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October 17, 2019

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

VIA ELECTRONIC FILING

**RE: Pa. PUC v. Peoples Natural Gas Company LLC. Docket No. R-2018-3006818,
C-2019-3007711, C-2019-3007752, C-2019-3007698, C-2019-3007635,
C-2019-3007959, C-2019-3007904**

Dear Secretary Chiavetta:

Enclosed for filing please find Snyder Brothers, Inc., VEC Energy LLC, and Snyder Armclar Gas Co., LP's (collectively, "SBI") Exceptions to the October 7, 2019 Compliance Filing of Peoples Natural Gas Company LLC in the above-referenced proceeding.

As evidenced by the attached Certificate of Service, all parties in this proceeding are being duly served with a copy of this letter. If you have any questions, please contact us.

Very truly yours,

McNEES WALLACE & NURICK LLC

By

A handwritten signature in blue ink that reads 'Pamela C. Polacek'.

Pamela C. Polacek

Counsel to Snyder Brothers, Inc., VEC Energy
LLC, and Snyder Armclar Gas Co., LP

Enclosures

c: Administrative Law Judge Joel H. Cheskis (Via E-mail and First-Class Mail)
Certificate of Service

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CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant).

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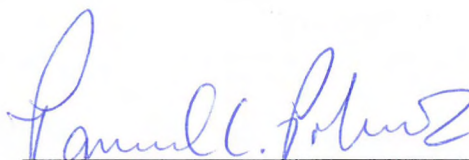
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Dated this 17th day of October, 2019, at Harrisburg, Pennsylvania

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2018-3006818
Office of Consumer Advocate	:	C-2019-3007711
Office of Small Business Advocate	:	C-2019-3007752
Charles Hagins	:	C-2019-3007698
Daniel Killmeyer	:	C-2019-3007635
Samuel Givens	:	C-2019-3007959
Sean D. Ferris	:	C-2019-3007904
Peoples Industrial Intervenors	:	C-2019-3008506
	:	
v.	:	
	:	
Peoples Natural Gas Company, LLC	:	

**SNYDER BROTHERS, INC., VEC ENERGY LLC, AND
SNYDER ARMCLAR GAS CO., LP
EXCEPTIONS TO OCTOBER 7, 2019 COMPLIANCE FILING OF
PEOPLES NATURAL GAS COMPANY LLC**

Pursuant to the Pennsylvania Public Utility Commission ("PUC" or "Commission") regulations at 52 Pa. Code §5.592(c), Snyder Brothers, Inc., VEC Energy LLC, and Snyder Armclar Gas Co., LP (collectively, "SBI") hereby file these Exceptions to the Peoples Natural Gas Company LLC ("Peoples" or "Company") Compliance Filing.

1. On or about January 28, 2019, Peoples Natural Gas Company LLC ("Peoples") filed its 2019 Base Rate Case in the above-captioned proceeding. Peoples' 2019 Base Rate Case filing included two proposed tariffs, the Retail Tariff Gas - PA PUC No. 47 ("Retail Tariff") and the Supplier Tariff Gas - PA PUC No. S-3 ("Supplier Tariff"). Peoples' proposed tariffs, among

other things, would modify and combine the rates and supplier tariff provisions for the Peoples and Equitable Divisions.¹

2. In both the Peoples and Equitable Divisions, Peoples operates a gathering system to transport Pennsylvania supplies from the wellhead to transmission pipelines or, in some cases, end-use customers. Presently, Peoples recovers the costs associated with operating and maintaining this gathering system, including return on equity, taxes, and depreciation, through gathering fees under the present Rate Appalachian Gathering Service on its Equitable Division and through the voluntary PA Production Enhancement Service ("PES") Program fees and sales service and transportation rates on the Peoples Division. As part of its 2019 Base Rate Case, Peoples proposed to implement a new Appalachian Gathering Service ("AGS") tariff rate schedule and to bifurcate the costs of the gathering system among local producers and retail customer classes. Under the proposed AGS tariff rate schedule, Peoples would eliminate the existing cost recovery structure for each division and implement a uniform gathering service rate for all conventional gas production and a negotiated rate for unconventional gas production.

3. Peoples proposed to adjust the uniform gathering service rate on a monthly basis by changing the gathering service rate to the higher of "\$0.26/Mcf or 12.4% of the first of the month Dominion South Point Appalachia Index market price." Additionally, Peoples proposed a maximum gathering service rate of \$0.76/Mcf which was established by Peoples' analysis of its fully allocated cost of service associated with the gathering system. Lastly, Peoples proposed to establish a uniform water vapor standard for both the Peoples and Equitable Divisions equal to seven pounds per MMcf as incorporated into Peoples' revised Master Interconnect and Measurement Agreement ("MIMA").

