

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**  
**Harrisburg, Pennsylvania 17105-3265**

**Re: Proposed Rulemaking  
for Revision of 52 Pa.  
Code, Chapter 53 §§ 53.61-  
53.68, Pertaining to the  
Recovery of Fuel Costs by  
Gas Utilities**

**Public Meeting: May 9, 2013  
2346923-LAW  
Docket No. P-2013-2346923**

**STATEMENT OF COMMISSIONER JAMES H. CAWLEY**

In Docket No. P-2010-2214432 (Final Order entered October 28, 2011), the Commission initiated an investigation by the Small Gas Task Force (SGTF) to examine issues involving the Gas Cost Recovery (GCR) mechanism and to review interest rate issues raised by North East Heat & Light Company (NEH&L) as applicable to small gas utilities.<sup>1</sup> The proposed rulemaking that we are initiating today is an effort to improve the GCR mechanisms that enable our small gas utilities to recover their just and reasonable gas costs.

Specifically, in this rulemaking, the Commission proposes the following changes to the GCR regulations:

- Reclassify all natural gas utilities that do not qualify for § 1307(f) treatment as small gas utilities by elimination of Group I and Group II designations.
- Instead of only allowing small gas utilities to refund interest on over-collections, allow small gas utilities to collect interest on under-collections.
- Change the interest rate from the maximum residential mortgage rate to the same interest rate as for large gas utilities.
- Eliminate the requirement that 90% of small gas utilities' annualized gas costs be rolled into base rates so that the GCR in the line charge of customers' bills will represent 100% of their gas costs.
- Revise the GCR filing schedules
- Provide for a GCR procedure that allows interim tariff filings to become effective on one day's notice.

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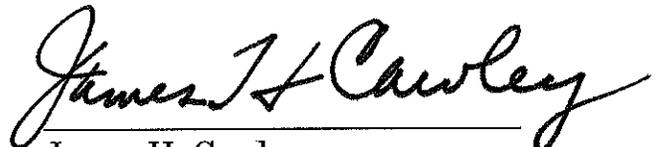
<sup>1</sup> The Commission proposes that all natural gas utilities with annual operating revenues less than \$40 million be referred to as small gas utilities.

As noted, this rulemaking was initiated as a result of a Petition filed by NEH&L that sought relief from the high interest costs imposed on over-collections. NEH&L asserted that these high interest rates discouraged it from reducing gas costs relative to the projected costs, because the interest on over-collections was often in excess of their earnings. As proposed, these rulemaking changes do not appear to fundamentally address this issue. However, recent proposed statutory amendments<sup>2</sup> to § 1307(f)(5) of the Public Utility Code for large gas companies would modify the applicable interest rates to those companies, and by extension according to this proposed rulemaking, small gas companies, as follows:

Refunds to customers shall be made with and recoveries from customers shall include interest at the prime rate for commercial borrowing in effect 60 days prior to the tariff filing made under paragraph (1) and as reported in a publicly available source identified by the commission or at an interest rate which may be established by the commission by regulation.

Given the inherent uncertainty regarding the adoption of any proposed legislation seeking to address this issue, we invite interested parties to comment on what they believe is the optimal interest rate to approve as part of this rulemaking proceeding, including historical options of (1) legal rate of interest, (2) the maximum residential mortgage rate, (3) the proposed prime rate for commercial borrowing, (4) the LIBOR 3-month, 6-month, or 12-month rate, or (5) another interest rate (noting that the proposed legislation does provide for another interest rate other than the prime rate to be established by the Commission).

Date: May 9, 2013

  
James H. Cawley  
Commissioner

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<sup>2</sup> House Bill 1188, Printers No. 1484.