

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY	:	
COMMISSION	:	
	:	Docket No. R-2018-3006818
V.	:	
	:	
PEOPLES NATURAL GAS COMPANY	:	
LLC	:	

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**PREPARED REBUTTAL TESTIMONY OF  
JOSEPH A. GREGORINI  
SENIOR VICE PRESIDENT, CHIEF OPERATING OFFICER  
PNG COMPANIES LLC**

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DATE SERVED: \_\_\_\_\_  
DATE ADMITTED: \_\_\_\_\_

Peoples Statement No. 2-R

**PREPARED REBUTTAL TESTIMONY OF  
JOSEPH A. GREGORINI**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Joseph A. Gregorini, and my business address is 375 North Shore Drive, Suite 600,  
3 Pittsburgh, PA 15212.

4

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by PNG Companies LLC as Senior Vice President, Chief Operating Officer. In  
7 my direct testimony I inadvertently stated that I am employed by Peoples Natural Gas Company.  
8 In fact, in my position at PNG Companies LLC, I provide direct support to Peoples Natural Gas  
9 Company LLC (“Peoples” or “Company”) and other PNG Companies LLC entities.

10

11 **Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN THIS  
12 PROCEEDING?**

13 A. Yes. My direct testimony is set forth in Peoples Statement No. 2.

14

15 **Q. HOW HAVE YOU ARRANGED YOUR REBUTTAL TESTIMONY?**

16 A. I have arranged my rebuttal testimony by subject matter. Where more than one witness  
17 has addressed the same subject matter with testimony that I wish to rebut, I address all of  
18 that testimony in the same section. I will address the following issues in the ordered  
19 listed.

20 (1) Main Line Extension Proposal (I&E – C. Keller, OSBA – B. Kalcic)

21 (2) Peoples’ Long Term Infrastructure Improvement Plan (“LTIIP”) Performance (I&E –

22 M. Matse)

- 1 (3) Peoples' Damage Prevention Program (I&E – M. Matse)
- 2 (4) Gathering (Snyder Brothers – D. Meyer Burgraff)
- 3 (5) Competitive Discounts (PII – J. Crist)
- 4 (6) Service Line Issues (Mr. Culbertson – Public Input Hearing)

5

6 **MAIN LINE EXTENSION PROPOSAL**

7 **Q. PLEASE SUMMARIZE OSBA WITNESS BRIAN KALCIC AND I&E WITNESS**  
8 **CHRISTOPHER KELLER'S POSITIONS ON THE MAIN LINE EXTENSION**  
9 **PROPOSAL.**

10 **A.** Mr. Kalcic objects to the mainline extension proposal, citing his concern that it creates a  
11 subsidy for mainline extension projects, paid for by other customers. Mr. Keller  
12 proposed a reduction in the footage contained in the proposal from 150 feet to 100 feet.  
13 He further recommends a penalty of \$2,000 for applicants that do not complete the  
14 planned conversion or fail to make payments under Rider MLX.

15

16 **Q. WHAT IS YOUR RESPONSE TO MR. KALCIC'S OBJECTION OF THE MAIN**  
17 **LINE EXTENSION PROPOSAL?**

18 **A.** Mr. Kalcic rejects the Company's proposal because, in his opinion, relative to our  
19 existing mainline extension policy that uses an economic evaluation, this proposal would  
20 increase the average residential allowable investment by \$868 or roughly 15%. He notes  
21 that this increase would shift costs from the residential extension applicant to other  
22 ratepayers. He further projects this amount to be a minimum and that this transfer of  
23 responsibility would be higher than 15% due to increases in mainline extension costs

1 over time as well as the final disposition of approved rates in this proceeding. On this  
2 basis, he rejects our proposal.

3 This proposal was developed with consideration given not only to economics, but  
4 also to improving administration and increasing customer transparency through an easier  
5 to understand policy. Mr. Kalcic is concerned that an unjustified subsidy will occur  
6 through implementation of this new policy. However, Mr. Kalcic is only considering  
7 those projects that under the current mainline extension policy require a Contribution in  
8 Aid of Construction (“CIAC”). He is not taking into consideration the large majority of  
9 mainline extension applicants that under the current mainline extension policy do not  
10 require a CIAC. When both groups of applicants are examined together, our streamlined  
11 proposal to adopt an allowance of 150 feet of mainline per residential customer shows  
12 that no subsidy or cost shift to other customers is created at all. In fact, it shows that  
13 when **all** residential mainline extensions are reviewed, the average cost (including the  
14 added cost under our proposed 150-foot rule) is considerably well below the average  
15 allowable cost under our existing allowable investment model. Let me explain. We  
16 examined all historical residential mainline extensions for the years 2017 and 2018,  
17 including those that required a CIAC and those that did not. We first looked at the  
18 projects that did not require a CIAC. Over this 2-year period we entered into 123  
19 agreements to add 3,297 residential customers **that did not require a CIAC**. No CIAC  
20 was required for these projects because the cost for each of these projects was below the  
21 calculated economic allowable investment associated with each project. The average  
22 project cost per customer for these projects that did not require a CIAC was \$2,945. We  
23 then examined the residential projects for 2017 and 2018 that required a CIAC because

1 the cost for each of these projects was above the calculated economic allowable  
2 investment associated with each project. Over this 2-year period we entered into 43  
3 agreements to add 111 residential customers **that did require a CIAC.** For this second  
4 group we then calculated what the “allowable” project costs would be if we adopted our  
5 proposed 150-foot rule instead of using our current allowable investment model. What  
6 this showed was that for these customers under our proposed 150-foot rule the average  
7 “allowable” project costs would have been \$6,594. Admittedly and to Mr. Kalcic’s point,  
8 this amount is above the calculated allowable under our current mainline extension  
9 policy. However, when viewed together with the average project cost per customer of  
10 \$2,945 for those 3,297 residential customers in 2017 and 2018 projects that did not  
11 require a CIAC, the average “allowable” project cost per residential customer under our  
12 150 foot rule would have been only \$3,064. This amount is significantly less than the  
13 average allowable investment for residential customers using proposed rates under our  
14 current line extension policy, which is \$5,906. It is also significantly less than the  
15 average allowable investment for residential customers using present rates under our  
16 current line extension policy, which is \$4,177 for the Peoples Division and \$4,049 for the  
17 Equitable Division. What this recent experience demonstrates is that our 150-foot rule  
18 proposal would not result in any cost subsidies when applied to all residential customers’  
19 extensions. It shows that not only are the economics sound and will not cause any  
20 unjustified cost shifting but our proposal will also be more transparent to the customer,  
21 easier to implement and result in the addition of more new residential customers that will  
22 be a benefit to not only the newly added customers but also all existing customers.

23

1 **Q. DO YOU AGREE WITH MR. KELLER’S PROPOSED MODIFICATIONS TO**  
2 **THE MAIN LINE EXTENSION PROPOSAL?**

3 **A.** I do not. He recommends reducing the allowable footage to 100 feet for a mainline  
4 extension. His reasoning for the reduction is that it would align our policy with that of  
5 our utility affiliates, Delta Gas in Kentucky and Peoples WV in West Virginia. I believe  
6 it more appropriate to align our policy in western Pennsylvania with the other gas utility  
7 that serves this area, namely Columbia Gas of Pennsylvania, Inc. (“Columbia”). Peoples  
8 Natural Gas Exhibit No. JG-R1 is page 48 of Columbia’s Tariff Gas – PA PUC No. 9. It  
9 provides for an extension of distribution main to a distance of 150 feet without cost to the  
10 applicant, assuming no abnormal conditions exist. And, as I described above, it will not  
11 create any cost subsidies.

12  
13 **Q. WILL THE \$2,000 PENALTY PROPOSED BY MR. KELLER DISSUADE**  
14 **CUSTOMERS FROM CONVERTING TO NATURAL GAS?**

15 **A.** I am concerned that it will dissuade applicants. In our experience, customers who request  
16 to convert to natural gas service do so in good faith. Through our onboarding process,  
17 customers are fully informed of the benefits and costs of natural gas conversion. We do  
18 not sign on customers that do not have full intentions to move forward with the project.  
19 However, unexpected situations, such as a financial or health issues, can occur, altering  
20 the plans of a homeowner. If customers are faced with a penalty if they are not able to  
21 move forward with their plans, they will be less likely to commit.

22 Further, a penalty is not necessary to ensure customers move forward with  
23 planned Rider MLX projects. Rider MLX is designed with the possibility that some

1 customers may not complete the conversion process in a timely fashion. The Rider MLX  
2 delivery rate table is tiered to provide flexibility in relation to the costs of the project and  
3 the number of prospective customers involved. If some of the customers included in the  
4 project design do not immediately convert, those that have converted will continue to pay  
5 the Rider MLX delivery rate for a longer period of time. Once converted customer  
6 revenues sufficiently cover the project area investment, those customers would move to a  
7 lower Rider MLX delivery rate tier or to the regular residential delivery rate. This  
8 ensures the costs of the project are paid by those benefiting from the service, eliminating  
9 the need for a penalty assigned to those that did not or could not convert.

#### 10 11 **LTIP PERFORMANCE**

12 **Q. PLEASE SUMMARIZE I&E WITNESS MATTHEW MATSE'S CONCERNS**  
13 **WITH THE COMPANY'S LTIP PROGRAM.**

14 **A.** Mr. Matse's summarized his concerns into three groups. I will address each concern.

15 First, Mr. Matse is concerned that Peoples will not be able to replace the increasing  
16 amounts of pipe as projected in the Peoples' approved LTIP. Mr. Matse asserts that  
17 based on Peoples historical levels of replacement, higher replacement rates are not  
18 feasible because the planned rates of replacements are significantly higher in the future.  
19 The historical rates in the current approved LTIP clearly demonstrate Peoples ability to  
20 manage the program and increase the replacement rate over time. The plan outlined  
21 increasing the rate dramatically from 61 miles in 2016 to 126 miles in 2018 or by 107%.  
22 In actual terms, Peoples was able to increase the rate from 63 miles in 2016 to 138 miles  
23 in 2018 or by 119%. Peoples achieved this growth by modeling the program and

1 thoughtfully adding the resources and support to increase the capacity. Peoples is using  
2 this same proven model to manage future growth.

3 Second, Mr. Matse is concerned that Peoples replacement rates are unworkable  
4 based on current industry replacement miles. Mr. Matse notes that in 2017, 7 natural gas  
5 operators (excluding Peoples) replaced a total of approximately 275 miles. In the course  
6 of the developing its LTIIP capacity model Peoples classifies each segment of targeted  
7 pipe as urban, suburban or rural. Based on historical performance, the replacement  
8 capacity for a typical crew is higher in the rural areas than in the urban areas. Because  
9 Peoples LTIIP is driven in large part by risk, many of the urban projects are planned in  
10 the first half of the program whereas many of the suburban and rural miles are planned in  
11 the latter half of the program. The ability of the same crew to be more productive in the  
12 suburban and rural areas and complete more miles per year in these areas allows Peoples  
13 to confidently and reasonably increase the mileage planned for the latter half of the  
14 program with essentially the same resources. In fact, Peoples LTIIP model projects  
15 relatively the same amount of resources executing the plan over time – but with higher  
16 productivity rates as the work moves from complex, hard surface, time consuming urban  
17 areas to less complex soft surface suburban/rural areas. Thus, the replacement rate  
18 increases over time based on productivity gains achieved by changing environments.

19 Third, Mr. Matse is concerned Peoples Go-With-Gas Program may impact its  
20 pipeline replacement goals. There were no Go- With-Gas Projects in 2018. However, if  
21 in the future, a Go-With-Gas Project presents itself, Peoples will either use incremental  
22 capital for the projects or prioritize LTIIP replacement over Go-With-Gas.

23

1 **Q. WILL THE GO WITH GAS PROGRAM DIVERT FUNDING FROM THE**  
2 **PIPELINE REPLACEMENT PROGRAM?**

3 **A.** As outlined previously, there were no Go-With-Gas Projects in 2018. However, if in the  
4 future, a Go-With-Gas project presents itself, Peoples will either use incremental capital  
5 for the projects or prioritize LTIP replacement over Go-With-Gas. Moreover, a  
6 separately funded Go-With-Gas project is also a well-defined incremental project with a  
7 specific timeframe allowing for necessary resources to be sought and managed  
8 independently, such that there is no meaningful impact on the LTIP program.

9  
10 **Q. MR. MATSE ALSO STATES THAT ACCORDING TO PEOPLES' WEBSITE,**  
11 **THE COMPANY HAS EXTENDED SERVICE THROUGH THE GO-WITH-GAS**  
12 **PROGRAM. IS THIS CORRECT?**

13 **A.** It is not. The extensions were through the affiliate Peoples Gas LLC, not Peoples Natural  
14 Gas.

15  
16 **Q. WOULD YOU PLEASE COMMENT ON THE LEVELIZED APPROACH**  
17 **SUGGESTED BY MR. MATSE FOR THE LTIP?**

18 **A.** As outlined previously, Peoples LTIP modeling accounts for increased productivity  
19 achieved from the shift in urban environments to suburban and rural environments. In  
20 Peoples current LTIP, it is not the replacement miles that are levelized, it is the level of  
21 construction crews and support personnel that is relatively levelized. In Peoples'  
22 experience, it is more feasible and effective to develop and manage a program based on a  
23 stable/level team of resources and account for the increasing productivity of those

1 resources by allowing the mileage projections to change based on the work environment.  
2 Furthermore, there is no requirement in DIMP for a levelized replacement rate.

3  
4 **Q. DOES PEOPLES HAVE SUFFICIENT CAPITAL TO FUND PIPELINE**  
5 **REPLACEMENT AND PIPELINE EXTENSION PROGRAMS AT THE SAME**  
6 **TIME?**

7 **A.** Yes. Extension projects are well-defined projects and approved based on sound  
8 economics to ensure capital is wisely spent.

9  
10 **DAMAGE PREVENTION**

11 **Q. IN HIS TESTIMONY, MR. MATSE ALSO DISCUSSES THE IMPORTANCE OF**  
12 **DAMAGE PREVENTION AND PROVIDES RECOMMENDATIONS**  
13 **REGARDING DAMAGE PREVENTION AT PEOPLES. PLEASE BRIEFLY**  
14 **DESCRIBE THE DAMAGE PREVENTION PROGRAM AT PEOPLES AND**  
15 **EFFORTS TO IMPROVE THE PROGRAM.**

16 **A.** As Mr. Matse notes in his direct testimony, pipeline damage from excavation is an  
17 important concern for all underground utilities. Peoples has an active damage prevention  
18 program which includes rigorous reporting on damages and root cause analysis. This  
19 reporting is updated continuously and reported weekly to management. Peoples  
20 continues to look for ways to reduce facility damages and improve our line locating  
21 performance. Recent changes in Peoples program are mentioned in my direct testimony  
22 (Peoples Statement No. 2, p.8-10) and include in-house locating, review of lessons  
23 learned, use of marker ball, 'snake' and vacuum equipment on problem locates,

1 availability of records at the job site, refresher training on skills and documentation, and  
2 training on intervention and safe excavation for contractors. The costs of these efforts  
3 and equipment is included in our capital and expense claims in this case.

