

House Consumer Affairs Committee

Hearing on House Bill 1782 --
Alternative Ratemaking for Electric
And Natural Gas Distribution Companies

Testimony of

Bill Roland, Director

Government Affairs

Peoples Natural Gas Company LLC

Good morning Chairman Godshall, Chairman Caltagirone and committee members. I am Bill Roland, Director of Government Affairs for Peoples Natural Gas.

Thank you for allowing us the opportunity to explain why Peoples supports HB1782.

This legislation provides both the opportunity and flexibility to allow new rate designs to be proposed, while maintaining the same oversight and review processes in use by the PUC today. All of the rate mechanisms mentioned in HB1782 are successfully in use today all across the country. These rate structures can be employed to stabilize rate levels, provide predictable and reasonable growth, minimize rate case expenses and remove disincentives for inefficient energy usage as well providing new and cost effective energy sources to unserved and underserved consumers.

Let me provide two possible examples. Decoupling, which removes the impact of gas sales from the calculation of a bill for non-variable costs, can be used to provide more manageable customer bills resulting from cold weather, such as the winter of 2015, while still allowing reasonable and predictable earnings for utilities. This alternative ratemaking methodology could also remove the current disincentive that the traditional sales based revenue recovery imposes on the employment of energy efficiency initiatives, allowing consumers to save money and potentially provide the additional benefit of reducing the overall cost structure for the utility.

Other cost recovery mechanisms, which the DSIC rate is a current example, could allow the state to capitalize on the vast natural gas resources for the benefit of the unserved or underserved customers. Newly connected customers would save on their energy bills and contribute to fixed cost recovery without the expense of a rate case. Additional customers could also be expected to connect over time and dilute fixed costs for existing rate payers.

Maintaining flexibility to include additional mechanisms allows for even more creative solutions to be developed tested and implemented, all with appropriate oversight by the PA Public Utility Commission. Each utility should be permitted to employ rate mechanisms that are in the best interest of their customers and their specific territory rather than a one-size fits all approach.

Peoples strives for safe and reliable service at a fair price and alternative rate making methodologies, such as those suggested in the proposed legislation, would provide Peoples with additional opportunities to continue to achieve this goal. We therefore encourage your consideration and support for HB1782.