¹ Peoples Statement No. 11, page 7, *Pennsylvania Public Utility Commission v. The Peoples Natural Gas Company*

4. The Parties reached a Settlement that modified the Company's proposed Rate AGS.

5. As proposed, Rate AGS would have instituted a uniform gathering rate applicable to conventional producers of natural gas on the Peoples system (including both the Peoples and Equitable Divisions). *See* Peoples Statement No. 2, Exhibit No. JAG-2. Peoples proposed a minimum charge of \$0.26 per Mcf and a maximum charge of \$0.76 per Mcf. *Id.* Additionally, the proposed gathering rate would be indexed to 12.4% of the first of the month Dominion South Point Appalachia Index market price for natural gas. *Id.*

6. In addition to the proposed gathering rate and indexing feature, Peoples also proposed a uniform water vapor standard of seven pounds per MMcf. The seven-pound standard was not explicitly included in Rate AGS, but rather incorporated by references to the proposed supplier tariff and revised MIMA.

7. In response to Peoples' proposed Rate AGS and related proposals, SBI raised concerns regarding the justness and reasonableness of the proposed minimum and maximum gathering rates, the proposed indexing feature and the potential for cost over-recovery, and feasibility of the proposed seven-pound water vapor standard.

8. Under the terms of the Joint Petition, Rate AGS has been revised by Peoples to address some of SBI's concerns. First, the revised Rate AGS allows conventional producers of natural gas to receive a 50% reduction to their Rate AGS fees for "incremental production," as defined in the Joint Petition, that is added to the Peoples system. Joint Petition, p. 18.

9. Second, through negotiations between SBI and Peoples, the proposed indexing feature in Rate AGS, which would have changed Rate AGS fees based on the market price of natural gas, has been withdrawn by Peoples. Thus, no indexing feature will be included as part

of Rate AGS and the applicable rate will be set at \$0.26 per Mcf plus applicable retainage. *Id.* By removing this indexing feature from Rate AGS, the Settlement fully addresses SBI's concerns regarding the illegality of adjusting the gathering rate based on the market price for wholesale gas and the potential for gathering system cost over-recovery.

10. Third, the proposed seven-pound water vapor standard has been eliminated in the Joint Petition in favor of the existing PES Program agreement standards for the Peoples Division and the prevailing water vapor standards as of June 1, 2019 for the Equitable Division. *See* SBI Statement No. 1-S, Exhibit 2 (EDB-S-2) (detailing the PES Program agreement standards). The revised water vapor requirements agreed to by Peoples in the Joint Petition represent a reasonable compromise between SBI and Peoples and address SBI's concerns regarding the feasibility of attaining a seven-pound water vapor standard on Peoples' low-pressure gathering system.

11. Fourth and finally, the Settlement recognizes the value of local gas to Peoples' end-use customers. Specifically, Peoples commits to "make every effort to accept local gas as a priority over Interstate gas." *Id.* at 19. This enables customers on the Peoples system to benefit from the \$1.3178 per Mcf price differential between locally gathered gas and interstate pipeline delivered gas. *See* SBI Statement No. 1, Page 37, Lines 11-15.

12. On October 3, 2019, the Commission issued an Order approving the Settlement.

13. On October 7, 2019, Peoples submitted its Compliance Filing, including Supplement No. 2 to Gas-PA PUC No. 47.

14. Rate AGS is set forth on page 57 of Supplement No. 2.

15. Rate AGS requires any party desiring to transport gas through Peoples' gathering system to sign a Master Interconnection and Measurement Agreement ("MIMA") with Peoples.

16. At this time, SBI and Peoples remain in negotiations regarding the appropriate provisions for the MIMA.

17. The draft MIMA provided by Peoples to SBI includes provisions that impose additional costs and obligations on natural gas producers that were not addressed by Peoples during the litigation of the proceeding.

18. On October 7, 2019, SBI sent to Peoples proposed changes to the MIMA.

19. As of this date, Peoples has not provided responses regarding SBI's proposed changes to the MIMA.

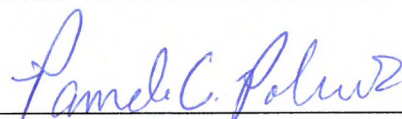
20. SBI requests that the Commission hold this docket open until the parties have negotiated a mutually acceptable MIMA.

21. SBI does not object to the revised rates in the Compliance Filing taking effect.

WHEREFORE, Snyder Brothers, Inc., VEC Energy LLC, and Snyder Armclar Gas Co., LP respectfully request that the Commission grant this exception by holding this docket open pending resolution of negotiations regarding the MIMA.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 

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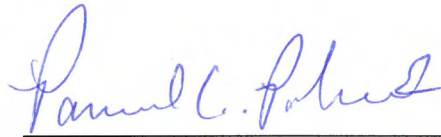
Dated: October 17, 2019

VERIFICATION

I, Pamela C. Polacek, Counsel to Snyder Brothers, Inc., VEC Energy LLC, and Snyder Armclar Gas Co., LP ("SBI"), hereby state that the facts set forth in the Exceptions to October 17, 2019 Compliance Filing of Peoples Natural Gas Company LLC are true and correct to the best of my knowledge, information, and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

10-17-19

Date



Pamela C. Polacek