

Peoples Natural Gas Company LLC

2013 Winter Readiness

Peoples Natural Gas Company LLC (Peoples) prepares for each winter to ensure that there is adequate gas supply coming into its system to meet the needs of all customers, that our system will perform under peak conditions, and, in the unlikely event that we encounter a gas emergency or outage, that we are prepared to respond and restore service as quickly as possible.

Gas Supply and Planning

Supply Planning Cycle

Peoples Gas Supply Department prepares a natural gas supply plan prior to each summer and winter operating season. Development of the current 2013-14 winter plan began during the 2012 summer planning session. The summer planning session, typically held in April, begins with a “look back” to the previous winter for issues that may need to be addressed or changed for the upcoming winter. The final current winter plan was developed and presented in mid-October to Company management. Year-to-year modifications to the plan may be made based on planned events such as the upcoming construction and maintenance schedules under the direction of the Operations Department. As part of the development of the winter plan, the company also examines other important factors such as the need for natural gas supply delivered to isolated systems, service requirements for new customers, timing of storage inventory verification tests, changes to Maximum Allowable Operating Pressures (MAOP) on our pipelines, and the availability of new gas supply sources. Peoples also examined how it can maximize the benefits of local gas and storage contracts in a warmer- than-normal, colder-than-normal, and normal winter periods with the ultimate goals of meeting peak day deliverability and maximizing inventory turn.

Contracting Gas Supply and Capacity

Implementation of the finalized winter plan requires Peoples’ Gas Supply Department to execute various gas supply commodity and capacity arrangements. Peoples’ winter purchasing strategy is to build a portfolio of gas supply consisting of purchases based on forward prices (Hedge Program), monthly contract prices, and daily pricing markets. This approach, which was developed through the annual 1307(f) process, is used to minimize customer price exposure to any one market condition. In addition to normal supply purchasing, Peoples also evaluates the need for supply at isolated points on the system. The need for gas supply at these points does not change significantly from year to year. Typically,

Peoples will issue Request for Proposal (RFPs) for firm delivered supply along with evaluating capacity release and direct pipeline capacity purchase options. For the upcoming winter of 2013-14, the increased market liquidity and transparency, as result of the Marcellus and Utica Shale, have made gas supply and capacity more accessible.

Storage Planning

The use of on-system and upstream natural gas storage are a significant part of the winter supply plan. Storage is used primarily to manage the variability in supply needs or deliverability resulting from changing temperatures and customer usage. Typically, the quantity of gas available from storage at any one time, also known as deliverability, is a function of inventory levels. Early in the winter season, Peoples will operate the system to retain deliverability as required for reliable service throughout the winter.

Emergency Curtailment Plans

Peoples has developed and has in place a detailed Natural Gas Emergency Plan that addresses all of the critical issues set forth at 52 Pa. Code § 59.72(c). Moreover, when developing the upcoming winter plan, Peoples also takes into consideration the Rules and Regulations governing service to Natural Gas Suppliers (“NGS”) and Critical Day Planning events that could lead to system emergencies or threaten system integrity. These rules, which are set forth in the Company’s Natural Gas Supplier Tariff, provide Peoples with the authority to request and/or require NGS or customers to take certain actions to protect, maintain, or reestablish safe operation of the system. The Company has also developed and has ready communication procedures with NGSs to be used during a Critical Day Planning event. These communication procedures are set forth in more detail in the Company’s Communications Protocol section of its Natural Gas Emergency Plan.

Weather and Forecasting

Weather and Forecasting are an important component to managing the natural gas supply needs during the winter period. Peoples has developed a daily process for managing the short-term (next day) and longer-term (next 3 days) supply requirements for the system. The quantitative methods and temperature data used in our forecasting processes are continually reviewed and modified in order to provide effective and accurate forecasts.

Natural Gas Demand from Electric Utility Generators

Peoples does not anticipate any issues with supply availability due to the increased use of natural gas for electric generation. Pricing indicates that there are adequate supplies available and our contracting for alternate sources of natural gas assures uninterrupted supply for our customers.

Operations Winter Preparedness

In the fall, a winter operations preparedness meeting is conducted with Field Operations, Engineering, and System Modeling personnel to review system performance during the prior winter period and address:

- Distribution pipelines that had deliverability issues and systems with low pressures are reviewed to make sure these deficiencies were corrected during the year.
- Maintenance checklists are reviewed for all critical regulating station facilities and storage facilities to ensure proper operation for winter deliverability.
- Odorization equipment is inspected weekly throughout the winter season.
- Significant construction projects that may interfere with system gas supply throughout the distribution system
- And to ensure that Field Operations had sufficient material to address facility issues during the winter period.

We also perform preventative maintenance on our fleet vehicles to assure they will perform when necessary throughout the winter. In addition, Emergency Simulations are conducted prior to the winter to assure that all personnel are ready to perform should an actual emergency situation arise.

Interstate Meters and Regulators

Peoples witnesses the annual inspections of Interstate meters and regulators owned by our upstream pipeline suppliers to ensure the connections are working properly and meters are registering accurately.

Storage Facilities

Peoples conducts the following checks at all storage facilities in preparation for injections and withdrawals:

- Check and Change Filters at all Filter Separators
- Inspect Dehydration Equipment operation and effectiveness
- Inspect Heaters operation and effectiveness
- Modify wells and yard pipelines for Injections and Withdrawals
- Check Methanol supply for deicing drips
- Place rock catchers in-line if required for Withdrawals
- Monitor well pressures to not exceed MAOP and provide adequate pressure that results in deliverability necessary for seasonal service

Gathering Systems and Compressors

Peoples performs ongoing checks of gathering systems and compressors for the

following items:

- Compressor cooling systems are winterized prior to heating season
- Inspect Dehydration Equipment operation and effectiveness.
- Inspect Heaters operation and effectiveness.
- Check Methanol supply for deicing drips.
- Monitor compressor suction pressures and gathering pipeline pressures to ensure adequate pressure to provide safe and reliable service.

Frost Patrols

Most of Peoples' facilities are located underground. In order to ensure that the lines are operating safely, Peoples performs routine patrols of the pipelines looking for any signs of leakage. In addition to these patrols, during cold winter months, Peoples expects to patrol business districts at more frequent intervals to ensure that no new issues are present.

Emergency Dispatch/Gas Control

Peoples emergency center and Gas Control operation are staffed 24X7 to respond to any gas related emergency or gas supply management needs. These operators also have contact with local police and fire departments for quick response to any issue.

Communications and Outreach

As Peoples winds down the summer construction season, it diverts manpower to emergency response for no-heat and other related service calls. Peoples' emergency center is staffed 24X7 to ensure that a customer with an emergency can reach a live person that can mobilize the required response.

Should a gas related event occur Peoples' will ensure the safety of the public and its workers as its first priority. Once the issue has been determined, a pre-job briefing will be conducted and affected customers will be notified. Critical needs customers (hospitals, day care, elder care, or other facilities that are hard to evacuate) will be prioritized for restoration once the issue has been resolved. Because gas outages usually have a small number of customers affected, site personnel will often contact those out of service and arrange for the relighting of appliances once service is ready to be restored.

The Customer Service Center has the ability to add a message to the beginning of the automated response for emergency purposes. If a situation occurs that impacts a larger number of customers, a message would be recorded that provides information specific to the outage and would be heard by customers who choose "Emergency" from the available phone options. In addition, our agents will be informed of events impacting customers to allow them to provide accurate information in response to phone calls from affected areas.