4 **Q. MR. MATSE COMPARES PEOPLES ANNUAL RESULTS EXPRESSED IN**  
5 **DAMAGES PER 1,000 TICKETS MARKED WITH AN INDUSTRY AVERAGE**  
6 **EXPRESSED IN DAMAGES PER 1,000 TICKETS TRANSMITTED. ARE**  
7 **THESE METRICS COMPARABLE?**

8 A. No. Both metrics have excavation damages in the numerator of the metric, but have  
9 different denominators. The industry metric as quoted by Mr. Matse has the denominator  
10 of 1,000 transmissions for line locations and the Peoples' performance has the  
11 denominator of tickets actually marked; this difference creates a flawed comparison. To  
12 explain the difference we need to understand the process. The PA One Call center issues  
13 a ticket for every excavation that has a known facility in the area. Each state defines the  
14 area and method of determining whether a ticket will be issued. Some are done by map  
15 square, some are done by municipality and some are done by creating a buffer around  
16 pipeline locations, but regardless of the method, each state one call organization reports  
17 the number of tickets they transmit, or issue, to the facility owners to the Common  
18 Ground Alliance (CGA) for use as the denominator in its metric. CGA also collects  
19 damage data and then uses the tickets issued or transmitted to estimate an industry  
20 average. Once the ticket is transmitted, the facility owner can find that not all tickets are  
21 in conflict with our facilities. As an example, a ticket can be called in by a homeowner  
22 installing some landscaping in their back yard. If the gas mains and service lines are all  
23 in the front, then there is no conflict between the excavation and the pipelines, so the

1 ticket is 'cleared'. Only when there is direct conflict between the excavation and our  
2 facilities will the location of the facility be painted on the ground or 'marked'. For the  
3 year 2018 Peoples had 214,414 tickets issued, but only 92,888 marked. This means that  
4 Peoples performance is overstated by a factor of 2.3 times compared to the industry  
5 metric, just because of the difference in the denominators. This is just one of the reasons  
6 that the metrics are not directly comparable.

7  
8 **Q. WHAT IS MR. MATSE'S RECOMMENDATION REGARDING DAMAGE**  
9 **PREVENTION?**

10 A. Mr. Matse recommends that Peoples' management needs to implement steps to improve  
11 its damage prevention program and reduce line hits by use of better methods of mapping,  
12 locating, training, excavator education, and marking.

13  
14 **Q. PLEASE RESPOND TO THESE RECOMMENDATIONS.**

15 A. As I described above, Peoples already has in place a program that has implemented  
16 various changes over the past few years that are designed to reduce facility damages and  
17 improve our line locating performance. As I described in my direct testimony Peoples'  
18 utility fault damage rate has improved every year since 2013 and the additional changes  
19 are expected to result in additional continued improved overall damage prevention  
20 performance. Peoples will continue to review its damage prevention statistics and make  
21 changes as necessary to improve. Peoples also supports industry benchmarking as one  
22 means of judging the quality of a damage prevention program, but Peoples performance  
23 should be compared on an apples to apples basis.

**GATHERING**

1  
2 **Q. IN HER DIRECT TESTIMONY WITNESS DIANE MEYER BURGRAFF, ON**  
3 **BEHALF OF SNYDER BROTHERS, INC., VEC ENERGY LLC, AND SNYDER**  
4 **ARMCLAR GAS CO., LP (COLLECTIVELY, “SBI”), PROVIDES EXTENSIVE**  
5 **TESTIMONY REGARDING THE COMPANY’S PROPOSALS ON ITS RATE**  
6 **AGS AND RECOMMENDS THAT IT SHOULD BE REJECTED. DO YOU**  
7 **HAVE AN INITIAL REACTION TO HER TESTIMONY?**

8 **A.** Throughout her testimony, SBI witness Ms. Meyer Burgraff raises numerous and wide-  
9 ranging issues regarding Peoples’ proposed Rate AGS and cost recovery from producers.  
10 Peoples’ witness Feingold and I will address each of her many points and issues. I have  
11 included Peoples Natural Gas Exhibit No. JG-R2 which is a compilation of several  
12 responses Peoples provided to SBI in discovery that are referenced throughout my  
13 testimony on gathering. I have also included Peoples Natural Gas Exhibit No. JG-R3  
14 which is a compilation of several responses SBI provided to Peoples in discovery that are  
15 also mentioned throughout my testimony on gathering. But, before I present my detailed  
16 rebuttal responses I believe it’s important to provide a general overview of the common  
17 themes that form the basis of my rebuttal testimony in response to the issues she has  
18 raised.

19 First, under Peoples Division’s current **voluntary** PA Production Enhancement  
20 Services (“PA PES”) program, it is important to note the Snyder producers - Snyder  
21 Brothers, Inc. and Snyder Armclar Gas Co., LP, even though they have produced  
22 significant volumes into the Peoples Division system, have opted out of the program  
23 since 2011 and have not paid any fees under the PA PES program since that time. These

1 producers are represented in this case by SBI. I believe that most of the issues raised by  
2 Ms. Meyer Burgraff in her direct testimony are centered on a desire to continue to pay  
3 little or no fees for use of the Peoples' pipeline systems. I find it interesting that The  
4 Pennsylvania Independent Oil and Gas Association ("PIOGA"), who represents the  
5 general interests of the conventional producers and who intervened in this case, has not  
6 presented any testimony in opposition to Peoples' Rate AGS proposals. The only party  
7 or producer that has raised any issues in this case is SBI who recommends that the Rate  
8 AGS proposal be rejected, in part so that so they can continue to avoid paying gathering  
9 related fees.

10 Second, Peoples' Rate AGS proposal is based on the simple premise that both  
11 customers and producers benefit and derive value from having direct access to the  
12 Peoples' pipeline systems and it is appropriate that both customers and producers share in  
13 the costs of those systems. Customers benefit through meaningful purchased gas cost  
14 savings by avoiding having to acquire natural gas supplies from interstate pipelines.  
15 Producers benefit from gathering since it provides direct access to natural gas markets.

16 Third, the proposal to link the charges under Rate AGS to market prices is  
17 designed to help producers maintain the volumes of gas produced into the Peoples'  
18 gathering systems. Under our proposal, conventional producers are being asked to pay  
19 lower fees in a low price market environment and pay higher fees when and if market  
20 price conditions improve. For example, today without an indexing mechanism, producers  
21 on the Equitable Division are paying on average a high gathering rate (\$0.66/Mcf) in a  
22 very low natural gas market condition.

1 Fourth, even though the large majority of conventional production is produced  
2 into Peoples' gathering systems, under the Rate AGS proposal, producers should be  
3 required to pay a fee to offset gathering system costs regardless of the system the  
4 producer directly delivers into (distribution, transmission or gathering).

5  
6 **Q. ON PAGE 5 OF HER DIRECT TESTIMONY, MS. MEYER BURGRAFF NOTES**  
7 **THAT THE UNACCOUNTED-FOR-GAS (“UFG”) RATES FOR THE MOST**  
8 **RECENT REPORTING PERIOD, TWELVE MONTHS ENDED AUGUST 31,**  
9 **2018, FOR THE COMBINED PEOPLES AND EQUITABLE GATHERING**  
10 **SYSTEMS IS 8.9% AND STATES THAT HIGH LEVELS OF GATHERING UFG**  
11 **HAS BEEN AN ISSUE FOR PEOPLES FOR MANY YEARS. DO YOU AGREE?**

12 **A.** The UFG on the Peoples and Equitable gathering systems has been an area of focus for  
13 Peoples, mostly because gathering systems normally have higher levels of UFG than  
14 distribution systems. In fact, Peoples has a detailed gathering UFG mitigation plan in  
15 place and is aggressively working to reduce UFG on the gathering systems. However, I  
16 don't believe that Peoples' gathering systems are experiencing higher than normal levels  
17 of UFG for typical gathering systems. The fact is, publicly available information reflects  
18 that legacy, Appalachian production basin, gathering systems have UFG levels well  
19 above those for gas distribution systems. The Equitrans L.P. gathering system is similar  
20 to Peoples in age and location, and its gathering system UFG ranged from 10.83% to  
21 13.18% each year from 2007 through 2011 according to annual reports filed in FERC  
22 Docket No. RP05-164-000. Equitrans' reporting obligation ended with 2011, so more  
23 recent Equitrans gathering system UFG information is not publicly available. In another

1 example, Equitrans' current FERC-approved tariff provides for 9.5% gathering system  
2 retainage. As of August 1, 2016, the effective date of Dominion Energy Transmission  
3 spinning down its Appalachian gathering system to its unregulated gathering affiliate, its  
4 FERC-approved tariff provided for 9.34% gathering retainage.

5  
6 **Q. ON PAGE 8 OF HER DIRECT TESTIMONY, MS. MEYER BURGRAFF**  
7 **REFERS TO A COMPARISON BETWEEN PA PES REVENUES AND PA PES**  
8 **INVESTMENT FOR THE PERIOD 2012-2018. BASED ON THIS**  
9 **COMPARISON, SHE CONCLUDES THAT PEOPLES' OWNERS BENEFITED**  
10 **MORE THAN PRODUCERS AND END-USE CUSTOMERS. DO YOU AGREE**  
11 **WITH HER CONCLUSION?**

12 **A.** No. First of all, as I mentioned earlier in my rebuttal testimony, I find it interesting that  
13 SBI is concerned about the benefits realized by producers in exchange for the PA PES  
14 fees paid under the PA PES program even though Snyder Brothers, Inc. and Snyder  
15 Armclar Gas Co., LP have not participated in the Peoples PA PES program since 2011  
16 and since that time have avoided paying any PA PES fees. Despite this fact, they have  
17 produced meaningful conventional production volumes into the Peoples Division system  
18 (1.75 Bcf during the HTY period of the 12 months ended September 30, 2018). As  
19 shown in Table 1 on page 6 of Ms. Meyer Burgraff's direct testimony, Peoples invested  
20 \$8.3 million in PA PES capital projects as well as incurred O&M expenses in order to  
21 enhance or maintain the ongoing production of conventional local natural gas supplies  
22 under the PA PES program. The individual capital projects that received PA PES capital  
23 funding over recent years were jointly agreed to by Peoples and PA PES producers

1 through the ongoing Project Review Committee. PIOGA, who is a party to this  
2 proceeding and represents the interests of many of the PA PES participating producers,  
3 has not raised any concerns or issues in this case regarding the program benefits derived  
4 from the fees that they have paid. I also think it's important to point out that the PA PES  
5 program has helped both PA PES and non-PA PES producers across the system by  
6 investing in projects designed to enhance and maintain conventional natural gas  
7 production supplies. The only producer that seems to be unhappy about PA PES program  
8 benefits is the one that has not paid anything under the program over the past seven plus  
9 years.

10 Second, I take issue with the Ms. Meyer Burgraff's conclusion that since 2012,  
11 Peoples' owners have benefited more than producers and ratepayers under the program.  
12 In its last base rate case in 2012, which placed new rates in effect in October of 2012,  
13 Peoples projected annual PA PES revenues for the Future Test Year ("FTY") equal to  
14 \$11.4 million. In the approved settlement in that case, \$7.6 million of the \$11.4 million  
15 was credited back to ratepayers, as a direct reduction to the cost of service. The  
16 remaining \$3.8 million was used by Peoples for gathering system upgrades and other  
17 gathering expenditures. Our customers derived a clear benefit from these cost of service  
18 credits and both customers and producers benefitted from use of the revenues to cover  
19 gathering upgrades and expenditures. Ms. Meyer Burgraff shows in Table 1 on page 6 of  
20 her direct testimony that annual PA PES revenues steadily declined from \$11.3 million in  
21 2013 to \$7.1 million in 2018. It is inaccurate to conclude that Peoples' owners benefited  
22 more than producers and customers when \$11.4 million (consisting of the annual cost  
23 offset of \$7.6 million and Peoples' annual gathering system upgrades expenditures of

1       \$3.8 million) in PA PES benefits provided directly to our customers and producers each  
 2       year since 2012 consistently exceeded the actual annual PA PES revenues received by  
 3       Peoples over that time since the last base rate case. The increasing revenue shortfalls,  
 4       experienced from 2013 through 2018, which totaled \$16.2, were absorbed by Peoples’  
 5       shareholders, not by customers or producers. A yearly comparison of ratepayer  
 6       credits/benefits and revenues, as well as the shortfall to shareholders, is shown in the  
 7       table below.

	Ratepayer	PA PES	Shareholder
	Credits/Benefits	Revenues	Shortfall
<u>Year</u>	<u>(\$ in Mil.)</u>	<u>(\$ in Mil.)</u>	<u>(\$ in Mil.)</u>
2013	\$11.4	\$11.3	(\$0.1)
2014	\$11.4	\$10.4	(\$1.0)
2015	\$11.4	\$9.0	(\$2.4)
2016	\$11.4	\$7.2	(\$4.2)
2017	\$11.4	\$7.2	(\$4.2)
2018	\$11.4	\$7.1	(\$4.3)
Total	\$68.4	\$52.2	(\$16.2)

8  
 9  
 10   **Q.   ON PAGE 8 OF HER DIRECT TESTIMONY, MS. MEYER BURGRAFF MAKES**  
 11   **THE STATEMENT THAT BECAUSE OF PEOPLES’ HIGH LEVEL OF**  
 12   **GATHERING UFG, PEOPLES’ OWNERS, AND NOT PRODUCERS, SHOULD**  
 13   **ABSORB AT LEAST 2% OF THE RETAINAGE ON THE GATHERING**  
 14   **SYSTEM. PLEASE RESPOND TO THIS RECOMMENDATION.**

15   **A.**   The assessment and recovery of gas retainage was properly reviewed and decided in  
 16   Peoples’ 2018 1307(f) proceeding. It is not an issue in this base rate case; nor should it  
 17   be. However, her contention that Peoples’ owners, not producers, should absorb at least  
 18   2% of gathering system retainage because of ongoing levels of gathering UFG is both

1 unsupported and wrong. She provides no evidence showing that Peoples' gathering UFG  
2 levels are out of line with, or higher than, other gathering systems. As I pointed out  
3 earlier in my testimony, other nearby Appalachian production basin gathering systems  
4 have UFG levels well above those for gas distribution systems and appear to be equal to  
5 or higher than the UFG level on the Peoples' gathering systems. Peoples' evidence in  
6 recent 1307(f) cases shows that Peoples has invested significant resources to address  
7 UFG on its gathering systems, and Peoples will continue efforts to reduce the gathering  
8 system UFG. But, again, UFG on legacy Appalachian gathering systems is higher than  
9 UFG on the parts of the gas system that perform other functions, and it is a gas cost that  
10 Peoples is entitled to recover. The issue in this case is whether the assessment of  
11 gathering rates to producers is appropriate because producers derive a clear benefit from  
12 the use of Peoples' gathering lines to get their gas to market.

