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October 22, 2019

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: PA Public Utility Commission v. Peoples Natural Gas Company LLC
Docket No. R-2018-3006818

Dear Secretary Chiavetta:

Enclosed for filing are the Replies of Peoples Natural Gas Company LLC to the Exceptions of Snyder Brothers, Inc., VEC Energy LLC, and Snyder Armclar Gas Co. and the Pennsylvania Independent Oil & Gas Association to the October 7, 2019 Compliance Tariff Filing in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,


Anthony D. Kanagy

ADK/jl
Enclosures

cc: Honorable Joel H. Cheskis
Certificate of Service
Office of Special Assistants (*via E-Mail*)

CERTIFICATE OF SERVICE

Docket No. R-2018-3006818

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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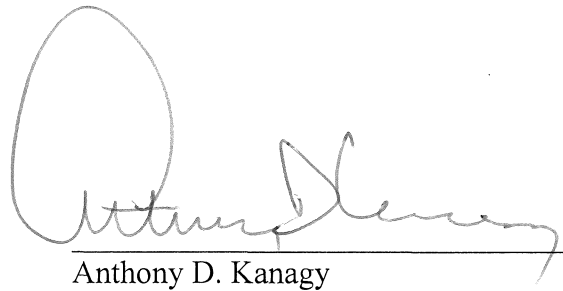
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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**REPLIES OF PEOPLES NATURAL GAS COMPANY LLC TO THE
EXCEPTIONS OF SNYDER BROTHERS, INC., VEC ENERGY LLC, AND SNYDER
ARMCLAR GAS CO. AND THE PENNSYLVANIA INDEPENDENT OIL & GAS
ASSOCIATION TO THE OCTOBER 7, 2019 COMPLIANCE TARIFF FILING**

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TABLE OF CONTENTS

	Page
I. INTRODUCTION	1
II. REPLIES TO EXCEPTIONS	2
A. REPLIES TO SBI EXCEPTION NO. 1 AND PIOGA EXCEPTION NO. 1 – THE EXCEPTIONS SHOULD BE SUMMARILY DENIED BECAUSE THEY VIOLATE THE COMMISSION’S REGULATIONS AND THE SETTLEMENT APPROVED BY THE COMMISSION.....	2
B. REPLIES TO SBI EXCEPTION NO. 1 AND PIOGA EXCEPTION NO. 1 – THE EXCEPTIONS SHOULD BE DENIED BECAUSE THEY ATTEMPT TO RAISE COMPLETELY NEW ISSUES THAT WERE NOT RAISED IN THE PROCEEDING AND ARE OUTSIDE THE SCOPE OF THE COMPLIANCE TARIFF FILING.....	5
III. CONCLUSION.....	7

I. INTRODUCTION

Peoples Natural Gas Company LLC (“Peoples Natural” or the “Company”), pursuant to 52 Pa. Code §§ 5.535 and 5.592(c), hereby respectfully submits these Replies to the Exceptions of Snyder Brothers, Inc., VEC Energy LLC, and Snyder Armclar Gas Co. (collectively, “SBI”) and the Pennsylvania Independent Oil & Gas Association (“PIOGA”) to the Company’s October 7, 2019 compliance tariff filing.

In their Exceptions, both SBI and PIOGA ask that the Pennsylvania Public Utility Commission’s (“Commission”) docket in this base rate case be held open until their negotiations with Peoples Natural about the terms of their Master Interconnect and Measurement Agreements (“MIMAs”) are finished. The MIMA is entered into with any party desiring to deliver and transport production gas pursuant to the terms of Rate Appalachian Gathering Service (“Rate AGS”), which is a new rate schedule that was established in this case.

SBI and PIOGA’s Exceptions are frivolous and violate Commission’s regulations. Section 5.592(c) of the Commission’s regulations provides that any exceptions to a compliance tariff regarding revisions to rates must “be strictly limited in scope to the factual issue of alleged deviation from requirements of the Commission order.” 52 Pa. Code § 5.592(c).

