

The Company points out it has seen decreasing production levels 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. 4, pp. 5-6). Further, Peoples contends production declined by more than 1.4 BcF, or 3.9%, during the relevant PGC period. (Peoples Natural Gas Company St. No. 4, pp. 5-6). The Company argues that if the 2023

production stayed at the same rate as it was in 2022, the 2023 loss rate would have been 7.04%. (Peoples Natural Gas Company St. No. 4, pp. 5-6). In addition, Peoples detailed the success and specific accomplishments of the UFG mitigation plan, including: (1) removal of 77 zero flow production meters; (2) completion of 1,398 meter service/repair orders; and (3) Continued automation of measurement data for ready UFG analysis. (Peoples Natural Gas Company St. No. 5, p. 7).

The Company asserts that no party took issue with or presented evidence 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. Peoples points out the Joint Petitioners acknowledge the Company's distribution UFG percentage for the twelve-month period ending August 31, 2023, complies with the Commission's regulations at 52 Pa. Code § 59.111(c)(1). (Settlement ¶ 38). Peoples notes this Settlement provision acknowledges its 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 the Commission should approve this provision without modification because the provision is reasonable and in the public interest.

BIE Position

BIE did not express an opinion concerning Unaccounted for Gas in its Statement in Support.

OCA Position

OCA did not express an opinion concerning Unaccounted for Gas in its Statement in Support.

G. Miscellaneous

Company Position

The Company notes the Miscellaneous portion of the Settlement (Section II(G)) memorializes various Settlement terms contained in the Company's 2024 definitive PGC filing that were unopposed by the various parties. Peoples points out that: (1) the Parties agree that actions taken by Peoples in response to the issues identified in the 2023 1307(f) proceeding with regards to Equitrans AVC Storage service are reasonable (Settlement ¶ 39; *See* Peoples Natural Gas St. No. 2, pp. 21-22); (2) the overrun and OFO charges incurred and included with the Company's main filing were prudent and in compliance with the least cost gas standard (Settlement ¶ 40); (3) except as revised by the Settlement, the proposed rates and other requested approvals contained in the Peoples' 2024 PGC filing should be approved (Settlement ¶ 41); (4) Peoples' compliance filing will reflect updated actual and projected over/under collections through September 30, 2025 (Settlement ¶ 42); and (5) the parties agree the Commission should approve the renewals and changes in gas supply, pipeline, and storage capacity contracts that are explained in Peoples Natural Gas Company St. No. 2 and related exhibits included in the Company's definitive filing. (Settlement ¶ 43).

Peoples notes that no party opposed or presented evidence on these Settlement provisions, and these provisions signify the Joint Petitioners' agreement with various items included within the Company's definitive filing. Accordingly, Peoples asserts the Commission should approve these provisions without modification because the provisions are just and reasonable.

BIE Position

BIE did not express an opinion concerning any Miscellaneous issues.

OCA Position

OCA did not express an opinion concerning Miscellaneous in its Statement in Support.

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,⁴ because settlements eliminate the time, effort and expense of litigating a matter to its ultimate conclusion, which may entail review of the Commission's decision by the appellate courts of Pennsylvania. Settlements 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.⁵ 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, BIE and OCA 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

⁴ 52 Pa. Code § 5.231.

⁵ Pa. Pub. Util. Comm'n v. C.S Water & Sewer Assocs., 74 Pa.P.U.C. 767 (1991).

requirements of Sections 1307 and 1318 of the Public Utility Code,⁶ and, accordingly, should be approved.

Peoples 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 its 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' historic period actual gas costs which meet the least cost fuel procurement standards set forth in Section 1318 of the Code, 66 Pa.C.S. § 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

⁶ 66 Pa.C.S. §§ 1307, 1318.

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.⁷

Party Positions on Public Benefit from Settlement

Company Position

The Company contends the Settlement resolves all of the issues raised by the Joint Petitioners, including whether Peoples' historic natural gas costs were incurred and projected natural gas costs will be incurred under a least cost fuel procurement policy. Accordingly, Peoples asserts the Settlement provides benefits to customers, is in the public interest and should be approved without modification.

Peoples points out the Settlement was achieved after a comprehensive investigation of Peoples' natural gas procurement policies and operations, with formal discovery requests, and testimony from Peoples and OCA, plus participation by the Joint Petitioners in settlement discussions and formal negotiations, which ultimately led to the Settlement.

Peoples asserts the Joint Petitioners, as well as their experts and counsel, have considerable experience in PGC proceedings. In addition, Peoples asserts the knowledge, experience, and ability of the experts and counsel to evaluate the strengths and weaknesses of their litigation positions provided a strong base upon which to build a consensus on all of the settled issues. For these reasons, the Company asserts the Settlement is just and reasonable, and Peoples' 2024 1307(f) filing, as modified by the Settlement, should be approved.

BIE

BIE agrees with the other Joint Petitioners that the Commission should approve the proposed rates and other approvals contained in Peoples' PGC filing, except as revised by the Settlement. BIE asserts its review of all available information confirms Peoples met the

⁷ 66 Pa.C.S. § 1318(a)(1)-(4).

requirements under 66 Pa.C.S. § 1318 that the Company pursued a least cost fuel procurement policy, consistent with the utility's obligation to provide safe, adequate and reliable service to its customers, and the purchased gas costs Peoples incurred during the historic period adhered to a least cost fuel procurement policy. BIE points out ratepayers benefit when natural gas distribution companies adhere to a least cost procurement policy because the least cost gas directly impacts customer gas bills and obligates a company to provide safe, adequate and reliable service to its customers. BIE maintains the Company's gas purchasing practices have satisfied its least cost procurement obligation, based on BIE's review of the filing and extensive discovery and settlement discussions. BIE further maintains it analyzed the Company's E-factor and found that it was calculated in accordance with established Commission practices, which review benefits the public interest because the proper calculation of the E-factor ensures rates are adjusted appropriately. Additionally, BIE contends it determined that it appears those costs are consistent with a least cost fuel procurement policy and that the rate changes contained in Table 1 of the Joint Settlement are appropriate. BIE maintains Peoples' ratepayers are protected because the Company gains no unwarranted financial advantages through its projected gas purchases and projected gas purchasing policies.