13  
14 **Q. DO YOU AGREE WITH THE STATEMENT ON PAGE 11 OF MS. MEYER**  
15 **BURGRAFF'S DIRECT TESTIMONY THAT IF THE COMMISSION WERE TO**  
16 **APPROVE COST RECOVERY FROM PRODUCERS IN THIS CASE, THAT**  
17 **DECISION WOULD SERVE TO REDEFINE THE WORD "PUBLIC" IN THE**  
18 **PUBLIC UTILITY CODE TO INCLUDE PRODUCERS AS PUBLIC UTILITY**  
19 **CUSTOMERS?**

20 **A.** No. As a regulated public utility, Peoples provides service to end-use customers and  
21 producers are clearly not end-use customers. The assessment of gathering and retainage  
22 charges to producers is a similar situation to natural gas suppliers that operate on the  
23 Peoples' system. Natural gas suppliers that provide commodity supplies to Peoples' end-

1 use customers historically have been charged fees such as retainage, cash-outs and  
2 pooling fees but to my knowledge have never been considered to be public utility  
3 customers by Peoples or the Commission.  
4

5 **Q. ON PAGE 16 OF HER DIRECT TESTIMONY, MS. MEYER BURGRAFF**  
6 **STATES HER OPINION THAT BECAUSE THE GATHERING SYSTEMS**  
7 **WERE BUILT TO MOVE GAS TO END-USE CUSTOMERS, PRODUCERS**  
8 **SHOULD NOT BE RESPONSIBLE FOR ANY NON-GAS COSTS OF PEOPLES’**  
9 **GATHERING SYSTEM. WHAT IS YOUR REACTION TO HER STATEMENT?**

10 **A.** I do not agree. Her contention that Peoples’ gathering systems were built to move gas to  
11 end-use customers is not a valid reason for producers to avoid paying gathering charges.  
12 Producers rely on the gathering system to be able to sell their gas and therefore benefit  
13 from the gathering system. Moreover, things have changed significantly since the time  
14 when companies such as Peoples were completely vertically integrated and owned and  
15 operated all aspects of procuring and delivering natural gas to customers, including  
16 natural gas production, gathering, transmission, and distribution to end users. Most of  
17 these previously vertically integrated natural gas utility entities over the years have spun-  
18 off or sold non-distribution assets such as gathering. For example, companies such as  
19 Hope Gas in West Virginia, Equitable Gas Company in Pennsylvania and West Virginia,  
20 Columbia Gas in West Virginia, and National Fuel Gas in Pennsylvania, to name a few in  
21 the region, all previously owned and operated gathering facilities (like Peoples) that were  
22 built to move locally produced natural gas to end-use customers on their systems. All of  
23 these companies over the years restructured and divested some or all of their gathering

1 assets to affiliates or separate companies. And, most importantly, all of these current  
2 non-utility gathering entities use these gathering systems -- that were originally built to  
3 move gas to end-use customers -- to move producers' and other shippers' natural gas to  
4 utility and non-utility markets and assess gathering and retainage fees to those producers  
5 and other shippers that utilize these gathering assets. Clearly, producers and shippers that  
6 move gas on these gathering systems are willing to pay gathering fees and pay retainage  
7 for the benefit of getting their gas to markets. Producers on the Peoples' gathering  
8 systems are really no different. They too use the gathering systems to move their gas to  
9 on-system markets and it's perfectly reasonable that they contribute to recovery of some  
10 portion of Peoples' non-gas gathering costs for the benefits that they derive.

11  
12 **Q. MS. MEYER BURGRAFF ALSO RAISES CONCERNS REGARDING THE**  
13 **DERIVATION OF THE MAXIMUM RATE PROPOSAL UNDER RATE AGS**  
14 **AND THE POSSIBILITY OF OVER-RECOVERY BY PEOPLES. BASED ON**  
15 **THIS, SHE RECOMMENDS THAT THE MAXIMUM RATE PROPOSAL BE**  
16 **REJECTED. PLEASE RESPOND.**

17 **A.** In her recommendation, Ms. Meyer Burgraff states that any movement in the Rate AGS  
18 as a result of any upward market price movements will result in over-recovery of Peoples  
19 non-gas gathering costs. She also uses an extreme example that assumes Peoples' Rate  
20 AGS rate would increase to \$0.76 per Mcf.

21 Let me start by reiterating what I presented in my direct testimony, that the  
22 market-based pricing structure for Rate AGS service was designed to maintain an  
23 ongoing contribution from producers for use of Peoples' pipelines systems, while at the

1 same time, ensuring that the Rate AGS rates do not create an economic disincentive for  
2 conventional producers to continue to produce gas supplies into the Peoples' systems.  
3 Tying the Rate AGS charge to market prices will allow producers to contribute more  
4 when their revenue streams improve due to increases in natural gas market prices. It was  
5 intended to establish an ongoing pricing structure that would survive this rate case and be  
6 used for future years to strike a fair balance between cost recovery and the producers'  
7 ability to pay in order to ensure a sustainable local production market. Assuming that  
8 market prices showed an upward movement after the Rate AGS mechanism would  
9 become effective, Peoples would collect higher revenues than what is currently estimated  
10 in its rate case assuming gathering volumes do not continue to decrease as they have in  
11 recent years. However, her concerns about higher market prices and over-collections by  
12 Peoples is not supported by actual recent natural market price history and the current  
13 projections of future natural gas market prices. The projected revenue contribution from  
14 conventional producers for charges under Rate AGS for the Fully Projected Future Test  
15 Year ("FPFTY") was based on a rate of \$0.26/Mcf and projected Dominion South Point  
16 Appalachian Index market First-of-Month ("FOM) price ("DTI SP") natural gas market  
17 prices for the FPFTY year of \$2.10 per Dth. This projected natural gas market price is  
18 in-line with what we experienced over recent years. The average of the monthly FOM  
19 DTI SP index prices for the four-year period from 2015 – 2018 is \$1.90/Dth. Further, the  
20 projected FPFTY DTI SP natural gas market prices of \$2.10 per Dth is also in-line with  
21 the latest multi-year projection (May 1<sup>st</sup>) of monthly FOM DTI SP for the four-year  
22 period from June 2019 through May 2023 which is \$2.187 per Dth. What this shows is  
23 that natural gas market prices in our service territory have been, and are projected to be,

1 very stable with no indications of any price run-up that would create the over recovery  
2 scenario that Ms. Meyer Burgraff is concerned about. Moreover, I think it's also  
3 important to point out that the over recovery example used by Ms. Meyer Burgraff on  
4 page 17 of her testimony, which assumes a Rate AGS rate of \$0.76 per Mcf, would only  
5 result if the FOM DTI SP price would reach or exceed \$6.15 per Dth. The FOM DTI SP  
6 index price has not even closely approached this level at any point during the past ten  
7 years and the current long-term price projection of \$2.187/Dth is well below the  
8 \$6.15/Dth rate.

9 I do acknowledge that market prices may likely change in some fashion from our  
10 projected \$2.10/Dth price. However, given that Peoples is no longer subject to the rate  
11 case stay-out provision from the 2013 Equitable Gas Company acquisition settlement and  
12 has committed to significant higher capital spending under its LTIP for the next fifteen  
13 years, Peoples expects to employ a more regular and frequent rate case cycle to seek  
14 recovery of LTIP investments. As such, Rate AGS charges for conventional producers  
15 will be adjusted based on market price fluctuations and the associated revenues will be  
16 reflected in future regular base rate cases as a credit to the cost of service. And, should  
17 market prices increase in the future and result in higher Rate AGS revenues, those higher  
18 revenues will be reflected in rates to customers through Peoples' ongoing rate case  
19 filings.

20 Lastly, support of the proposed maximum rate under Rate AGS is based on a  
21 fairly straightforward concept. It is derived from the fully allocated gathering cost of  
22 service for the FPFTY of \$0.76/Mcf. Since the revenues recovered from conventional  
23 producers under Rate AGS will be used as an offset to the gathering system costs paid by

1 ratepayers, setting the maximum charges under Rate AGS equal to the fully allocated  
2 gathering cost of service will help ensure that producers do not contribute more than the  
3 fully allocated gathering cost of service in the unlikely event that natural gas market  
4 prices increase significantly from current levels.

5  
6 **Q. ON PAGES 18 THROUGH 20 OF HER DIRECT TESTIMONY, WITNESS**  
7 **MEYER BURGRAFF CLAIMS THAT PEOPLES DID NOT PROVIDE SUPPORT**  
8 **FOR THE MINIMUM RATE LEVEL OF \$0.26/MCF OR EXPLAIN WHY A**  
9 **SPECIFIC RATE LEVEL REPRESENTS A VALUE-OF-SERVICE FOR**  
10 **PRODUCERS. DO YOU AGREE WITH HER CLAIM?**

11 **A.** No. In my direct testimony I explained the need to establish a consistent and lower rate  
12 level for producers to help address the trend in declining conventional production on the  
13 Peoples' system. Under the current programs at Peoples and Equitable, conventional  
14 producers contributed approximately \$14 million in gathering and PA PES fees during  
15 the historic test year in this case. In fact, producers on the Equitable Division system pay  
16 an average gathering fee of \$0.66/Mcf, with some paying a rate as high as \$0.99/Mcf. On  
17 the Peoples Division system, most of the PA PES participating producers pay a fee of  
18 \$0.32/Mcf. With this fee structure in place and given the recent persistent low-price  
19 natural gas market<sup>1</sup>, Peoples has experienced a steady decline in conventional production  
20 of about 26%<sup>2</sup> since 2014.

21 The proposed minimum gathering rate of \$0.26 per Mcf was not derived based on  
22 any specific mathematical formula or any analytical evaluation. Instead, its level was

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<sup>1</sup> The average monthly FOM DTI SP index prices for the four-year period from 2015 – 2018 is \$1.90/Dth.

<sup>2</sup> Based on information provided in Peoples' response to SBI-I-3 found in Peoples Natural Gas Exhibit No. JG-R-2.

1 based on our reasoned judgement that a lower rate was needed in the current low-natural  
2 gas price environment to help mitigate declining production trends that, if continued,  
3 could even result in producer shut-ins. And, as stated in Peoples' response to SBI-I-7  
4 (Peoples Natural Gas Exhibit No. JG-R2), the proposed minimum rate level and this  
5 supporting rationale was in part based on feedback received from PIOGA during  
6 discussions regarding a revised Rate AGS rate structure to replace the existing PA PES  
7 program at the Peoples Division and the AGS tariff at the Equitable Division. As  
8 projected for the FPFTY, the lower minimum rate of \$0.26/Mcf is expected to result in an  
9 annual revenue contribution from conventional producers of approximately \$8.0 million<sup>3</sup>,  
10 or 43% lower than the conventional producer revenue contribution for the historic test  
11 period in this case.

12  
13 **Q. ON PAGES 20 AND 21 OF HER DIRECT TESTIMONY, MS. MEYER**  
14 **BURGRAFF RAISES CONCERNS THAT THE COMPANY'S RATE AGS**  
15 **PROPOSAL WILL CREATE A DISPROPORTIONATE RATE INCREASE ON**  
16 **PRODUCERS THAT DELIVER GAS INTO THE PEOPLES SYSTEM AND**  
17 **THESE INCREASES, ASSUMING THE COMMISSION APPROVES RATE AGS,**  
18 **SHOULD BE ADJUSTED TO REFLECT A MORE GRADUAL INCREASE FOR**  
19 **THESE PRODUCERS. HOW DO YOU RESPOND?**

20 **A.** Her recommendation should be rejected. What she fails to mention is the fact that of the  
21 producers who will be seeing a rate change a large portion, 270 of 309 or 87% will be  
22 getting a rate decrease under the Company's proposal and 108 of the Equitable Division

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<sup>3</sup> Based on information provided in Peoples' response to SBI-I-9 found in Peoples Natural Gas Exhibit No. JG-R2.

1 producers will, on average, see a 61% reduction in their gathering fees<sup>4</sup>. She also fails to  
2 mention that a large majority of the volumes that will be receiving an increase are  
3 produced by the producers represented by Ms. Meyer Burgraff, namely Snyder Brothers,  
4 Inc. and Snyder Armclar Gas Co., LP. During the historic test period of the 12 months  
5 ended September 30, 2018, these two Snyder producers accounted for 1.75 Bcf of the  
6 total 3.1 Bcf of production associated with the Peoples Division Producers that will be  
7 seeing a gathering rate increase<sup>5</sup>. These Snyder producers will be experiencing an  
8 increase in gathering charges under Rate AGS simply because since 2011, they have not  
9 paid any gathering related fees under the Peoples' PA PES program. The current Peoples  
10 PA PES program is not a tariffed gathering service but has been managed as a voluntary  
11 program governed through agreements between Peoples and producers. In terms of  
12 production volumes, approximately 90% of the Peoples' Division producers currently  
13 voluntarily participate in the program. These Snyder producers do not participate. Ms.  
14 Meyer Burgraff's claims that now assessing a fair and market indexed fee under Rate  
15 AGS violates the concept of gradualism is unconvincing given the fact that these Snyder  
16 producers have declined participation in Peoples' PA PES and have thereby avoided  
17 making any contributions to Peoples' gathering costs since 2011, all the while deriving a  
18 clear benefit by using the Peoples' system to access markets for their production.  
19 Peoples' proposal to now assess a fee set at a reasonably priced level under Rate AGS for  
20 use of the Peoples' system is not an unjust proposal and does not violate the concept of  
21 gradualism.

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<sup>4</sup> See Peoples' response to SBI-II-28 found in Peoples Natural Gas Exhibit No. JG-R2.

<sup>5</sup> See Peoples' response to SBI-II-28 found in Peoples Natural Gas Exhibit No. JG-R2.