Nothing in the Exceptions alleges that the Company’s compliance tariff deviates from the Commission’s Order in this base rate proceeding or violates the settlement that was approved by the Commission. The compliance tariff filed by Peoples Natural is the same as the pro forma tariff attached to the settlement that both SBI and PIOGA signed and supported, with certain updates as reflected in the compliance tariff filing letter.¹ To the extent that SBI and PIOGA

¹ As explained in footnote 3, *infra*, there were minor updates made in the compliance tariff filing, but none of them affected Rate AGS’s provision that the terms for service under that rate schedule will be set forth in the MIMA executed by the party and Peoples Natural.

now disagree with the terms of the MIMA being subject to negotiation, the provision in the tariff stating that the terms for service under Rate AGS will be negotiated and set forth in the MIMA has remained unchanged since Peoples Natural's initial base rate case filing. Neither SBI nor PIOGA ever raised an issue with this tariff provision during the proceeding. In addition, the Company provided initial and revised versions of the proposed MIMA to the parties in discovery in this proceeding on March 25, 2019, and April 23, 2019, respectively. However, other parties' direct testimony was not due until April 29, 2019, and all parties' rebuttal testimony was due by May 28, 2019. Therefore, both SBI and PIOGA could have challenged the terms of the MIMA on the record in this proceeding. Consequently, they cannot now, as part of the compliance tariff review process, attempt to challenge the terms of the MIMA, which they failed to challenge in testimony and are not in the record. Moreover, the MIMA was not a part of the compliance tariff filing. Thus, any issues regarding the proposed MIMA terms are completely outside the scope of the Company's compliance filing.

For the reasons explained below, the Company respectfully requests that the Commission deny SBI's and PIOGA's Exceptions and approve the October 7, 2019 compliance tariff filing.

II. REPLIES TO EXCEPTIONS

A. REPLIES TO SBI EXCEPTION NO. 1 AND PIOGA EXCEPTION NO. 1 – THE EXCEPTIONS SHOULD BE SUMMARILY DENIED BECAUSE THEY VIOLATE THE COMMISSION'S REGULATIONS AND THE SETTLEMENT APPROVED BY THE COMMISSION

SBI and PIOGA have filed Exceptions to Peoples Natural's October 7, 2019 compliance tariff filing in this base rate case. Both of their Exceptions solely concern their individual negotiations with Peoples Natural regarding the terms of their MIMAs under Rate AGS. (SBI Exceptions, pp. 4-5; PIOGA Exceptions, pp. 1-2.) Rate AGS is a rate schedule that is available to "any party desiring to transport gas through the gathering system, as well as to deliver gas

directly into the Company's distribution and transmission system." Compliance Tariff, Supplement No. 2 to GAS-PA PUC No. 47, First Revised Page No. 57. To receive service under Rate AGS, a party must execute a MIMA with Peoples Natural. *See id.* As stated in that rate schedule, the terms for service under Rate AGS will be set forth in the MIMA executed by that party and Peoples Natural. *Id.*

In their Exceptions, SBI and PIOGA allege that the Company has proposed MIMAs that would impose additional costs and obligations. (*See* SBI Exceptions, p. 5; PIOGA Exceptions, p. 1.) Therefore, they request the Commission to hold the docket open until their individual negotiations with Peoples Natural over the terms of the MIMAs are finished. (*See* SBI Exceptions, p. 5; PIOGA Exceptions, p. 2.)² These Exceptions are frivolous and should be denied.

