

Peoples Natural Gas Company LLC and
Peoples TWP LLC

2016 Winter Readiness

Peoples Natural Gas Company LLC and Peoples TWP LLC (collectively, Peoples), prepare for each winter to ensure that there is adequate gas supply coming into their systems to meet the needs of all customers, that our systems 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 2016-17 winter plan began during the 2016 summer season. 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. In particular, the Company’s focus was on the impacts of the prior two Polar Vortices, as well as the warmer than normal weather experience during last winter, had on the Company’s gas supply. 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 with the ultimate goals of meeting peak day deliverability and maximizing storage inventory turn.

Contracting Gas Supply and Capacity

Implementation of the final winter plan requires Peoples’ Gas Supply Department to execute various gas supply commodity and capacity arrangements. In terms of capacity, each year within the company’s 1307(f) filing, Peoples calculates a design day demand for the following winter season. This demand is then compared to the available capacity within the company’s existing portfolio. To the extent that the demand exceeds the capacity, Peoples

will seek to acquire incremental capacity to meet those needs. Peoples' winter purchasing strategy is to build a robust gas supply portfolio consisting of a combination of purchases based on 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 Requests for Proposals for firm delivered supply along with evaluating capacity release and direct pipeline capacity purchase options for these portions of the distribution system. For the upcoming winter of 2016-17, the continued suppression of northeast gas prices, and the increased market liquidity and transparency as a result of the Marcellus and Utica Shale production, continue to make gas supply and capacity within our service territory highly accessible at very favorable costs.

As part of its upcoming winter supply plan Peoples also evaluated the potential for capacity restrictions on the Texas Eastern pipeline system as a result of ongoing corrective actions undertaken by Texas Eastern related to the pipeline rupture and fire that occurred in April 2016. Even though only a relatively small portion of Peoples' gas supply portfolio is served using Texas Eastern capacity, Peoples has developed contingency plans for this upcoming winter, under various scenarios, should supply restrictions occur and affect supply services provided to Peoples by Texas Eastern.

Storage Planning

The use of a combination of on-system and upstream natural gas storage is an important 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 manage storage inventory to retain deliverability as required to meet design day demand and for reliable service throughout the winter season.

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 tariffs, provide Peoples with the authority to request and/or require NGSs 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. During periods of extreme temperatures, Gas Supply personnel are in nearly constant contact with Peoples' Gas Control department personnel in order to monitor distribution system performance and maintain adequate supply.

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. There are adequate supplies and capacity available within our service territory and to help ensure uninterrupted supply for our customers. Peoples' Gas Supply personnel continue to work with the operators of natural gas generators on our system to facilitate timely communication of generator schedules in order to ensure optimum system operations.

Field Operations Winter Preparedness

In the fall, a winter operations preparedness meeting is conducted with Field Operations, Engineering, Gas Supply 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, compressor stations and storage facilities to ensure proper operation for winter deliverability.
- Odorization equipment is inspected regularly throughout the winter season. Remote monitoring and alarms are installed at several locations.
- Significant construction projects occurring on the transmission system or compressor stations 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.

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 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' Operations Center and Gas Control operations 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.

Employee Safety/Readiness

Peoples' Technical Training Department provides training services to employees and contractors. Included in the array of training offerings are multi-week courses at the time of initial hire and whenever an employee moves into a new job classification. Peoples also conducts initial and refresher Operator Qualification training and evaluation for covered tasks performed by each field classification. Imbedded in every technical training course are the applicable requirements for accident and injury prevention and OSHA compliance. Peoples provides all required PPE including flame-resistant (FR) clothing including garments designed for cold temperatures.

Peoples' Employee Safety Program is multi-dimensional and includes numerous activities focused on accident prevention and compliance with applicable safety regulations. Supervisors conduct weekly safety meetings with their work teams. The materials for these meetings are prepared and distributed by the safety department to provide a consistent weekly message to all work groups. Topics are timed to reflect the seasonal weather and working conditions that employees will face. Safe appliance light up procedures, winter driving, avoiding hypothermia, working at night and other topics related to cold-weather work are some of the topics that are included in our winter preparation. In addition, the safety department conducts monthly safety meetings at each location on specific and more complex safety and training topics. These include excavation training, respiratory protection, safe driving and others.

Field work teams conduct Pre-Job Safety Briefings prior to beginning work at each jobsite. This activity is designed to identify and mitigate site-specific safety hazards. Supervisors frequently conduct Job Site Safety Observations (JSSOs) to identify and correct any deviations from desired practices.

All injuries, motor vehicle accidents and near misses are thoroughly investigated and the results shared throughout the company. A safety conference call, with over 125 participants, is held each week to review OSHA Recordable Accidents and Preventable Motor Vehicle Accidents and other significant occurrences. Supervisors bring back the lessons learned from these calls each week to their respective work groups.

The Safety Department issues special alerts prior to forecasted winter storm or periods of extreme cold. The alerts provide information specific to the approaching weather event and provides accident prevention and safe driving measures to be used to avoid injury and overexposure to extreme conditions.

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. Messages will also be posted on our Website.

To ensure our internal and external communications before, during, and after any type of event, Peoples continues to use its Incident Management Plan. This plan integrates Emergency Response, Business Continuity, Physical Security, and Cyber Security plans into a single, cohesive incident response plan that ensures Peoples' effectiveness in handling crisis situations.