1 **Q. MS. MEYER BURGRAFF RECOMMENDS THAT, IF THE COMMISSION**  
2 **APPROVES RATE AGS, THOSE PRODUCERS GETTING AN INCREASE**  
3 **SHOULD NOT EXPERIENCE AN INCREASE THAT EXCEEDS THE FINAL**  
4 **OVERALL AVERAGE RATE INCREASE FOR END-USERS. FURTHER, FOR**  
5 **THOSE NOT PAYING A PA PES FEE, THEIR NEW RATE AGS FEE SHOULD**  
6 **BE SET AT \$0.10/MCF, WHICH IS THE CURRENT STRAIGHT AVERAGE**  
7 **RATE CHARGED TO PEOPLES DIVISION PRODUCERS THAT ARE**  
8 **GETTING AND INCREASE AND THAT RATE SHOULD BE INCREASED BY**  
9 **THE OVERALL FINAL AVERAGE INCREASE FOR END USERS. DO YOU**  
10 **AGREE?**

11 **A.** No, for the same reasons that I described in my last answer. This proposal is clearly self-  
12 serving and its treatment would unfairly benefit SBI who includes producers that  
13 currently pay nothing under the Peoples' program. It also would be unfair to those  
14 producers who are currently contributing to gathering costs.

15  
16 **Q. WITNESS MEYER BURGRAFF DOES NOT AGREE WITH THE PROPOSAL**  
17 **TO INDEX THE FEE UNDER RATE AGS TO GAS COSTS. PLEASE LIST HER**  
18 **REASONS AND PROVIDE YOUR RESPONSES TO HER REASONS.**

19 **A.** First, she believes that the gathering system costs are non-gas costs, and should not vary  
20 with the commodity price of natural gas. Second, Ms. Meyer Burgraff argues that  
21 Peoples provided a lack of evidence of the value of Rate AGS service to producers and  
22 why that value would increase or decrease with the price of gas. Third, she argues that  
23 the use of an indexed rate for gathering is inconsistent with the recovery of gathering

1 costs from end use customers. Lastly, she argues that increases in the price of natural gas  
2 will result in the over-recovery of non-gas costs.

3 Let me start by saying that none of these points justify the elimination of our  
4 indexing proposal. On her point that Peoples' gathering system costs are non-gas costs  
5 and therefore should not vary with the commodity price of natural gas, I'm unaware of  
6 any Commission requirement or precedent that does not permit the concept of linking the  
7 level of non-gas fees such as gathering to natural gas market prices. Further, as I  
8 discussed in my direct testimony, the ability to access Peoples' markets is a benefit and  
9 provides value to producers. Without access to our systems, producers would be faced  
10 with the option of not producing or spending capital investments and operating expenses  
11 to construct and operate their own facilities to bring their gas supplies to other markets.  
12 Linking the fees under Rate AGS to natural gas prices is designed to maintain that  
13 relative value to producers in differing market price conditions. In a low price market  
14 price environment, as we have today, our proposal under Rate AGS helps to maintain that  
15 value by assessing lower charges to producers. If market prices should increase and  
16 natural gas producer gas sale revenues are higher, the Rate AGS proposal increases the  
17 fees paid by producers for use of the Peoples' systems. Simply put, the availability of the  
18 Peoples' system to access markets provides value to producers and our indexed pricing  
19 proposal is designed to maintain the volumes of locally produced natural gas which  
20 provides a benefit and value to both producers and our ratepayers. Regarding Ms. Meyer  
21 Burgraff's concern that an indexed rate for gathering is inconsistent with the recovery of  
22 gathering costs from end-use customers, I note that end use customers are paying the  
23 remainder of the gathering costs. It, therefore, is reasonable for end use customers' rates

1 to be adjusted in future rate cases if gathering revenues increase. As I have explained in  
2 my Direct and Rebuttal testimonies, indexing the Rate AGS charge is a way to help  
3 maintain local gas production. Finally, regarding her point that increases in the price of  
4 natural gas will result in the over-recovery of non-gas costs, I've already addressed that  
5 issue earlier in my rebuttal testimony.

6  
7 **Q. MS. MEYER BURGRAFF, ON PAGE 25 OF HER DIRECT TESTIMONY,**  
8 **STATES HER DISAGREEMENT WITH THE PROPOSAL TO RECOVER NON-**  
9 **GAS COSTS FROM PRODUCERS THAT DO NOT USE THE GATHERING**  
10 **SYSTEMS. SHE STATES THAT PEOPLES HAS NOT OFFERED ANY**  
11 **RATIONALE AS TO WHY NON-CONVENTIONAL PRODUCERS NOT USING**  
12 **THE GATHERING SYSTEM SHOULD PAY IT. HOW DO YOU RESPOND?**

13 **A.** Our proposal under Rate AGS is straightforward. It is to assess a fee to conventional and  
14 non-conventional producers, for any gas produced into the gathering, transmission or  
15 distribution systems. It is designed so that conventional producers would pay an indexed  
16 based fee, irrespective of the system produced into. Nonconventional producers would  
17 pay a fee that is based on negotiation since Peoples competes with other options  
18 including midstream and interstate pipelines. The rationale for these fees is  
19 straightforward as well; both conventional and non-conventional producers derive a  
20 benefit from using the Peoples' systems to access markets for their supplies. The fees  
21 collected from producers are then used to offset system costs that, absent the fees, would  
22 be fully paid for by end-use customers.

23

1 **Q. ON PAGES 26 THROUGH 28 OF HER DIRECT TESTIMONY, MS. MEYER**  
2 **BURGRAFF DISCUSSES THE RELEVANCE OF THE ISSUE OF RETAINAGE**  
3 **AND THE APPROVAL RECEIVED BY PEOPLES IN THE 2018 1307(f) THAT**  
4 **ALLOWS PEOPLES TO ASSESS A GAS RETAINAGE CHARGE TO**  
5 **PRODUCERS ON PRODUCTION DELIVERED INTO NON-GATHERING**  
6 **PIPELINES. SHE SPECIFICALLY ALLEGES THAT PEOPLES WAS ONLY**  
7 **GRANTED COMMISSION AUTHORITY IN THAT GAS COST PROCEEDING**  
8 **TO COLLECT A GAS RETAINAGE CHARGE FROM CONVENTIONAL**  
9 **PRODUCERS AND ONLY ON GAS ENTERING THROUGH GATHERING OR**  
10 **DISTRIBUTION LINES. SHE ALSO STATES THAT PEOPLES HAS**  
11 **BROADENED ITS TARIFF LANGUAGE IN THE 1307(f) COMPLIANCE**  
12 **FILING TO INCLUDE TRANSMISSION LINES FOR THE APPLICATION OF**  
13 **PRODUCER GAS RETAINAGE. PLEASE RESPOND.**

14 **A.** She is wrong on the point that in last year's 1307(f) the Commission approved the  
15 application of retainage only for gas entering gathering or distribution and her allegation  
16 that Peoples intentionally did not comply with the Commission's order by broadening the  
17 application of gas retainage to gas produced into the transmission systems is also  
18 incorrect.

19 Ms. Meyer Burgraff is correct that the Equitable Division's Rate AGS, which was  
20 approved prior to the 2013 acquisition of Equitable Gas, contains a reference to the  
21 application of gathering fees and retainage to production gas entering into distribution  
22 and gathering lines. However, it's important to note there is no conventional or non-  
23 conventional production that is produced into an Equitable Division transmission pipeline

1 (See Peoples' response to SBI-III-10 located in Peoples Natural Gas Exhibit No. JG-R2).  
2 That is the reason why the existing Equitable Division Rate AGS tariff does not include  
3 the application of any gathering fees into transmission pipelines. So effectively, all of the  
4 gas produced into the Equitable Division system is assessed gathering fees and is  
5 consistent with and supports the assessment of retainage (as approved in last year's  
6 1307(f)) and charges under Rate AGS (current Peoples rate case) to all gas produced,  
7 irrespective of where it is delivered into the system.

8 Despite Ms. Meyer Burgraff's claim to the contrary, in the 2018 1307(f) case,  
9 Peoples requested approval of the application of retainage to conventional gas produced  
10 into any Peoples system, which would include gathering, distribution and transmission  
11 pipelines. There are references in last year's 1307(f) case that validate this point starting  
12 with the availability section of Peoples' proposed Rate GS - Gathering Service rate  
13 schedule, which was filed and approved by the Commission in Peoples Natural Gas -  
14 Exhibit No. 7 at page 15 of 30 and is shown below:

15 *Service under this rate schedule is available to any party desiring to deliver*  
16 *conventional well gas directly into the Company's system (emphasis added),*  
17 *provided that there exists: (1) a gas purchase agreement with the Company or an*  
18 *executed Rate GS Service Agreement; and (2) compliance with the provisions of*  
19 *this Rate Schedule and with all other provisions of this Tariff.*

20 Additionally, Witness Petrichevich, on pages 26 and 27 of her 2018  
21 1307(f) rebuttal testimony, in response to PIOGA witness Hillebrand, provides further  
22 clarification that the application of producer retainage was intended to apply to all

1 conventional production sources regardless of the Peoples' pipeline that it is produced  
2 into. Below is the pertinent excerpt of her rebuttal testimony on this point:

3 *Q. MR. HILLEBRAND FURTHER QUESTIONS WHY THE PROPOSED*  
4 *PRODUCER RETAINAGE RATE APPLIES TO ALL CONVENTIONAL*  
5 *PRODUCTION (Emphasis added) *AND IS NOT RESTRICTED TO**  
6 *PRODUCTION ONLY ON GATHERING SYSTEMS. PLEASE COMMENT.*

7 *A. First, the Company's intent was to model the charge after the Commission*  
8 *approved AGS tariff of the Equitable Division which specifically applies both*  
9 *gathering fees and retainage to production entering into 'distribution and*  
10 *gathering' lines. Second, the fact is that most of the conventional production*  
11 *today does flow into the gathering system, and the Company would prefer the*  
12 *administrative ease of applying the same rate to both its divisions and not have to*  
13 *introduce different rules depending on which division a well ties into.*

14 It is clear from the support provided in the 2018 1307(f) proceeding and described  
15 above, that the application of gas retainage is appropriately applied to all conventional  
16 production delivered into any pipeline system, including transmission pipelines.

17  
18 **Q. ON PAGES 29-31 OF HER DIRECT TESTIMONY, WITNESS MEYER**  
19 **BURGRAFF CHALLENGES PEOPLES' USE OF THE 2018 1307(f) CASE**  
20 **APPROVAL AS JUSTIFICATION TO CHARGE FEES UNDER THE**  
21 **PROPOSED RATE AGS SERVICE FOR THE RECOVERY OF NON-GAS**  
22 **COSTS FROM ALL LOCAL GAS SOURCES AND REGARDLESS OF THE**  
23 **PEOPLES' SYSTEMS THAT THE PRODUCTION IS DELIVERED INTO. SHE**

1           **ESSENTIALLY STATES THAT THE APPROVAL IN LAST YEAR’S 1307(f)**  
2           **CASE WAS LIMITED TO THE APPLICATION OF RETAINAGE ONLY TO**  
3           **CONVENTIONAL GAS PRODUCERS AND FOR GAS PRODUCED ONLY**  
4           **INTO PEOPLES’ DISTRIBUTION AND GATHERING SYSTEMS AND IT IS**  
5           **THEREFORE INAPPROPRIATE TO USE THAT CASE TO SUPPORT**  
6           **PEOPLES PROPOSED RATE AGS IN THIS PROCEEDING WHICH WOULD**  
7           **ESTABLISH AN INDEX-BASED FEE FOR ALL CONVENTIONAL**  
8           **PRODUCTION INTO ANY SYSTEM AND A NEGOTIATED FEE STRUCTURE**  
9           **FOR NON-CONVENTIONAL PRODUCTION. PLEASE RESPOND.**

- 10   **A.**   First, as I described in my response to the prior question, the approval received in last-  
11           year’s 1307(f) case provided for the application of a retainage charge on all conventional  
12           gas produced into any Peoples’ system, including gathering, distribution, and  
13           transmission. Second, it is accurate that last year’s case was limited to the issue of  
14           charging retainage on conventional production and did not address non-conventional  
15           production. In that case, Peoples proposed and received Commission approval of its Rate  
16           GS – Gathering Service which governed the assessment of retainage to conventional  
17           production into any Peoples’ system. The Rate GS – Gathering Service rate schedule did  
18           not include non-conventional production because Peoples handled the assessment of  
19           retainage and non-gas charges for non-conventional production under separate negotiated  
20           contracts. In this rate case proceeding, Peoples has proposed that the Rate AGS will  
21           govern all charges (both retainage and non-gas fees) on all production (both conventional  
22           and non-conventional) delivered into any system (gathering, distribution or transmission).  
23           The important point is that the Commission’s approval in the 2018(f) case showed that

1 it's appropriate to assess a fee (retainage) to producers (conventional) for the benefits  
2 derived by producers for use of the Peoples' pipeline systems. And, that approval is very  
3 pertinent to this case and is being offered by Peoples as precedential support of its Rate  
4 AGS proposals in the instant proceeding which will establish a tariffed rate schedule to  
5 govern retainage and non-gas fees for all producers that deliver supplies into any of the  
6 Peoples' pipeline systems.

7  
8 **Q. ON PAGE 31 OF HER DIRECT TESTIMONY, MS. MEYER BURGRAFF**  
9 **STATES THAT PEOPLES' CURRENTLY APPROVED RATE GS- GATHERING**  
10 **SERVICE CONTAINS A MISTAKE AND THE MISTAKE SHOULD BE**  
11 **CORRECTED. DO YOU AGREE THAT PEOPLES' TARIFF CONTAINS A**  
12 **MISTAKE?**

13 **A.** No, I do not. She claims that in last year's 1307(f), Peoples did not request and the  
14 Commission did not grant retainage on supply delivered into a transmission line. As  
15 described previously in my rebuttal testimony, Peoples sought and received Commission  
16 approval for the application of retainage to gas delivered into any pipeline systems.  
17 Therefore, no correction is necessary.

18  
19 **Q. ON PAGE 33 OF HER DIRECT TESTIMONY, WITNESS MEYER BURGRAFF**  
20 **SUGGESTS THAT BASED ON THE INFORMATION PROVIDED BY PEOPLES**  
21 **IN RESPONSE TO SBI-I-9, WHICH SHOWS THE FPFTY AVERAGE RATES**  
22 **FOR NON-CONVENTIONAL PRODUCTION INTO THE PEOPLES DIVISION**  
23 **(\$0.26/MCF) AND THE EQUITABLE DIVISION (\$0.22/MCF), THAT THERE**

1 **WILL BE NO INDIVIDUAL NEGOTIATIONS WITH NON-CONVENTIONAL**  
2 **PRODUCERS AND INSTEAD PEOPLES WILL DICTATE THEIR PRICE. IS**  
3 **THIS TRUE?**

4 **A.** No, not at all. As stated in the proposed Rate AGS, non-conventional sources include  
5 horizontally drilled Marcellus and Utica shale gas and landfill gas. The projected rates  
6 for the FPFTY for non-conventional production into the Peoples Division of \$0.26/Mcf  
7 and the Equitable Division of \$0.22/Mcf, as shown in SBI-I-9 (Peoples Natural Gas  
8 Exhibit No. JG-R2), are based on the actual negotiated gathering rates currently in place  
9 for horizontal Marcellus producers and the projected gathering rates to be charged for  
10 landfill production. These average prices were then applied to the forecasted non-  
11 conventional productions for the FPFTY period to arrive at the projected revenues for the  
12 FPFTY. It is Peoples' full intent to continue to establish individual rates for non-  
13 conventional producers through arms-length negotiations.

