



PEOPLES NATURAL GAS™



PEOPLES TWP

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May 30, 2017

By E-Filing

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

Re: Docket No. M-2015-2518883
Alternative Ratemaking Methodologies

Dear Secretary Chiavetta:

Please accept the enclosed Joint Comments of Peoples Natural Gas Company LLC and Peoples TWP LLC in the above-referenced proceeding. I have also served a copy of these comments via email to Kriss Brown, kribrown@pa.gov, in the Commission's Law Bureau, and Marissa Boyle, maboyle@pa.gov, and Andrew Herster, aherster@pa.gov, in the Commission's Bureau of Technical Services.

If you have any questions or concerns regarding this matter, please do not hesitate to contact me.

Very truly yours,

cc: Kriss Brown, Law Bureau (via email)
Marissa Boyle, TUS (via email)
Andrew Herster, TUS (via email)
(w/ enclosures)

II. COMMENTS

The Commission explained in the Tentative Order that responses to the questions below will provide insight to the reasonableness and efficacy of employing certain rate methodologies specifically for natural gas utilities.

The Commission noted that while some NGDCs have seen an increase in sales recently due to expansion of their distribution system and additional markets, some have not. Many NGDCs continue to address timely replacement of aging infrastructure and the rate at which that infrastructure is updated. The Commission stated that it seeks additional comments on the reasonableness and efficacy of NGDCs utilizing alternative rate methodologies in a manner that balances the potential competing interests associated with system expansion and infrastructure replacement. In particular, the Commission requested comments on the following questions. The Companies' response follows each question.

1. Identify the alternative rate methodology(ies) each NGDC is currently using, including the number and types of automatic adjustment clauses, cost trackers and separate cost recovery mechanisms. Also identify, as a percentage of total costs or revenues, the costs or revenues each separate mechanism recovers.

Response: The Companies utilize a number of automatic adjustment clauses, cost trackers, and separate cost recovery mechanisms, as listed in the table below. All are standard ratemaking procedures today, included in the Public Utility Code and/or the Commission's regulations, and, therefore, beg the question of whether they should any longer be considered alternative ratemaking procedures.

Revenue Contribution (% of Total Revenues as of May, 2017)

Rider	Peoples Natural Gas	Peoples – Equitable Division	Peoples TWP
Gas Cost Tracker (1307(f))	39.9	40.5	29.3
Universal Service (USR)	3.1	1.9	2.9
Infrastructure Improvement (DSIC)	0	0	0
Uncollectible Costs (Merchant Function Charge)	0.7	0.8	0.4
State Taxes (STAS)	(0.2)	(0.4)	0.1

2. If any, what alternative rate methodology(ies) could and should be used by NGDCs and explain why would they be beneficial? Regarding the proposed methodology(ies), please provide specific comments on:
- a. The potential advantages;
 - b. The potential disadvantages;
 - c. The effects on all rate classes, with a specific focus on small volume, low-income, income-challenged and large C&I customers, as well as a discussion regarding any potential inter- or intra-class cost shifting;
 - d. The effects on existing energy efficiency programs; and
 - e. The effects on the number and/or frequency of base rate case filings, as well as possible rate increases or decreases.

Response: Although the Companies have not proposed, and have no current plans to propose, decoupled rates, the Companies support the Commission’s authority to approve such rates and its interest in investigating

the projected impacts of decoupled rates. Consistent with the EAP comments, the Companies submit that such impact studies should be specific to the utility proposing such rates and that the Commission should preserve ratemaking flexibility to best address company-specific facts and issues.

3. How would the particular alternative rate methodology(ies) interact with existing mechanisms or traditional ratemaking principles currently in use or available to NGDCs (*e.g.*, DSIC, FPFTY, etc.)?

Response: The riders listed in response to question number 1 have been implemented with no adverse impact on existing mechanisms or traditional ratemaking principles currently in use or available. Peoples has no studies with regard to these or other alternative ratemaking methodologies.

4. Address the efficacy of weather normalization adjustments currently in use, what changes should be made to the adjustments to improve them and whether they should be expanded to other NGDCs.

Response: Peoples has no weather normalization adjustments currently in use.

5. How would such a methodology be implemented? Specifically, in what timeframe? Is there a need for a gradual implementation or phasing-in process?

Response: Peoples has prepared no studies in this regard but submits that implementation should be specific to the utility proposing such rates and that the Commission should preserve ratemaking flexibility to best address company-specific facts and issues.

WHEREFORE, the Companies respectfully request that the Commission accept these Joint Comments and give them due consideration in this proceeding.

Respectfully submitted,

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Dated: May 30, 2017