First, SBI and PIOGA never allege that Peoples Natural's compliance tariff filing deviates in any way from the Commission's Order entered October 3, 2019, in this base rate proceeding. Under Section 5.592(c) of the Commission's regulations, any exceptions to a compliance tariff regarding revisions to rates must "be strictly limited in scope to the factual issue of alleged deviation from requirements of the Commission order." 52 Pa. Code § 5.592(c). Therefore, the Commission's review of the compliance tariff filing is explicitly limited to

² Peoples Natural notes that SBI and PIOGA have not objected to the revised rates in the compliance tariff from becoming effective. Therefore, pursuant to Section 5.592(d) of the Commission's regulations, the Commission should allow the compliance rates to become effective even though these Exceptions were filed. *See* 52 Pa. Code § 5.592(d) ("No rates contained in a tariff revision filed in compliance with a Commission order may be imposed prior to entry of a subsequent order by the Commission approving the compliance filing. Notwithstanding the filing of an exception, the Commission may allow the compliance rates to become effective."). Further, Peoples Natural is planning a billing system enhancement in early November which would make it difficult to do back billing if the effective date of new rates was delayed. Retroactive billing adds unnecessary risk to implementing the new rates and implementing the system enhancement.

determining whether or not Peoples Natural's compliance tariff deviates from the Commission's October 3, 2019 Order.

Here, nothing in these Exceptions alleges that the Company's compliance tariff deviates from the Commission's Order. In fact, SBI and PIOGA cannot make that claim because the compliance tariff filed by Peoples Natural is the same as the pro forma tariff attached to the settlement, with certain minor updates, that was approved by the Commission.³ Importantly, both SBI and PIOGA signed and supported that settlement and agreed to the pro forma tariff. (See Joint Petition for Approval of Settlement Stipulation, pp. 1, 7, 23, 26, 27, Appendix O, and Appendix R.) Now, in an apparent attempt to gain leverage in the MIMA negotiations, SBI and PIOGA have filed these baseless Exceptions that violate the strict standard set forth in Section 5.592(c).

Second, the SBI and PIOGA Exceptions are contrary to the settlement that they have signed. The settlement explicitly states that "[i]f the ALJ adopts the Settlement without modification, the Joint Petitioners waive the right to file Exceptions." (Joint Petition for Approval of Settlement Stipulation ¶ 83.) Here, the settlement was adopted without modification. As a result, SBI and PIOGA have waived the right to file Exceptions in this proceeding.

Thus, SBI's and PIOGA's Exceptions should be summarily denied because they violate the Commission's regulations and contravene the settlement that they signed.

³ In an amendment filed on July 29, 2019, the Company made minor revisions to the *pro forma* tariff supplement. Additional updates were made to that tariff supplement in the compliance tariff filing on October 7, 2019, which were explained in the filing letter. However, none of these revisions affected Rate AGS's provision that the terms for service under that rate schedule will be negotiated and set forth in the MIMA.

B. REPLIES TO SBI EXCEPTION NO. 1 AND PIOGA EXCEPTION NO. 1 – THE EXCEPTIONS SHOULD BE DENIED BECAUSE THEY ATTEMPT TO RAISE COMPLETELY NEW ISSUES THAT WERE NOT RAISED IN THE PROCEEDING AND ARE OUTSIDE THE SCOPE OF THE COMPLIANCE TARIFF FILING

The Exceptions filed by SBI and PIOGA also improperly try to raise new issues that were not raised in the proceeding and are outside the scope of the Company’s compliance tariff filing. In its initial filing in this proceeding, the Company explained that producers were required to enter into MIMAs in order “to transport gas through the gathering system, as well as to deliver gas directly into the Company’s distribution and transmission system.”⁴ (See Peoples Natural Exhibit 14, Appendix D, Retail Tariff, GAS-PA PUC No. 47, Original Page No. 57; Peoples Natural Exhibit JAG-2.) Throughout this proceeding, the Company never changed the tariff provision in Rate AGS stating that the terms for service under Rate AGS will be set forth in the MIMA. See Compliance Tariff, Supplement No. 2 to GAS-PA PUC No. 47, First Revised Page No. 57. The language is the same in the tariff supplement included in initial base rate case filing, Peoples Natural Exhibit JAG-2 attached to Company witness Joseph Gregorini’s direct testimony, the *pro forma* tariff supplement attached to the settlement, and the compliance tariff filing. In addition, the Company provided initial and revised versions of the proposed MIMA to the parties in discovery on March 25, 2019, and April 23, 2019, respectively.