14  
15 **Q. ON PAGES 33 AND 34 OF HER DIRECT TESTIMONY, MS. MEYER**  
16 **BURGRAFF ADDRESSES THE CURRENT CHARGES ASSESSED TO NON-**  
17 **CONVENTIONAL PRODUCERS ON BOTH THE PEOPLES DIVISION AND**  
18 **EQUITABLE DIVISIONS AND SHE GOES ON TO SURMISE THAT IT'S**  
19 **UNCLEAR THAT NON-CONVENTIONAL PRODUCERS ARE GETTING**  
20 **ANYTHING IN RETURN FOR THEIR RATE. DO YOU AGREE THAT THIS IS**  
21 **UNCLEAR?**

22 **A.** No. Producers generally had the option to take their gas to other pipeline systems but  
23 instead agreed to pay fees to Peoples for the ability to use the Peoples' systems to move

1 their gas supplies to the natural gas markets made available by the use of the Peoples'  
2 pipeline systems. This illustrates that producers in the market expect to pay gathering  
3 fees to get their gas to market.

4  
5 **Q. PLEASE ADDRESS THE PIOGA BILLING FEE THAT MS. MEYER**  
6 **BURGRAFF DISCUSSES ON PAGES 35 AND 36 OF HER DIRECT**  
7 **TESTIMONY.**

8 **A.** The assessment of an administrative fee of \$0.01 per Mcf on behalf of PIOGA (“PIOGA  
9 Fee”) has been a long-standing component of the Peoples Division PA PES and Equitable  
10 Division gathering programs. Historically, under these programs, the utility has assessed  
11 producers the PIOGA Fee, however, under the Peoples Division PA PES program, a  
12 portion of the PIOGA Fee was assessed directly to participating producers by PIOGA.  
13 Under the new proposed Rate AGS program, Peoples will be charging all producers the  
14 authorized gathering fee for services rendered by Peoples under Rate AGS. As part of  
15 that billing process, Peoples has agreed to also assess the administrative PIOGA Fee on  
16 behalf of PIOGA. Ms. Meyer Burgraff believes that it is not appropriate that Peoples  
17 provide that billing arrangement for PIOGA because it is not part of our utility service or  
18 a non-utility service being billed by the utility, such as warranty or similar services.  
19 Peoples has agreed to include the PIOGA Fee as part of its Rate AGS invoice process for  
20 administrative ease and efficiency. Peoples will already have in place a billing process to  
21 assess Rate AGS gathering fees and there are little to no incremental costs that will be  
22 incurred by Peoples to also add the PIOGA Fee to these Rate AGS invoices. Further, I

1 am unaware of any regulatory restriction that would not allow Peoples to assist PIOGA  
2 by adding the PIOGA Fee to its gathering service invoices.

3  
4 **Q. ON PAGE 37 OF HER DIRECT TESTIMONY, MS. MEYER BURGRAFF**  
5 **DISCUSSES THE BENEFITS THAT THE AVAILABILITY OF LOCAL GAS**  
6 **BRINGS TO END USE CUSTOMERS. WHILE SHE GENERALLY AGREES**  
7 **WITH THE COMPANY REGARDING THE COST BENEFITS OF LOCAL GAS**  
8 **SHE DISAGREES WITH THE COMPONENT OF THE COST BENEFIT**  
9 **ANALYSIS DESCRIBED IN THE COMPANY'S DIRECT TESTIMONY AND**  
10 **SET FORTH IN PEOPLES NATURAL GAS EXHIBIT NO. JAG-2. SHE**  
11 **BELIEVES THAT IT IS MISLEADING TO INCLUDE PEOPLES' GATHERING**  
12 **SYSTEM COST OF \$0.76/MCF IN THE CALCULATION OF TOTAL**  
13 **DELIVERED COSTS OF LOCAL GAS. DO YOU AGREE?**

14 **A.** No. It's completely appropriate to include Peoples' non-gas related costs of owning and  
15 operating the gathering system in the analysis, especially since this analysis includes an  
16 offset for the producer non-gas contributions under our Rate AGS proposal. The analysis  
17 is meant to compare the overall costs to ratepayers for acquiring local gas via the  
18 gathering systems to the overall costs of gas acquired from interstate sources. Ratepayers  
19 incur the gathering system non-gas costs of \$0.76, with an offset for Rate AGS non-gas  
20 gathering fees paid by producers. Excluding the gathering costs would be inaccurate and  
21 misleading and understate the true cost of local gas to ratepayers.

22

1 **Q. ON PAGES 38 AND 39 OF MS. MEYER BURGRAFF'S DIRECT TESTIMONY,**  
2 **SHE SUGGESTS THAT PEOPLES RATE AGS PROPOSAL WILL SHIFT**  
3 **GATHERING COST RECOVERY OUT OF CUSTOMER BASE RATES TO**  
4 **PRODUCERS, AND WHEN THAT OCCURS, THE PRODUCERS WILL**  
5 **EITHER PASS THOSE COSTS BACK TO RATEPAYERS OR WILL ABSORB**  
6 **THOSE COSTS CAUSING THE PRODUCER TO LOOK FOR OTHER**  
7 **MARKETS WHICH WILL RESULT IN LESS LOCAL GAS ON THE PEOPLES'**  
8 **SYSTEM. HOW DO YOU RESPOND?**

9 **A.** First, Ms. Meyer Burgraff suggests that producers will pass along the Rate AGS fees  
10 back to customers if the producer's contracts permit it to do so. In response to discovery,  
11 SBI stated this would not necessarily happen and that each situation would specifically  
12 need to be evaluated. Refer to See PNG to SBI-II-16 which is included in Peoples  
13 Natural Gas Exhibit No. JG-R3. Second, she contends that if producers absorb the Rate  
14 AGS charges, producers will take gas to other markets which will result in less local gas  
15 available to the Peoples system. She seems to ignore the fact that under Peoples' Rate  
16 AGS proposal a very large majority of the system producers and their associated  
17 production volumes will experience a decrease in their gathering rates. This is shown in  
18 Peoples' response to SBI-II-28 (Peoples Natural Gas Exhibit No. JG-R2) where, for those  
19 producers who will be seeing a change in their gathering rates, 92% of their historic test  
20 year production volumes are expected to see a rate decrease. These decreases are a direct  
21 result of Peoples' proposal to link the gathering rates to market prices. Our proposal will  
22 actually help keep that local production on the system as opposed to moving to other  
23 markets, as she claims. The SBI claim that the Rate AGS proposal will force production

1 to other markets completely ignores the positive impact on almost all of the local  
2 production volumes. SBI has also not provided any direct evidence in its direct case or in  
3 discovery that shows that Peoples' proposed Rate AGS tariff and the projected initial  
4 gathering rate of \$0.26/Mcf would cause it to move conventional production to other  
5 markets. Moreover, when asked basic discovery regarding the ability to move production  
6 to market without using the Peoples' system, SBI objected and refused to provide  
7 supporting information. Refer to PNG to SBI-II-22, which is included in Peoples Natural  
8 Gas Exhibit No. JG-R3.

9  
10 **Q. MS. MEYER BURGRAFF REFERS TO DISCOVERY RESPONSES TO SBI-II-2**  
11 **WHERE YOU WERE ASKED IF YOU CAN SAY WITH CERTAINTY THAT**  
12 **NONE OF THE DECLINE IN CONVENTIONAL PRODUCTION VOLUMES ON**  
13 **THE EQUITABLE DIVISION SYSTEM IS RELATED TO THE EXISTING**  
14 **RATE AGS. YOU ANSWERED NO. WOULD YOU LIKE TO EXPAND ON**  
15 **YOUR RESPONSE?**

16 **A.** Yes. Unlike Peoples' proposed Rate AGS tariff, the existing Equitable Division Rate  
17 AGS service does not contain an indexing provision that will adjust the gathering rates in  
18 lower market conditions. As provided in response to SBI-II-28 (Peoples Natural Gas  
19 Exhibit No. JG-R2), the conventional producers on the Equitable Division currently pay  
20 an average gathering rate of \$0.66/Mcf under the existing Rate AGS tariff. I cannot say  
21 with certainty that none of the decline in conventional production volumes on the  
22 Equitable Division system is related to the existing Rate AGS because of the current and  
23 projected low natural gas market price conditions and the fact that conventional

1 producers are currently paying a fairly high average gathering rate of \$0.66/Mcf on the  
2 Equitable Division. However, under our indexed-based Rate AGS proposal, these same  
3 conventional production volumes would be assessed a projected rate of \$0.26. I believe  
4 this will help to avoid these production declines.

5  
6 **Q. LATER IN HER DIRECT TESTIMONY, MS. MEYER BURGRAFF SEEMS TO**  
7 **BE CHIDING PEOPLES FOR NOT IMPLEMENTING ANY PRICE**  
8 **ENHANCEMENT MECHANISMS TO ENCOURAGE NEW PRODUCTION IN**  
9 **AREAS WHERE LOCAL GAS IS THE ONLY SOURCE OF SUPPLY. DO YOU**  
10 **CARE TO COMMENT ON THIS?**

11 **A.** Yes. Some clarification is needed. In the 2016 1307(f) proceeding, Peoples proposed  
12 and received approval of production incentive mechanism in the form of potential higher  
13 gas prices for producers in discrete areas of the Company's systems that meet certain  
14 criteria. These include:

- 15 1. Areas are experiencing declining receipts of local gas volumes or have  
16 limited sources of gas supply feeding the systems;
- 17 2. The price incentive would improve service reliability with the additional  
18 volumes or supply feeds; and
- 19 3. Have no current economically viable alternatives to receipts of local gas to  
20 serve customers or to improve service reliability.

21 As stated in the discovery response to SBI-I-35 (Peoples Natural Gas Exhibit No. JG-  
22 R2), Peoples has not implemented this price mechanism because it has been able to  
23 utilize other economically viable alternative supply feeds to manage declining

1 production. However, we will continue to evaluate the option to provide an incentive  
2 pricing mechanism where needed to help ensure adequate supplies. And, I believe that  
3 the Rate AGS indexing proposal, that will adjust the gathering rates in lower market  
4 conditions, will help to maintain supplies in some of these discrete areas that are  
5 experiencing declining production.

6  
7 **Q. MS. MEYER BURGRAFF ALSO RAISES CONCERNS REGARDING THE**  
8 **WATER VAPOR PROVISIONS IN PEOPLES SUPPLIER TARIFF AND IN ITS**  
9 **MIMA. BEFORE YOU RESPOND TO HER CONCERNS PLEASE EXPLAIN**  
10 **THESE WATER VAPOR REQUIREMENTS.**

11 **A.** Peoples Supplier tariff and the MIMA (which establishes the general terms and  
12 conditions under which producers will deliver gas onto the Peoples system) contains  
13 specific gas quality requirements to ensure that the gas delivered to Peoples does not  
14 contain constituents that cause safety, operational, or customer service issues on the  
15 systems. Included in these requirements are moisture content requirements. Maintaining  
16 the proper level of water vapor in the gas stream is important because it can precipitate  
17 out as liquid at low temperature and/or at higher pressures and collect in pipelines and  
18 overload dehydration equipment. When combined with trace levels of other common  
19 constituents found in natural gas such as H<sub>2</sub>S and CO<sub>2</sub>, the resulting acid can lead to  
20 corrosion in pipelines. Ice formation can also lead to operation problems with valves,  
21 regulators, and meters or restrict gas flow. Peoples' tariff and MIMA requires a water  
22 content of no more than seven (7) pounds of water per million cubic feet of gas. Peoples'  
23 tariff also contains a provision that the Company may agree with producers to accept less

1 stringent water standards if Peoples can adequately treat the gas on behalf of producers.

2 **Q. HOW DOES PEOPLES MANAGE GAS QUALITY AND WATER VAPOR**  
3 **LEVELS FROM PRODUCERS?**

4 **A.** The Master Interconnect and Measurement Agreement requires all producers to install a  
5 positive shut-off drip to handle the removal of free water and other liquids and filter  
6 separators to remove liquids and other constituents prior to delivering natural gas to the  
7 Peoples system. After the gas is delivered to Peoples, we have installed dehydration  
8 facilities to remove water vapor in the gas stream. Many of these dehydration facilities were  
9 installed under the PA PES program at compression stations where the compressor either  
10 delivered into Peoples owned transmission pipelines or into third party owned transmission  
11 pipelines. Water is extracted from gas delivered to those compressor stations prior to  
12 redelivery from gathering pipelines to transmission pipelines. The water collected in storage  
13 containers is then ultimately collected by a waste water disposal company.

14

15 **Q. CAN THE INSTALLED DEHYDRATION FACILITIES TREAT ALL THE**  
16 **PRODUCER GAS DELIVERED TO PEOPLES PIPELINES?**

17 **A.** No. Gas delivered to Peoples' gathering systems can also directly serve end-use customers  
18 connected to gathering pipelines and distribution pipelines connected to gathering pipelines.  
19 Peoples can also install drip tanks to collect water that accumulates when water drops from  
20 vapor form to liquid form. Peoples maintains the drip tanks by removing, collecting and  
21 disposing of the water.

22 A portion of producer gas is also delivered to pipelines not connected to  
23 compressors and dehydration facilities. Peoples has installed drips in some of those areas to

1 collect water that accumulates when water drops from vapor to liquid. Peoples maintains  
2 the drip tanks by removing, collecting and disposing of the water.

3  
4 **Q. ARE DRIP TANKS SUFFICIENT TO TREAT PRODUCER GAS DELIVERED TO**  
5 **PEOPLES PIPELINES?**

6 **A.** No. Drip tanks only remove water that accumulates when water drops from vapor to liquid  
7 form. The remaining water in the gas stream is at saturation level capable of staying in  
8 vapor form until either elevated pressure or reduced temperature causes the water to drop  
9 from vapor to liquid.

10  
11 **Q. WHAT OTHER METHODS ARE USED BY PEOPLES TO REMOVE WATER**  
12 **FROM PEOPLES PIPELINES?**

13 **A.** Peoples can run cleaning pigs through pipelines capable of being pigged to push water from  
14 one end of the pipeline to a location where the pig is received and water collected. The  
15 water is collected and removed by a waste water disposal company.

