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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

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Docket No. L-2012-2294746

REPLY COMMENTS OF PEOPLES NATURAL GAS COMPANY LLC
AND PEOPLES TWP LLC

I. INTRODUCTION

Peoples Natural Gas Company LLC (“Peoples”) and Peoples TWP LLC (“Peoples TWP”) (sometimes hereinafter collectively referred to as the “Companies”) submit these Reply Comments in order to respond to various comments filed in this matter, which relates to the Public Utility Commission’s (“Commission”) proposed rule to establish a uniform definition of unaccounted for gas (“UFG”) and metrics to assess UFG levels.

II. REPLY COMMENTS

UFG Measurement Period. All parties who commented on the proposed UFG measurement period (calendar year) in initial comments supported the use of a 12-month period that ends in the summer. All commenters on this issue suggested that a period ending in the summer would minimize the effect on the UFG calculation of estimated meter readings and the unbilled revenue adjustment. The Companies agree with these comments.

Inclusion of Transmission UFG in Metrics. The Office of Consumer Advocate (“OCA”) commented that UFG for transmission lines should be added to and included in the

UFG that is subject to the proposed metrics. The OCA suggested that there is little functional and physical distinction between transmission and distribution mains, that not all NGDCs classify transmission and distribution mains in the same way, that NGDCs may not be able to distinguish between transmission and distribution system UFG, and that transmission UFG should be so insignificant that inclusion in the UFG subject to the metric should not cause undue hardship to NGDCs. The Companies oppose OCA's suggested change and submit that even if each of the reasons cited by the OCA was true, none of them support including transmission UFG in the UFG subject to the metrics, particularly given the OCA's final point that transmission line UFG is likely insignificant. Moreover, it should go without saying that if UFG from another function of the NGDC's business would become subject to a ceiling and thus subject to disallowance, then the combined ceiling should be increased to reflect the acceptable level for that additional function in addition to the levels adopted for the distribution function.

Consideration of Storage-Related UFG. The Office of Small Business Advocate ("OSBA") commented that the proposed UFG formula may not apply well to calculating storage UFG and suggested that storage-related UFG issues be excluded from this rulemaking. The Companies operate on-system storage facilities and agree with the OSBA's observation that storage UFG cannot be measured as the difference between metered injection volumes and metered withdrawal volumes, and actual inventory changes cannot be easily measured. Rather, storage migration losses are regularly determined by engineering study rather than mathematical formula. Storage migration losses are not in and of themselves UFG in that such losses are readily quantifiable and a long-accepted basis for a system-wide adjustment to UFG.

Matching Volumes for Revenue Purposes with Volumes for UFG Calculation

Purposes. The OSBA commented that the definition of “gas delivered” should be modified to be “metered gas deliveries, as adjusted for temperature or pressure for billing purposes, and as adjusted for billing cycles” so that parties can confirm that volumes used for revenue purposes are consistent with volumes used for UFG calculation purposes. The OSBA went on to recommend that any other differences between gas deliveries used in the UFG calculation and billed gas deliveries should be included as adjustments that are subject to the Commission’s requirements. The Companies are not sure what the effect of this proposed change would be, especially for NGDCs who do not adjust for temperature or pressure for billing purposes, and we, therefore, oppose the proposed change.

Showing of Continuous Improvement. The OSBA also commented that the final rule should include language that NGDCs whose distribution-related UFG is below the applicable distribution metric should demonstrate continuous UFG improvement. While continuous UFG improvement is certainly a worthy goal, any such requirement is not appropriate for inclusion in this rule. The Companies are not aware of any other operating expense that is subject to a requirement, much less a rule, of continuous reduction, perhaps because such a requirement runs counter to the basic tenet of regulatory law that a utility must have the opportunity to recover its reasonable operating expenses, even if those expenses are increasing. OSBA further commented that some NGDCs have extremely low UFG rates at which level a requirement for continuous improvement may not be necessary, but OSBA did not propose to quantify this level. While this issue is thought provoking, it has not been sufficiently vetted in this rulemaking proceeding that the Commission may take any action on it.

Ownership of Production Meters. Dominion Retail, Inc., dba Dominion Energy Solutions (“DES”), commented that the Commission should, “with all due haste,” stop the practice of producers reading their own meters and should consider in the rulemaking process mandating, at a minimum, that every NGDC should be required to separately meter all gas inputs into their system through a meter that they own or control and for which they have calibration and maintenance responsibility. Obviously, a NGDC’s metering practices in respect of local production is a wholly different issue than establishing a uniform definition and metrics for UFG, the subject matter of this proceeding, so DES’s proposal should not be taken up in this docket. Nevertheless, because Peoples’ practice is to place the responsibility for purchasing, installing and maintaining production meters with the producer (thereby providing cost savings that accrue to both sales and transportation customers), Peoples responds to DES’s comments that adequate checks and balances can be placed on the producer, and in Peoples’ case, have been placed on the producer, to ensure that meter readings are accurate. DES’s comments aver that the producer has a conflict of interest and then makes the totally unsupported claim that “the utility’s customers and suppliers are subsidizing these on-system producers.” There is no indication of any such subsidy on Peoples’ system, but Peoples’ acknowledges DES’s right to pursue such a claim and come forward with supporting evidence; however, DES has not done so, nor is this the proper proceeding for that.

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: 

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Dated: December 3, 2012



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December 4, 2012

By Electronic Filing

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

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

Dear Secretary Chiavetta:

Please accept the enclosed Reply 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).

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)