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PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265

Public Meeting held May 7, 2015

Commissioners Present:

- Gladys M. Brown, Chairman
- John F. Coleman, Jr., Vice Chairman
- James H. Cawley
- Pamela A. Witmer
- Robert F. Powelson

2015 NOV 13 AM 9:36

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IRRC

Final Rulemaking for Revision of 52 Pa. Code,
Chapter 53 §§ 53.61-53.68, pertaining to the
Recovery of Fuel Costs by Gas Utilities

L-2013-2346923

ERRATA NOTICE

This is to advise all parties of record that the Order entered on May 22, 2015, in the above-captioned proceeding contains an error on Page 9, concerning the interest rate to be collected on net over and under collections.

On page 9, the applicable interest rate was incorrectly described as the rate specified at 66 Pa. C.S. § 1307(f)(5), which is the rate applied to large gas utilities; however, consistent with the Commission’s May 7, 2015 motion adopted 5-0 and the final form regulations in Appendix A of the order, the interest rate adopted by the Commission for small gas utilities is the prime rate for commercial borrowing. Therefore, the second-to-last sentence of the first paragraph is corrected to read as follows: “Thus, the Commission has now chosen to permit small gas utilities to calculate and collect interest at the prime rate for commercial borrowing on net over and under collections.” Please find the corrected page attached for your records.

The Order on the PA PUC website will be corrected as indicated above.

However, no similar detailed framework was mandated for small gas utilities either prior to or following the passage of the Act. The General Assembly has instead chosen to keep small gas utilities under the broader statutory provisions of section 1307(a) and (b) which: (1) has no legislative proscription regarding the issue of interest on over and under collections; and (2) leaves authority with the Commission to permit small gas utilities to collect interest on net under collections. Thus, the Commission has now chosen to permit small gas utilities to calculate and collect interest at the prime rate for commercial borrowing on net over and under collections. This decision by the Commission is consistent with its statutory authority.

IRRC's second inquiry requests that the Commission explain how the interest rate it chooses to implement is reasonable for both utilities and consumers. As stated in the Proposed Rulemaking Order, allowing small gas utilities to collect interest on net under collections represents a departure from prior Commission policy. The Commission determined that its prior position disallowing the collection of interest on under collections placed an unfair burden on small gas utilities because it required projecting, without error, volatile annual gas supply costs and sales volumes. No justification exists for differential treatment between large and small gas utilities on the recovery of interest on net under collections.

In its comments, the OCA states that the interest rate applied to over and under collections for small gas utilities should be examined independently of what large gas utilities use, and recommends that the interest rate be tied to market conditions. Valley's comments propose the prime rate for commercial borrowing as the optimal interest rate.

After reviewing the comments filed, the Commission will amend the language presented in its Proposed Rulemaking Order, which would have tied the interest rate