16  
17 **Q. ACCORDING TO WITNESS MEYER BURGRAFF, PEOPLES SHOULD**  
18 **CONTINUE OFFERING NEGOTIATED WATER VAPOR AND ELIMINATE THE**  
19 **TARIFF AND MIMA WATER VAPOR STANDARD. DO YOU AGREE?**

20 **A.** No. As an initial matter, Peoples is proposing to continue to negotiate water vapor standards  
21 in certain circumstances. As described above, Peoples has in place various measures to  
22 extract water from the gas delivered directly from local production. This includes  
23 dehydration facilities, some of which were installed on the system under the Peoples' PA

1 PES program. However, these measures are not always sufficient to remove water from the  
2 gas stream in order to ensure proper system operations and no customer service  
3 interruptions. This is in part because Peoples does not have the capabilities to remove water  
4 vapor from all of its pipelines. Peoples also serves customers whose usage requirements are  
5 sensitive to elevated water vapor such as manufacturing, power generation facilities and  
6 compressed natural gas facilities. A flexible negotiated water vapor level has not always  
7 been effective at enforcing water vapor standards when gas quality interferes with gas  
8 operations and customer service. A tariff standard is in place to ensure that water vapor can  
9 be enforced and provide a standard when and where the Company's efforts are not able to  
10 meet pipeline operations and integrity and customer service gas quality requirements.

11 **Q. ACCORDING TO WITNESS MEYER BURGRAFF IF RATE AGS IS APPROVED,**  
12 **PEOPLES SHOULD PROVIDE PRODUCER DEHYDRATION SERVICES**  
13 **WITHOUT ANY FURTHER REQUIREMENTS FOR PRODUCERS TO TREAT**  
14 **THEIR GAS. DO YOU AGREE?**

15 **A.** No. Producers should be required to treat their gas to the negotiated or tariff standard. Peoples is  
16 willing to provide a negotiated water vapor level where possible to encourage and support  
17 producer deliveries to Peoples system. However, Peoples cannot offer flexible water vapor levels  
18 on certain pipelines where the production could impact pipeline operations or integrity or where it  
19 could affect service to customers.

20  
21 **Q. WHERE PEOPLES IS NOT ABLE TO OFFER FLEXIBLE WATER VAPOR**  
22 **STANDARDS, WHAT CAN PRODUCERS DO TO MEET PEOPLES WATER**  
23 **VAPOR REQUIREMENTS?**

1 A. In order to meet water vapor standards, Peoples expects producers to have and maintain  
2 equipment such as desiccant dryers or dehydration facilities to remove water vapor to the  
3 appropriate water vapor standard.  
4

5 **Q. WITNESS MEYER BURGRAFF MENTIONS THAT THE PA PES PROGRAM**  
6 **WAS VOLUNTARY AND ALLOWED PRODUCERS THE OPTION TO SELF-**  
7 **TREAT THEIR GAS SUPPLY. AS A PRODUCER THAT HAS OPTED OUT OF**  
8 **THE PEOPLES DIVISION PA PES PROGRAM SINCE 2011, DO YOU BELIEVE**  
9 **THAT THE SBI PRODUCERS PROPERLY SELF-TREATED THEIR GAS AFTER**  
10 **LEAVING THE PA PES PROGRAM?**

11 A. No. According to PNG to SBI-II-24 and PNG to SBI-II-29 (Peoples Natural Gas Exhibit No.  
12 JG-R3), SBI has only been using the required drip tanks and only occasionally (and where  
13 required) used desiccant as a method to treat water vapor. When using only drip tanks, the gas  
14 may be fully saturated with water vapor and is not treated and would not comply with the tariff  
15 standard. Furthermore, the response PNG to SBI-II-30 (Peoples Natural Gas Exhibit No. JG-  
16 R3) indicates that SBI does not test for water vapor at their wells and therefore would not know  
17 how much water vapor in the gas is being delivered to Peoples. What this indicates is that it's  
18 more likely that Snyder producers - Snyder Brothers, Inc. and Snyder Armclar Gas Co., LP,  
19 opted out of the PA PES programs to avoid the fees as opposed to finding a way to more  
20 economically remove water vapor from their gas.  
21

22 **Q. SHOULD PEOPLES HAVE THE AUTHORITY TO SHUT-IN PRODUCER GAS**  
23 **THAT DOES NOT MEET WATER VAPOR STANDARD (NEGOTIATED OR**  
24 **TARIFF)?**

1 A. Yes. Peoples has an obligation to maintain the integrity of its pipeline systems and to serve  
2 customers safely, reliably and economically. Balancing all of those measures requires the ability  
3 to manage the gas quality entering Peoples pipelines. If a producer is not meeting gas quality  
4 including water vapor, Peoples should be permitted to shut-in a producer until the gas quality  
5 issues are addressed.

6

7 **Q. SHOULD PEOPLES HAVE THE AUTHORITY TO TERMINATE A PRODUCER**  
8 **INTERCONNECT IF THE PRODUCER REPEATEDLY VIOLATES GAS**  
9 **QUALITY STANDARDS INCLUDING WATER VAPOR?**

10 A. Yes. Peoples must have authority to enforce standards to protect service to customers and ensure  
11 pipeline integrity.

12

13

**COMPETITIVE DISCOUNTS**

14 **Q. ON PAGE 14 OF HIS DIRECT TESTIMONY, MR. CRIST ASSERTS THAT,**  
15 **BASED ON YOUR TESTIMONY IN DOCKET NO.A-2013-2353647, PEOPLES**  
16 **WAS OBLIGATED TO WAIT UNTIL THE FINAL ORDER IS ISSUED IN THIS**  
17 **RATE CASE BEFORE PHASING OUT COMPETITIVE DISCOUNTS**  
18 **PROVIDED TO FORMER GAS-ON-GAS COMPETITIVE CUSTOMERS. DO YOU**  
19 **AGREE?**

20 A. No, I do not agree with Mr. Crist's conclusion. First, I do not agree that my testimony  
21 cited by Mr. Crist states what Mr. Crist asserts. Second, the Commission approved the  
22 extension of the discounts enjoyed by former gas-on-gas competitive customers through  
23 December 31, 2018, and no longer.

24

1 **Q. IN WHAT WAY HAS MR. CRIST MIS-CHARACTERIZED YOUR TESTIMONY**  
2 **FROM DOCKET NO. A-2013-2353647?**

3 **A.** I think Mr. Crist mistook some of my testimony that addressed the ratemaking effects of  
4 gas-on-gas investigation as addressing, instead, the issue of phasing out discounts to gas-  
5 on-gas competitive customers who are competitive between Peoples and Equitable Gas  
6 Company or between Peoples TWP and Equitable Gas Company. Where in that case I  
7 testified that shifting revenue responsibility for rate discounts should be implemented  
8 only after the completion of a base rate case, Mr. Crist has wrongly concluded that  
9 testimony as addressing the phasing out of gas-on-gas competitive discounts.

10

11 **Q. CAN YOU PROVIDE MORE DETAIL?**

12 **A.** Yes. Most of this section of my Rebuttal Testimony Docket No. A-2013-2353647  
13 addresses an issue raised in the direct testimony of OSBA witness Kalcic and related to  
14 gas-on-gas competition and the ratemaking treatment of the revenue shortfall resulting  
15 from discounted rates. By this time of the proceeding, Peoples had already committed to  
16 the Federal Trade Commission to extend for five years the rate discounts enjoyed by  
17 customers who are competitive between either Peoples and Equitable Gas Company or  
18 between Peoples TWP and Equitable Gas Company. Peoples in its rebuttal case at  
19 Docket No. A-2013-2353647 had also committed to not filing for increased rates for a  
20 three-year period after closing of the acquisition. OSBA witness Kalcic addressed the  
21 issue of requiring Peoples to absorb the revenue shortfall created by gas-on-gas  
22 competitive discounting. He suggested that Peoples should absorb the discounts for the  
23 entire five-year period, but then focused on the possibility that Peoples would file a rate

1 case after the expiration of the rate stay-out period but before the expiration of the five-  
2 year extension period for gas-on-gas discounts. Mr. Kalcic argued that Peoples should  
3 absorb the revenue shortfall expected from such a situation. I responded that it was  
4 premature to reach that conclusion because in the next rate case, Peoples could establish  
5 cost-based rates for the customer class of former gas-on-gas competitive customers with a  
6 class revenue responsibility less than the revenues currently produced from discounted  
7 rates. It would therefore be unreasonable to presume any revenue shortfall and to require  
8 Peoples to absorb any shortfall before new rates are established. It is the reallocation of a  
9 presumed revenue shortfall that was being phased in during that period of year 4 and year  
10 5, not the elimination of the discounted rates.

11  
12 **Q. PLEASE DISCUSS THE TESTIMONY OF OCA WITNESS HAHN IN THE**  
13 **JOINT APPLICANTS CASE AND YOUR REBUTTAL OF THAT TESTIMONY.**

14 **A.** OCA witness Hahn testified that Peoples and its Equitable Division should be required to  
15 phase out gas-on-gas competition. Further, that the elimination of the revenue shortfall  
16 borne by other customers and the related inefficiencies of maintaining multiple sets of  
17 assets should be a benefit to Pennsylvania as a whole. I responded that Peoples has  
18 advised the parties to that case in discovery that it will phase out gas-on-gas competition  
19 discounting post-closing, and the phase-out should occur in the first distribution rate case  
20 with an effective date following the end of the five-year extension after the Commission  
21 has considered the cost of serving these customers. This reference to gas-on-gas  
22 competition was the gas-on-gas competition between the Peoples companies and  
23 Columbia Gas of PA that would exist after the 5-year rate discount period and after the

1 effective end to gas competition between Peoples and Equitable. This testimony,  
2 however, was intertwined with my response to OSBA's and Mr. Kalcic's proposal  
3 regarding absorption of a presumed revenue shortfall.

4  
5 **Q. IS THERE ANY OTHER CONTEXT TO THIS TESTIMONY?**

6 **A.** Yes. Peoples had also proposed in the gas-on-gas competition investigation docket,  
7 through my testimony, a change in how gas-on-gas competition would continue, and I  
8 had also testified in that proceeding that the change should be phased in as NGDCs  
9 complete base rate cases where their rates for competitive customers could be adjusted to  
10 cost-based rates.

11  
12 **Q. DID YOU EVER PROPOSE THAT GAS-ON-GAS COMPETITIVE DISCOUNTS**  
13 **FOR CUSTOMERS WHO ARE COMPETITIVE BETWEEN PEOPLES AND**  
14 **EQUITABLE GAS COMPANY OR BETWEEN PEOPLES TWP AND**  
15 **EQUITABLE GAS COMPANY COULD CONTINUE INDEFINITELY,**  
16 **DEPENDING ON WHETHER PEOPLES EVER FILED ANOTHER BASE RATE**  
17 **CASE?**

18 **A.** No. I was consistent through my testimony that the extension of rate discounts enjoyed  
19 by these gas-on-gas competitive customers was for a fixed period of 5 years.

20

1 SERVICE LINE ISSUES

2 **Q. MR. CULBERTSON SUBMITTED TESTIMONY AT THE PUBLIC INPUT**  
3 **HEARING HELD IN MONROEVILLE, PENNSYLVANIA. PLEASE DESCRIBE**  
4 **HIS CONCERNS.**

5 **A.** Mr. Culbertson provided twelve questions that he suggested Peoples answer in this  
6 proceeding which can be found on pages 6 and 7 of the written document that he  
7 submitted to the Administrative Law Judge holding the public input hearing. He also  
8 raised concerns regarding customer service lines.

9  
10 **Q. WOULD YOU LIKE TO RESPOND?**

11 **A.** Yes. I will begin with responses to the twelve questions provided by Mr. Culbertson in  
12 his submitted document.

13 *1) Did Peoples or a Peoples' contractor perform the work at 1300 block of Craigview*  
14 *Dr. in Mt Lebanon?*

15 The work was performed by a Peoples contractor.

16 *2) As part of the work, did the scope of work including taking possession of the*  
17 *customer's service line and replacing it with a new plastic customer's service line?*

18 *Please provide a copy of the contract, and the scope of work.*

19 The scope of work included replacing company owned service lines (main to curb) as  
20 well as the customer owned service lines (curb to meter) if they are bare steel or fail a  
21 pressure test. The project was completed under the blanket CU contract of which M.  
22 O'Herron is a qualified Peoples contractor. The Company did not take ownership of the  
23 customer owned service line.

1           3) Did Peoples have a Peoples' quality inspector review the scope of work and validate  
2           the scope of work was within laws, regulations and standards? Please provide  
3           substantiation from the quality inspector.

4           Yes. Peoples Design Technicians design and estimate the main/service replacement  
5           projects consistent with established and long-standing guidelines. A Design Project  
6           Manager reviews the project before the project moves forward.

7           4) Who authorized the replacement of customer's service lines?

8           The PA PUC.

9           5) Are the cost to replace the customer's service lines intended to be charged to company  
10          capital or were the new service lines intended to be gifts to the homeowner? Please  
11          provide the accounting policies and entries showing how the work elements were charged  
12          to capital or work in process accounts vs. expense.

13          Costs for customer owned service line replacements are captured on a separate capital  
14          data element and rolled into the total capital recorded for the mainline replacement  
15          project within the accounting system. These costs are recoverable through the  
16          Company's Distribution System Improvement Charge ("DSIC").

17          6) Did Peoples have a service planner who contacted the homeowner to help determine  
18          right size of the new customer's service line?

19          If the customer owned service line is to be replaced, the project Contractor/Plumber  
20          communicates to and works with the customer to determine the service line size based on  
21          existing equipment and customer input.

22          7) How did peoples notify homeowners that Peoples was going to replace their  
23          customer's service line?

1 Prior to the start of the mainline replacement project, letters were sent to each affected  
2 customer. These letters include the following language: “If your service line fails these  
3 tests or our safety checks, Peoples will schedule and complete the replacement of your  
4 service line at no charge to you. This is only available for gas service lines that are  
5 interrupted due to our mainline work.”

6 *8) Did Peoples inform and receive written consent from the homeowner that their  
7 customer’s service line was going to be replaced with a much smaller plastic customer’s  
8 service line and the size of the new line may prevent the expansion of use of natural gas  
9 appliances?*

10 The Contractor/Plumber communicates with the homeowner verbally regarding service  
11 line replacement. When replacing customer owned service lines a 1 inch service is the  
12 default size installed during mainline replacement projects unless the Contractor/Plumber  
13 determines that the customer needs require a 1 ¼ or 2 inch service line. On the occasion  
14 that a 1 inch customer service line is installed and is subsequently determined to be  
15 inadequately sized, Peoples will install a larger sized customer service line.

