



PEOPLES NATURAL GAS



PEOPLES TWP

375 North Shore Drive
Pittsburgh, PA 15212

William H. Roberts II
Senior Counsel

Peoples Natural Gas Company LLC
Peoples TWP LLC
Phone: 412-208-6527; Fax: 412-208-6577
Email: william.h.roberts@peoples-gas.com

July 31, 2017

By Overnight Delivery

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

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

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

Dear Secretary Chiavetta:

Please accept the enclosed Reply 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 Daniel Mumford, dmumford@pa.gov, in the Office of Competitive Market Oversight, Matthew Hrivnak, mhrivnak@pa.gov, in the Bureau of Consumer Services, and Kriss Brown, kribrown@pa.gov, in the Commission's Law Bureau.

Please direct any questions regarding this filing to me.

Very truly yours,

cc: Daniel Mumford, OCMO (via email)
Matthew Hrivnak, BCS (via email)
Kriss Brown, Law Bureau (via email)
(w/ enclosures)

II. COMMENTS

A. The Commission should reject arguments that it lacks legal authority to implement alternative ratemaking methodologies.

A number of parties argued in their comments that the Commission does not possess legal authority to adopt alternative ratemaking methodologies.¹ The Commission should reject these arguments by relying on longstanding judicial precedent that the Commission possesses broad discretion in setting utility rates.² Admittedly, some statutes or judicial decisions have limited that discretion in specific instances: For example, as many noted in their comments, for electric utilities, the Commission is statutorily precluded from adopting a ratemaking methodology that allows rate adjustments between rate cases to recover lost revenues attributable to customer conservation practices.³ The Commission is also precluded from approving automatic adjustments for rate base additions, such as trackers, except where expressly authorized by statute.⁴ And, the Commission is compelled to consider the cost of the utility service as the primary driver of the allocation of costs in setting utility rates among customer classes.⁵ However, these limitations relate to specific factual situations, and the

¹ *Comments of the Office of Consumer Advocate* ("OCA Comments"), pg.4: "[T]he Commission has considered the need for alternative ratemaking mechanisms, particularly revenue decoupling, and found it to be unnecessary and inconsistent with Pennsylvania's statutory scheme."

² *Popowsky v. Pennsylvania Public Utility Com'n*, 706 A.2d 1197, 550 Pa. 449 (1995), citing *West Penn Power Co. v. Pennsylvania Public Utility Comm'n*, 147 Pa.Cmwlth. 6, 607 A.2d 1132, 1135 (1992):

As long as there is a rational basis for the PUC's methodology [in establishing a rate structure], such decisions are left entirely up to the discretion of the PUC which, using its expertise, is the only one which can properly determine which method is the most accurate given the particular circumstances of the case and economic climate.

³ 66 Pa.C.S. §2806.1(k)(2).

⁴ *Popowsky v. Pennsylvania Public Utility Com'n*, 869 A.2d 1144 (Pa. Comwlth. 2005).

⁵ *Lloyd v. Pennsylvania Public Utility Com'n*, 904 A.2d 1010 (Pa. Comwlth. 2006).

Commission should resist arguments that its ability to adopt flexible ratemaking practices as times change is generally limited by these fact-driven decisions. In doing so, the Commission will affirm its authority to adopt alternative ratemaking methodologies without having to receive specific grants of authority via legislation.

B. The Commission should give utilities the option to propose alternative ratemaking methodologies and preserve flexibility to adopt or reject alternative ratemaking proposals based on the specific circumstances surrounding that proposal.

Some commenters submitted that the Commission should not approve any alternative ratemaking methods while others submitted that the Commission pursue full revenue decoupling.⁶ The Peoples Companies, together with EAP, other utilities, the Bureau of Investigation and Enforcement (I&E), and the Office of Small Business Advocate (OSBA), oppose these extreme positions and support moderate approaches. This could involve the adoption of a policy statement (as suggested by OSBA and partly endorsed by I&E), but a rulemaking is not necessary, and, in fact, would likely be too prescriptive and inflexible.

The Peoples Companies agree with I&E that the Commission's current practice remains the most appropriate; that is, to allow each utility to propose fully or partially decoupled rates through a base rate proceeding as the utility see fit. Absent the enactment of legislation with a stated purpose to be fostered by special rates, it should be up to each utility to determine to file to utilize an alternative ratemaking methodology.

⁶ See page 25 of the Comments of the Keystone Energy Efficiency Alliance (KEEA) suggesting that the Commission implement decoupling for NGDCs alongside energy efficiency and conservation programs and performance incentive mechanisms.

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

Respectfully submitted,

PEOPLES NATURAL GAS COMPANY
LLC

PEOPLES TWP LLC

By: *William H. Roberts II*

William H Roberts II (ID # 54724)
Senior Counsel
Peoples Natural Gas Company LLC
Peoples TWP LLC
375 North Shore Drive
Pittsburgh, PA 15212

Dated: July 31, 2017

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