OCA

OCA submits the proposed Settlement is in the public interest and should be approved, based on the discovery OCA conducted. OCA contends it reviewed Peoples' actual gas procurement activity during the historic review period of February 1, 2023 through January 31, 2024, for consistency with least-cost gas procurement standards. OCA St. 1 at 3. Having reviewed the actual and projected purchased gas costs and revenues experienced by Peoples during the 2023 PGC period (October 1, 2023 through September 30, 2024), OCA asserts the costs and revenues have been reconciled, and any under- or over-collections have been reflected in determining the PGC rate applicable during the 2024 PGC period (October 1, 2024, through September 30, 2025). *Id.* at 3-4.

As a result of its review of the filing and testimony in this proceeding, OCA submits that Peoples' PGC filing meets the requirements of 66 Pa.C.S. § 1307(f) generally and

specifically with regard to showing that the Company's natural gas costs are consistent with a least cost fuel procurement policy required by 66 Pa.C.S. § 1318. As such, OCA submits that the Commission should approve the proposed PGC rate and tariff changes in accordance with the Settlement because the Settlement provisions, taken together, address: (1) OCA's concerns and recommendations on these issues; (2) represent a reasonable compromise of the parties' positions; and (3) is in the public interest. OCA requests the Commission approve the Settlement without modification.

RECOMMENDATION

Upon review of the Settlement and Statements in Support, the presiding officer agrees the Joint Petitioners 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, 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 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. The Joint Petitioners spent extensive time negotiating how the historic natural gas costs were incurred and how projected future costs will be incurred under a least cost fuel procurement policy. The settlement of those issues, including agreements on how Peoples will continue to handle those costs moving forward, will make it more likely Peoples will continue to provide reasonable and adequate service to its customers while ensuring there is a sufficient supply of gas. 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.

It should be noted the settlement provides for a slight decrease (-\$0.0013 per Mcf) in the gas cost across both divisions and for all customer classes in each. However, while there will be an identical small decrease for customers in both divisions, customers in the Peoples Gas Division will continue to pay more annually than the customers in the Peoples Natural Gas Division. As illustrated in the table provided by the Joint Petitioners in Paragraph No. 45, the average residential customer of the Peoples Natural Gas Division using 80 Mcf will pay \$834.61 instead of the As-Filed (proposed) annual total of \$834.71. Similarly, the average residential customer of the Peoples Gas Division using 80 Mcf will pay \$1,121.93, instead of the As-Filed (proposed) annual total of \$1,122.03.

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 Bureau of Investigation and Enforcement and the Office of Consumer Advocate executed and submitted at Docket No. R-2024-3045945, is in the public interest. *Pa. Pub. Util. Comm'n v. C.S. Water & Sewer Assocs.*, 74 Pa.P.U.C. 767 (1991).

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 Commission's Bureau of Investigation and Enforcement and the Office of Consumer Advocate have executed and filed on June 18, 2024, at Docket No. R-2024-3045945, 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 Complaint of the Office of Consumer Advocate at Docket No. C-2024-3047727 be marked satisfied and closed.

4. That the Formal Complaint of the Office of Small Business Advocate at Docket No. C-2024-3047498 is dismissed and closed.

5. That Peoples Natural Gas Company LLC, the Bureau of Investigation and Enforcement and the Office of Consumer Advocate be ordered to comply with the terms and conditions of the Joint Petition for Settlement of the Section 1307(f) Rate Investigation of Peoples Natural Gas Company LLC 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.

6. 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, 2024.

7. 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

APPENDIX G

List of Evidence Admitted into Hearing Record

Peoples Natural Gas Company LLC

Direct Testimony:

- a. Peoples Natural Gas Company Statement No. 1 – Direct Testimony of Carol A. Scanlon with Peoples Natural Gas Company Exhibit Nos. 2, 3, and 15.
- b. Peoples Natural Gas Company Statement No. 2 – Direct Testimony of Steven P. Kolich with Peoples Natural Gas Company Exhibit Nos. 1 (partial), 4, 6 (partial), 7 (partial), and 8 (partial).
- c. Peoples Natural Gas Company Statement No. 3 – Direct Testimony of Dawn M. Folks with Peoples Natural Gas Company Exhibit Nos. 1 (partial), 5, 6 (partial), 7 (partial), 8 (partial), 9, 10, 11, and 12.
- d. Peoples Natural Gas Company Statement No. 4 – Direct Testimony of Lynda M. Petrichevich with Peoples Natural Gas Company Exhibit Nos. 13 and 14.
- e. Peoples Natural Gas Company Statement No. 1-R – Rebuttal Testimony of Carol A. Scanlon, with Peoples Natural Gas Company Exhibit No. 15-R.
- f. Peoples Natural Gas Company Statement No. 3-R – Rebuttal Testimony of Dawn M. Folks, with Peoples Natural Gas Company Exhibit No. 11-R.

OCA

- OCA Statement No. 1 – Direct Testimony of Jerome D. Mierzwa, with Schedule JDM-1.