16 *9) How much has Peoples spent on the replacement of customer’s service line in the last  
17 three years?*

18 In 2016, \$2 million; \$4.54 million in 2017; and \$7.07 million in 2018.

19 *10) Were qualified workers used to do the work? Please provide the documentation that  
20 the workers who replaced the customer’s service line had proper training as covered task  
21 in accordance 49 CFR192 Subpart N, to right size and all tasks and work elements to  
22 install customer’s service lines, service lines and mains.*

1 Yes. Documentation of qualifications are provided in Peoples Natural Gas Exhibit No.  
2 JG-R4.

3 *11) Does Peoples have an internal control policy, process, and practice that provides*  
4 *reasonable assurance that Peoples complies with Federal and Pennsylvania Law;*  
5 *Federal and Pennsylvania regulations? Specifically provide internal policy and*  
6 *substantiation through audits.*

7 *a. PA Title 66 § 1359 Projects*

8 *b. PA Chapter 59 & 59.18. Meter, regulator and service line location.*

9 All Peoples' processes and policies are predicated on compliance with all applicable  
10 Federal and State governing laws and regulations as described in Standard Operating  
11 Procedure 010-02 which is provided as Peoples Natural Gas Exhibit No. JG-R5. The  
12 PUC routinely audits major pipeline replacement projects associated with Peoples LTIP  
13 program. As part of these audits, the PUC Safety Division reviews applicable  
14 documentation to ensure code compliance as shown in Peoples Natural Gas Exhibit No.  
15 JG-R6.

16 *12. If the Peoples Division would increase to \$84.73, and the residential customer of the*  
17 *Equitable Division would increase to \$84.73. If these are independent divisions with*  
18 *separate financials, how could they end up with the same rate and be fair to customers to*  
19 *each division?*

20 These are currently independent divisions of one company and currently maintain  
21 separate financials. The Company has proposed through this proceeding to combine the  
22 financials and the tariffs of these two divisions so that all customers of Peoples Natural  
23 Gas are treated equitably.

1 **Q. ON PAGE 2 OF HIS TESTIMONY, MR. CULBERTSON MENTIONS**  
2 **CONCERNS THAT HE BELIEVES THE PUC SHOULD INVESTIGATE PRIOR**  
3 **TO GRANTING THE RATE INCREASE. WHAT ARE THOSE CONCERNS?**

4 **A.** The specific concerns he listed included:

5 • Will Peoples use this increase to spend money prudently ... will it modernize and  
6 improve Peoples' infrastructure?

7 • Will it substantially reduce greenhouse gas natural gas (methane) in the atmosphere? And  
8 is the current process designed to effectively and efficiently to accomplish the task.

9 • Are cost reasonable?

10 • What assurances are provided to the public other than intentions and hopes... that the  
11 money spent will this make us safer?

12 • What assurances are provided to the public that Peoples has adequate internal controls  
13 ....defined as effective and efficient operations, reliable reporting and compliance with  
14 laws and regulations?

15 • How does the public know that Peoples is not acting like a monopoly, of which they are,  
16 and that their primary purpose for the rate increase is expand the rate base to enhance  
17 corporate value and profits?

18

19 **Q. WOULD YOU PLEASE RESPOND TO THESE CONCERNS?**

20 **A.** Peoples is filing a base rate case due to the continued investment in infrastructure.  
21 Natural gas pipeline infrastructure improvements positively impact the environment  
22 while also ensuring long-term reliability and safety. Without an increase, Peoples'  
23 revenues will not be sufficient to cover the costs to provide service to customers and

1 provide Peoples a fair return on investment. This proceeding, which includes the input  
2 and analysis of multiple regulatory parties is designed to ensure that Peoples' requested  
3 rate increase is reasonable and justifiable. As discussed earlier in my testimony regarding  
4 Mr. Matse's concerns about the pipeline replacement program, Peoples has met its past  
5 goals for pipeline replacement and has adequate resources to meet the Company's LTIP  
6 projections for pipeline replacement going forward. As part of its LTIP the Company  
7 has made commitments to replace aging infrastructure well into the future. Further, the  
8 Company annually reports its actual spending under the LTIP to the PUC.

9 With regards to appropriate controls and safeguards in place at Peoples, the  
10 Company has adequate internal controls as well as many policies and procedures that  
11 ensure that it prepares reliable reporting and complies with laws and regulations. Further,  
12 the Company is subject to various financial, safety, operations and management  
13 conducted audits by the PUC's Bureau of Audits.

14  
15 **Q. PLEASE RESPOND TO THE OTHER CONCERNS PROVIDED BY MR.**  
16 **CULBERTSON REGARDING SERVICE LINES.**

17 **A.** Mr. Culbertson shared his personal experience of a failing customer-owned service line at  
18 a home he purchased at 1632 McFarland Road, Dormont. When a Peoples technician  
19 tested the line in order to turn on the gas service to the home on March 2, 2016, the line  
20 failed the test. Another test was requested by Mr. Culbertson and it also resulted in  
21 failure. He was advised that a replacement of the customer-owned service line was  
22 necessary in order to obtain gas service. He appears to be dissatisfied that the Company  
23 replaces customer-owned service lines if they fail during mainline pipeline replacement

1 projects and that the cost of those replacements is recovered through rates while his failed  
2 customer owned service line required replacement as his cost. In its Order regarding the  
3 Company's LTIP, the Commission noted "In order to facilitate Peoples' ability to  
4 replace customer-owned services going forward, the Commission will expand the scope  
5 of its previous waiver to include all at-risk customer-owned services and not just those  
6 that fail a pressure test. The waiver will still be "limited" in the fact that Peoples will not  
7 take ownership of the customer-owned portion of the service line, but may recover the  
8 cost of the replacement through its DSIC."<sup>6</sup> Therefore, the Company's recovery of the  
9 replacement of customer-owned service lines during mainline replacement projects has  
10 already been established is not an issue for this proceeding.

11 He additionally raised a concern that the Company is 'degrading' the value of  
12 homes by the size in diameter of the lines installed. He specifically raises concern about  
13 1 inch PE service line. However, the maximum capacity of such a line is 703 cfh, or  
14 703,000 BTUs. This capacity would enable a homeowner to comfortably support  
15 numerous natural gas appliances.

16  
17 **Q. DO YOU HAVE ANY OTHER REVISIONS TO YOUR DIRECT TESTIMONY?**

18 A. No I do not.

19  
20 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

21 A. Yes. I reserve the right to supplement my testimony as additional issues arise during the  
22 course of this proceeding. Thank you.

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<sup>6</sup> Docket Nos. P-2013-2344596 and P-2013-2342745

**RULES AND REGULATIONS GOVERNING THE  
 DISTRIBUTION AND SALE OF GAS (Continued)**

**8. Extensions**

**8.1 Service Connections**

The Company will install the service line from its main to point of delivery, as defined in the Point of Delivery section of this tariff; provided, however;

- (a) In the territories formerly served under Tariff Gas–Pa. P.U.C. No. 6 and Tariff Gas–Pa. P.U.C. No. 7, the Company will install at its expense the service line from its main to a convenient point approximately one-hundred fifty (150) feet inside the customer's property line, absent any abnormal underground conditions or excessive permitting requirements. (See the description of Territory section of this tariff to identify territory formerly served under Tariff Gas–Pa. P.U.C. No. 6 and Tariff Gas–Pa. P.U.C. No. 7.)
- (b) In rural areas, where service is not available directly from the Company, service may be provided from a transmission or production line. It is the sole discretion of the owner of the transmission or production line to allow service from their facilities to the customer. If connection is allowed, the Company's service connection will consist of a tap on the line and a service valve.

**8.2 Capital Expenditure Policy**

**8.2.1 Residential Distribution Service**

The Company, at its discretion, may extend its distribution mains up to a distance of one-hundred fifty (150) feet on any street or highway without cost to an applicant(s), absent any abnormal underground conditions or unusual permitting requirements. When abnormal underground conditions or unusual permitting requirements exist, as determined by the Company, the applicant(s) will be required to pay a refundable cash deposit in an amount determined by the Company. (C)

The applicant(s) will be required to pay a cash deposit to the Company when it is necessary to extend the main line more than one-hundred fifty (150) feet per applicant. The cash deposit will be equal to the difference between the minimum capital investment required to serve the applicant(s)'s gas requirements, excluding the one-hundred fifty (150) foot main allotment per applicant, and the amount of capital that the Company can justify investing in the project, based on the anticipated gas requirements of the applicant(s). The minimum capital investment is the capital expenditure required to serve only the gas requirements requested by the particular applicant(s).

The maximum allowable investment is the amount of capital expenditure which the estimated revenues generated from a proposed project would support and still provide the necessary return to the Company, taking into consideration the estimated additional annual quantities, rate schedule, cost of gas, operating and maintenance expense, interest and taxes.

If the net present value of the project is greater than \$1,000 per applicant, the Company may, at its sole discretion, provide a contribution up to \$1,000 per applicant, to offset installation costs of gas piping incurred by the applicant(s).

(C) Indicates Change

**Docket No. R-2018-3006818**  
**Peoples Natural Gas Company LLC**  
**Data Requests**

**Respondent: Joseph Gregorini**

**SBI-I-3** Reference Peoples Statement No. 2, Page 14, Line 1. Why is a reversal of the ongoing decline in production from conventional wells not expected? Insofar as your response references any workpapers, documents, emails, or any other documentation, please provide copies thereof.

**Response:** Peoples has no evidence to believe otherwise that the decline in conventional local production will not continue. Peoples has experienced a steady decline of conventional local production from 36.9 Bcf in 2014 to 27.4 Bcf in 2018. During the same 5-year period, Peoples has only added a total of 15 new producer taps, with zero new taps in 2018.

**Docket No. R-2018-3006818**  
**Peoples Natural Gas Company LLC**  
**Data Requests**

**Respondent: Joseph Gregorini**

**SBI-I-7** Please provide workpapers, documents, emails, and any other documentation used to derive the minimum rate proposed for Rate AGS and the maximum rate proposed for Rate AGS.

**Response:** Peoples established the proposed minimum gathering rate at \$0.26 per Mcf because it represents a rate level that could be assessed to producers in a low-natural gas market period and, in our judgement, would not lead to potential producer shut-ins and may help to mitigate declining production trends. The proposed minimum rate and this supporting rationale was in part based on feedback received from PIOGA during discussions regarding a revised Rate AGS rate structure to replace the existing PA PES program at the Peoples Division and the AGS tariff at the Equitable Division. Those discussions focused on ways to establish a reasonable and ongoing producer contribution to offset end-use customer's charges and that would also not create an economic disincentive for conventional produces to continue to produce gas supplies into the Peoples' systems.

The maximum Rate AGS rate is equal to the fully allocated gathering cost of service for the fully projected future test year as set forth in Peoples Exhibit RAF-3 to witness Feingold's testimony.

DTI SP App Index - January First of the Month ("FOM") Close

<u>FPFTY</u>		<u>@ 1/2/2019</u>
		<u>\$/Dth</u>
Nov-19	\$	2.188
Dec-19	\$	2.402
Jan-20	\$	2.566
Feb-20	\$	2.513
Mar-20	\$	2.350
Apr-20	\$	2.080
May-20	\$	1.933
Jun-20	\$	1.927
Jul-20	\$	1.908
Aug-20	\$	1.914
Sep-20	\$	1.750
Oct-20	\$	<u>1.724</u>
Avg.	\$	2.105
Gathering	\$	0.260
Minimum		12.4%

**Docket No. R-2018-3006818**  
**Peoples Natural Gas Company LLC**  
**Data Requests**

**Respondent: Joseph Gregorini**

**SBI-I-9** Please provide workpapers showing how Rate AGS revenues at present rates and at proposed rates were developed. Please list the producer by letter or number, not a name, such as producers A, B, etc. For each producer list the future test year volumes, rate at present and at proposed rates, and revenue that when added together produce the Revenue at present and at proposed rates for Rate AGS.

**Response:** See attached. The development of the Rate AGS revenues was calculated by system, rather than by discrete producer.

Peoples Natural Gas Company  
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**FPFTY Volume By Month**

Gathering System		11/30/2019	12/31/2019	1/31/2020	2/29/2020	3/31/2020	4/30/2020	5/31/2020	6/30/2020	7/31/2020	8/31/2020	9/30/2020	10/31/2020	TME 10/31/2020
PNGD	System 1	1,721,946	1,716,448	1,710,968	1,705,506	1,700,061	1,694,633	1,689,223	1,683,830	1,678,454	1,673,095	1,667,754	1,662,429	20,304,346
PNGD	System 2	72,793	72,561	72,329	72,098	71,868	71,639	71,410	71,182	70,955	70,728	70,502	70,277	858,342
EGCD	System 1	954,272	957,485	944,575	869,511	853,973	627,930	919,155	1,036,478	752,213	771,171	733,653	718,734	10,139,149
EGCD	System 2	332,056	321,680	311,627	301,889	292,455	283,316	274,462	265,885	257,576	249,527	241,729	234,175	3,366,376
														34,668,213

**Present Rate**

Gathering System		11/30/2019	12/31/2019	1/31/2020	2/29/2020	3/31/2020	4/30/2020	5/31/2020	6/30/2020	7/31/2020	8/31/2020	9/30/2020	10/31/2020	TME 10/31/2020
PNGD	System 1	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26
PNGD	System 2	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16
EGCD	System 1	\$ 0.72	\$ 0.72	\$ 0.72	\$ 0.72	\$ 0.72	\$ 0.72	\$ 0.72	\$ 0.72	\$ 0.72	\$ 0.72	\$ 0.72	\$ 0.72	\$ 0.72
EGCD	System 2	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22

**FPFTY Revenue at Present Rate**

Gathering System		11/30/2019	12/31/2019	1/31/2020	2/29/2020	3/31/2020	4/30/2020	5/31/2020	6/30/2020	7/31/2020	8/31/2020	9/30/2020	10/31/2020	TME 10/31/2020
PNGD	System 1	\$ 447,706	\$ 446,277	\$ 444,852	\$ 443,432	\$ 442,016	\$ 440,605	\$ 439,198	\$ 437,796	\$ 436,398	\$ 435,005	\$ 433,616	\$ 432,232	\$ 5,279,130
PNGD	System 2	\$ 11,647	\$ 11,610	\$ 11,573	\$ 11,536	\$ 11,499	\$ 11,462	\$ 11,426	\$ 11,389	\$ 11,353	\$ 11,316	\$ 11,280	\$ 11,244	\$ 137,335
EGCD	System 1	\$ 687,076	\$ 689,389	\$ 680,094	\$ 626,048	\$ 614,861	\$ 452,109	\$ 661,792	\$ 746,264	\$ 541,593	\$ 555,243	\$ 528,230	\$ 517,488	\$ 7,300,187
EGCD	System 2	\$ 73,052	\$ 70,770	\$ 68,558	\$ 66,416	\$ 64,340	\$ 62,329	\$ 60,382	\$ 58,495	\$ 56,667	\$ 54,896	\$ 53,180	\$ 51,519	\$ 740,603
														\$ 13,457,254