⁴ In 2016, as part of the Company’s ongoing efforts to standardize business practices across the legacy distribution systems of Peoples Natural – Peoples Division; Peoples Natural - Equitable Division; and Peoples Gas Company LLC (formerly Peoples TWP), the Company created and implemented a standard MIMA that was designed to govern the terms and conditions under which producers would deliver gas onto the Peoples’ pipelines systems. Since 2016, Peoples has been in the process of transitioning to the standard MIMA. In fact, prior to the submission of the Peoples Natural rate case, more than 100 standard MIMAs had already been executed by producers. A copy of that standard MIMA was provided to PIOGA leadership in March 2017 and provided to the parties in discovery in this proceeding on March 25, 2019.

SBI and PIOGA did not present any testimony whatsoever regarding the requirement to enter into a MIMA and did not challenge the terms of the MIMA on the record in this proceeding. In fact, they had the initial revised versions of the proposed MIMA in their possession before other parties' direct testimony was due by April 29, 2019, and all parties' rebuttal testimony was due by May 28, 2019. Yet, neither SBI nor PIOGA raised any issues with the terms of the proposed MIMAs on the record. Therefore, SBI and PIOGA are prohibited from improperly: (1) raising a completely new issue regarding the terms of the MIMA for the first time in their Exceptions to the compliance tariff filing; and (2) introducing and relying on extra-record evidence about their negotiations with Peoples Natural in support of their Exceptions. *See, e.g., Application of Apollo Gas Co.*, 1994 Pa. PUC LEXIS 45, at *7-14 (Order entered Feb. 10, 1994).

Furthermore, the MIMA was not a part of Peoples Natural's compliance tariff filing. The compliance tariff simply stated that, like every prior version of the proposed tariff, the terms for service under Rate AGS would be negotiated and set forth in the MIMA. Notably, SBI and PIOGA do not raise any issue regarding the tariff provisions actually set forth in Rate AGS. Rather, their Exceptions solely seek to hold the docket open in case they want to contest the terms of the MIMAs negotiated with Peoples Natural. However, the MIMA was not included in the compliance tariff filing, so any issues related to the proposed MIMA terms are outside the scope of the Commission's review at this stage of the proceeding. Any challenge to the MIMA terms proposed by the Company must be raised, if at all, in a different proceeding.

Despite the fact that the standard MIMA has been executed and in place for many producers (including various PIOGA producers and SBI producer VEC Energy LLC) since 2016; PIOGA leadership was directly provided with a copy of the standard MIMA in March 2017; and

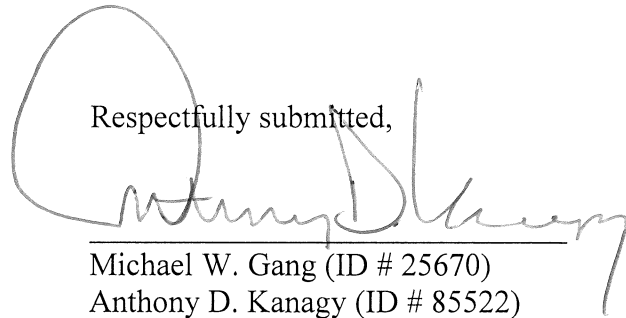
the approved Rate AGS tariff requires the execution of the MIMA, it is the Company's intention to continue to work with PIOGA and any individual producer in an attempt to resolve any outstanding issues regarding the MIMA provisions.

Based on the foregoing, SBI's Exception No. 1 and PIOGA's Exception No. 1 should be denied.

III. CONCLUSION

WHEREFORE, for all the foregoing reasons, as well as those more fully explained in the Peoples Natural Gas Company LLC respectfully requests that the Pennsylvania Public Utility Commission deny the Exceptions filed by Snyder Brothers, Inc., VEC Energy LLC, and Snyder Armclar Gas Co. and the Pennsylvania Independent Oil & Gas Association to the Company's October 7, 2019 compliance tariff filing.

Respectfully submitted,



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