



PEOPLES NATURAL GAS



PEOPLES TWP

375 N. Shore Drive, Suite 600  
Pittsburgh, PA 15212

William H. Roberts II  
Senior Counsel

Peoples Service Company LLC  
Phone: 412-208-6527; Fax: 412-208-6577  
Email: [william.h.roberts@peoples-gas.com](mailto:william.h.roberts@peoples-gas.com)

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November 19, 2012

**By Overnight Delivery**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
2nd Floor, Room-N201  
Harrisburg, PA 17120

**RECEIVED**

NOV 19 2012

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

Re: Docket No. L-2012-2294746  
Establishing a Uniform Definition and Metrics for Unaccounted-For-Gas

Dear Secretary Chiavetta:

Please accept the enclosed original and fifteen copies of the Joint Comments of Peoples Natural Gas Company LLC and Peoples TWP LLC in the above-referenced proceeding. In accordance with the Proposed Rulemaking Order entered in this matter on June 7, 2012, I have also served a copy of these comments via email to Nathan Paul ([npaul@pa.gov](mailto:npaul@pa.gov)).

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

Very truly yours,

*William H Roberts II*

cc: Nathan Paul (w/enclosure)

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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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Establishing A Uniform Definition and  
Metrics for Unaccounted-For-Gas

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Docket No. L-2012-2294746

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**JOINT COMMENTS OF PEOPLES NATURAL GAS COMPANY LLC  
AND PEOPLES TWP LLC**

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**I. INTRODUCTION**

Peoples Natural Gas Company LLC (“Peoples”) and Peoples TWP LLC (“Peoples TWP”) (sometimes hereinafter collectively referred to as the “Companies”) submit these Joint Comments on the Public Utility Commission’s (“Commission”) proposed rule to establish a uniform definition of unaccounted for gas (“UFG”) and metrics to assess UFG levels, which proposed rule was promulgated by Proposed Rulemaking Order entered in this docket on June 7, 2012, (the “Order”) and published in the *Pennsylvania Bulletin* on October 20, 2012. The Companies, indirect subsidiaries of the SteelRiver Infrastructure Fund North America LP, are affiliates and operate independently but join together in these Joint Comments for administrative convenience.

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**II. COMMENTS**

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

There is much to like in the Commission’s proposed rule. The Companies support the Commission’s initiative to standardize both the definition of UFG and the reporting periods for UFG (although the Companies favor using a reporting period that ends during the summer

rather than the proposed calendar-year-end). We also applaud the Commission's recognition that adjustments to the UFG equation are often appropriate. We strongly support the proposed procedure to compute and report UFG by separate system type (i.e., distribution, transmission, storage or production/gathering), which takes a big step toward recognizing that each NGDC is different. Because of these differences between NGDCs, the Companies would support the adoption of individual NGDC metrics for distribution system UFG, as opposed to the proposed statewide standard metrics for distribution system UFG. Nevertheless, the proposed rule appropriately leaves open the possibility that a NGDC that fails to meet a standard distribution system UFG metric (due, perhaps, to circumstances unique to that NGDC) may still prove to the Commission that it is reasonable to recover costs of the UFG in excess of the standard.

In addition to these positive attributes of the proposed rule, there is another aspect that also deserves comment: the aggressive proposed declining distribution %UFG standard levels – the .5% per year decline from the year-1, 5.00% UFG standard to the year-5, 3.00% UFG standard set forth in proposed section 59.111(c).<sup>1</sup> Both Peoples and Peoples TWP have recently undertaken programs to reduce UFG on their respective systems, and while both have been successful to date, the Companies submit that there is no easy fix for reducing UFG and no process that carries with it assured immediate results. Rather, UFG remediation is a slow process where even the results of the successful remediations lag the performance of the

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<sup>1</sup> The Companies suggest that section 59.111(c) could be improved by eliminating undefined terms in the heading and the body and replacing them with defined terms. Specifically, the terms “losses” and “loss performance” are not defined in the proposed rule and, therefore, could produce confusion. The Commission should consider changing the heading of the subsection to “Metrics for distribution system %UFG” in place of “Metrics for distribution system losses” and in the body of the subsection replacing the phrase “reduce distribution system loss performance” with the phrase “meet or exceed the distribution system %UFG.” In addition, use of “at a minimum” in the first sentence of this subsection is confusing, seems unnecessary, and should be deleted.

work. For example, steel pipe replacement should reduce leakage-related UFG, but such replacement would generally occur over a time frame - twenty years or more - that is much longer than the Commission's proposed 5-year distribution UFG decline period. Further, steel pipe replacement generally occurs during the non-winter months, and the NGDC would capture only a partial year's UFG reduction during the year that the work takes place. Similarly, the benefit from measurement improvements would accrue primarily when gas flow through the meter is at its highest level - generally the winter - so if the results period does not pick up those winter months, the effect of the improvements will be understated.

Because of these types of situations, the Companies submit that the proposed target declines in distribution system UFG of .5% per year over a 4-year period are not based on a consideration of likely results and, therefore, take on an appearance of arbitrariness. A disallowance of the recovery of costs based on failure to satisfy an arbitrary standard would not be reasoned ratemaking, so the Companies strongly support the Commission's proposal that disallowances for failure to satisfy the standards are presumptive and can be rebutted by the NGDC.

The Companies are members of the Energy Association of Pennsylvania ("EAP") and endorse EAP's comments filed in this proceeding.

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

Respectfully submitted,

PEOPLES NATURAL GAS COMPANY  
LLC

PEOPLES TWP LLC

By: 

William H. Roberts II (ID # 54724)  
Senior Counsel  
Peoples Service Company LLC  
375 North Shore Drive, Suite 600  
Pittsburgh, PA 15212

Dated: November 19, 2012