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**FPFTY Volume By Month**

Gathering System		11/30/2019	12/31/2019	1/31/2020	2/29/2020	3/31/2020	4/30/2020	5/31/2020	6/30/2020	7/31/2020	8/31/2020	9/30/2020	10/31/2020	TME 10/31/2020
PNGD	System 1	1,721,946	1,716,448	1,710,968	1,705,506	1,700,061	1,694,633	1,689,223	1,683,830	1,678,454	1,673,095	1,667,754	1,662,429	20,304,346
PNGD	System 2	72,793	72,561	72,329	72,098	71,868	71,639	71,410	71,182	70,955	70,728	70,502	70,277	858,342
EGCD	System 1	954,272	957,485	944,575	869,511	853,973	627,930	919,155	1,036,478	752,213	771,171	733,653	718,734	10,139,149
EGCD	System 2	332,056	321,680	311,627	301,889	292,455	283,316	274,462	265,885	257,576	249,527	241,729	234,175	3,366,376
														34,668,213

**Proposed Rate**

Gathering System		11/30/2019	12/31/2019	1/31/2020	2/29/2020	3/31/2020	4/30/2020	5/31/2020	6/30/2020	7/31/2020	8/31/2020	9/30/2020	10/31/2020	TME 10/31/2020
PNGD	System 1	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26
PNGD	System 2	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26
EGCD	System 1	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26
EGCD	System 2	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22

**FPFTY Revenue at Proposed Rate**

Gathering System		11/30/2019	12/31/2019	1/31/2020	2/29/2020	3/31/2020	4/30/2020	5/31/2020	6/30/2020	7/31/2020	8/31/2020	9/30/2020	10/31/2020	TME 10/31/2020
PNGD	System 1	\$ 447,706	\$ 446,277	\$ 444,852	\$ 443,432	\$ 442,016	\$ 440,605	\$ 439,198	\$ 437,796	\$ 436,398	\$ 435,005	\$ 433,616	\$ 432,232	\$ 5,279,130
PNGD	System 2	\$ 18,926	\$ 18,866	\$ 18,806	\$ 18,746	\$ 18,686	\$ 18,626	\$ 18,567	\$ 18,507	\$ 18,448	\$ 18,389	\$ 18,331	\$ 18,272	\$ 223,169
EGCD	System 1	\$ 248,111	\$ 248,946	\$ 245,589	\$ 226,073	\$ 222,033	\$ 163,262	\$ 238,980	\$ 269,484	\$ 195,575	\$ 200,504	\$ 190,750	\$ 186,871	\$ 2,636,179
EGCD	System 2	\$ 73,052	\$ 70,770	\$ 68,558	\$ 66,416	\$ 64,340	\$ 62,329	\$ 60,382	\$ 58,495	\$ 56,667	\$ 54,896	\$ 53,180	\$ 51,519	\$ 740,603
														\$ 8,879,080

**Docket No. R-2018-3006818**  
**Peoples Natural Gas Company LLC**  
**Data Requests**

**Respondent: Joseph Gregorini**

**SBI-I-35** What, if anything, is Peoples doing to encourage or provide incentive for producers to drill new gas wells for the benefit of customers served in isolated areas where production is declining, and the customers are served from gathering lines and run the risk of losing natural gas as their energy source due to pipeline abandonment? Please describe any incentives Peoples is offering to encourage well production in these areas. Insofar as your response references any work papers, documents, emails, or any other documentation, please provide copies thereof.

**Response:** Refer to the proceeding and Recommended Decision in Pa PUC Order dated August 11, 2016 in Docket Nos. R-2016-2528562 and R-2016-2529260. Per this Order, the Company received approval of a price incentive mechanism that can be offered to local producers to encourage the production of local gas in specific areas where the Company may require local gas supplies for the efficient operation of its system. To date, Peoples has not utilized this mechanism because it has been able to utilize other more cost effective supply options to ensure the availability of supplies. Peoples intends to continue to explore the possible use of this price incentive when and where it may be needed.

**Docket No. R-2018-3006818**  
**Peoples Natural Gas Company LLC**  
**Data Requests**

**Respondent: Joseph Gregorini**

**SBI-II-2** Reference Peoples Statement No. 2, Page 14, Line 1.

- a. Please provide by year, beginning in 2012, the volumes of conventional local production separately for Equitable and Peoples.
- b. Can Mr. Gregorini say with certainty that none of the decline in volume on the Equitable System is related to Rate AGS?

**Response:**

- a. The following table lists the conventional production for the years 2012-2018. Note: The conventional production data for the Equitable division is only available for 2014-2018, since the Peoples' acquisition of the Equitable Gas utility assets.

	PNG	EGC
2012	35,805,144	N/A
2013	33,631,385	N/A
2014	28,430,737	8,466,212
2015	26,304,420	7,540,846
2016	22,104,643	6,933,048
2017	20,636,236	6,776,964
2018	21,219,208	6,183,001

- b. No.

Revised

**Docket No. R-2018-3006818**  
**Peoples Natural Gas Company LLC**  
**Data Requests**

**Respondent: Joseph Gregorini**

- SBI-II-28** Are producers who deliver gas into the Equitable Division gathering system getting a rate reduction under proposed Rate AGS?
- a. If the response is "yes," then please list separately for the Peoples Division and the Equitable Division the number of producers that are getting a rate reduction, the associated volumes, and the average rate at present rates and at proposed rates.
  - b. Please list the number of producers and associated volumes that are getting a rate increase for each the Peoples Division and the Equitable Division separately and the average rate at present rates and proposed rates.

**Response:**

a.	Division	No. of Producers Rate Reduction	HTY 12- month Mcf	Current Straight Avg Rate	Proposed Avg Rate
	Peoples	151	19,099,995	\$0.31	\$0.26
	Equitable	108	10,385,183	\$0.67	\$0.26
	Peoples AVC Direct	11	7,646,372	\$0.16	N/A

b.	Division	No. of Producers Rate Increase	HTY 12- month Mcf	Current Straight Avg Rate	Proposed Avg Rate
	Peoples	30	3,126,218	\$0.10	\$0.26
	Equitable	9	36,334	\$0.00	\$0.26

\*Proposed rate is an index rate with a minimum of \$.26 /Mcf. Peoples AVC Direct production is gas being delivered from an interstate pipeline to Peoples' system therefore charging a rate to "gather" supplies is not applicable after implantation of Rate AGS on Peoples Division.

**Docket No. R-2018-3006818**  
**Peoples Natural Gas Company LLC**  
**Data Requests**

**Respondent: Joseph Gregorini**

**SBI-III-10**

Reference Peoples' response to SBI-Peoples-II-17.

- a. For the 1.115 Bcf coming into the transmission and distribution system for the Peoples Division for the HTY, please provide a breakdown as follows: transmission-conventional, transmission-non-conventional, distribution-conventional, distribution-non-conventional.
- b. Please provide the same breakdown described in part (a) for the 6.045 Bcf of gas coming into the Equitable Division system for the HTY.

**Response:**

- a. For the Peoples Division, 789,453 Mcf out of the 1.115 Bcf is from non-conventional production of which 1,838 Mcf came into a transmission line and 787,615 came into a distribution line. The conventional volumes are not routinely aggregated between production entering the transmission lines versus distribution lines so that breakout is not readily available. However, Peoples estimates 238,736 Mcf came into a transmission line and 87,181 Mcf came into a distribution line.
- b. For the Equitable Division, our original response to SBI-II-17 inadvertently omitted a couple production meters therefore the correct amount is 6.577 Bcf of which all is non-conventional and enters a distribution system.

**PEOPLES NATURAL GAS COMPANY LLC****SNYDER BROTHERS, INC, VEC ENERGY LLC AND SNYDER ARMCLAR GAS  
CO., LP – SET I****Docket No. R-2018-3006818****PNG to SBI-II-16.**

Please reference SBI Statement No. 1. Do the contracts under which SBI and/or its affiliates sell gas to any entities on Peoples' systems currently contain any provisions that allow them to pass along to the buyer any AGS fees assessed by Peoples under the proposed Rate AGS service? If so, please provide a breakdown of:

- (a) All current annual volumes produced by SBI and/or its affiliates into Peoples' systems that are associated with such contracts; and
- (b) All current annual volumes produced by SBI and/or its affiliates into Peoples' systems that are not associated with such contracts.

**Response**

Yes, SBI and its affiliates do have some contractual provisions that may allow them to pass these costs on to the buyer; however, SBI and its affiliates will need to evaluate whether doing so will place SBI and its affiliates at a competitive disadvantage and result in a loss of those buyers. If other producers are not passing on the costs, then SBI may become uncompetitive by doing so. Each situation will be evaluated based on the specific circumstances.

**Response Provided by: Nathan Henry**  
Date: May 20, 2019

**PEOPLES NATURAL GAS COMPANY LLC****SNYDER BROTHERS, INC, VEC ENERGY LLC AND SNYDER ARMCLAR GAS  
CO., LP – SET I****Docket No. R-2018-3006818****PNG to SBI-II-22.**

Please reference SBI Statement No. 1, p. 39. Identify each well owned by SBI and/or any affiliates that is located within the Equitable service territory and is able to move production to market without using Peoples' distribution, transmission, or gathering system. For each of these wells, please provide the annual production for each of the past 5 years.

**Objection:** Section 5.321(c) of the Commission's Regulations indicates that "a party may obtain discovery regarding any matter, not privileged, which is relevant to the subject matter involved in the pending action . . ." 52 Pa. Code § 5.321(c). The information sought must be "reasonably calculated to lead to the discovery of admissible evidence." *Id.* SBI objects to this interrogatory on the grounds that it requests information that is (1) beyond the scope of the Direct Testimony of SBI's witness, Diane Meyer Burgraff, (2) overly broad, and (3) not relevant to this proceeding nor likely to lead to the discovery of admissible evidence. Ms. Burgraff's Direct Testimony did not address or concern the information requested by this interrogatory. Additionally, the details of SBI's and its affiliates' natural gas wells and related business arrangements are not relevant to the issues in this proceeding, which address the justness and reasonableness of the rates and tariff provisions proposed by Peoples. Accordingly, Peoples to SBI-II-22 is beyond the scope of discovery under Section 5.321(c) of the Commission's Regulations. *Id.*

**Response**

Please refer to SBI's objections served on May 14, 2019 and restated above.

**Response Provided by: McNees Wallace & Nurick LLC**  
Date: May 20, 2019

## PEOPLES NATURAL GAS COMPANY LLC

SNYDER BROTHERS, INC, VEC ENERGY LLC AND SNYDER ARMCLAR GAS  
CO., LP – SET IDocket No. R-2018-3006818**PNG to SBI-II-24.**

Does Snyder Brothers and their affiliates have gas treatment to remove water and water vapor at all of their wells connected to Peoples Natural Gas and Peoples Equitable Division?

- a) If not, why not and how does Snyder Brothers ensure that water vapor meets Peoples standards?
- b) For the wells that do have gas treatment:
  - i. What type of gas treatment is used?
  - ii. Does the gas treatment require maintenance including either fuel and/or replacement of desiccant?
  - iii. How often does Snyder Brothers replace desiccant at each well

**Response**

Yes.

a) N/A

b)i. Drips;

b)ii. Yes, drips are drained as needed.

b)iii. Desiccant is used on an occasional basis. One affiliate, VEC, uses approximately \$800 per year of desiccant in the operation of one well connected to Peoples' meter 9321 with a small compressor unit.

**Response Provided by: Carl Rose**  
Date: May 20, 2019

**PEOPLES NATURAL GAS COMPANY LLC**

**SNYDER BROTHERS, INC, VEC ENERGY LLC AND SNYDER ARMCLAR GAS  
CO., LP – SET I**

**Docket No. R-2018-3006818**

**PNG to SBI-II-29.**

Does Snyder Brothers and their affiliates treat their gas for water vapor to the 7# standard in Peoples Natural Gas tariff? If not, why not?

**Response**

SBI and its affiliates treat their gas to the same extent as many other producers of conventional natural gas on the Peoples low pressure systems. SBI uses drips and will use desiccant on a location-specific basis when requested. By way of further response, see response to PNG to SBI-II-24.

**Response Provided by: Carl Rose and Lloyd Cravener**

Date: May 20, 2019

## PEOPLES NATURAL GAS COMPANY LLC

SNYDER BROTHERS, INC, VEC ENERGY LLC AND SNYDER ARMCLAR GAS  
CO., LP – SET IDocket No. R-2018-3006818**PNG to SBI-II-30.**

Does Snyder Brothers and their affiliates test for water vapor for wells connected to Peoples Natural Gas.

- (a) If not, why not and how does Snyder Brothers ensure that water vapor meets Peoples standards?
- (b) If so, please provide all water vapor test in 2017 and 2018 listing Peoples PO number, test date, test results

**Response**

No, SBI and its affiliates do not perform water vapor testing. SBI and its affiliates treat their gas to the same extent as many other producers of conventional natural gas on the Peoples low pressure system (*i.e.*, through drips). Calcium chloride desiccant is generally ineffective at meeting a 7# standard except in high pressure, low temperature scenarios. Lithium chloride desiccant is more effective in a wider range of pressure and temperature scenarios, but is not economical and the effectiveness of this desiccant varies depending upon the pressure and temperature of gas produced from a given well. Glycol dehydrators are more expensive to install and also are being discouraged at this time due to methane releases. Also, Glycol Dehydrators are largely ineffective when attempting to operate under 200 PSIG.

**Response Provided by:** Carl Rose  
Date: May 20, 2019







Query Criteria:	
User:	Arch, William
Learning Program:	ALL
Date from:	---
Date to:	---

Note: C=Complete I=Incomplete NS=Not Started  
 EX=Exemption EQ=Equivalency OD=Overdue  
 REQ=Required OPT=Optional

**Report Output:**

User: Arch, William

Course Title	Date Due	Training	Status	Completion Date	Print Cert
<b>past completions</b>					
<b>PIPELINE OPQ-L-00100</b>	<b>2016-AUG-24</b>	<b>REQ</b>	<b>EQ</b>	<b>2016-AUG-24</b>	
<b>Comments:</b> >Bulk Non-WBT Completion Entry					
<i>Pipeline - You must take all items in this set.</i>					
OPQ-P-00901 System Patrolling(CR)		REQ	NS		
OPQ-P-01001 Cast Iron Joints - Sealing(CR)		REQ	NS		
OPQ-P-01201 Leakage Survey: Distribution and Transmission(CR)		REQ	NS		
OPQ-P-01203 Inside Gas Leakage Investigation(CR)		REQ	NS		
OPQ-P-01301 Leak and Strength Test - Service Lines, Mains & Transmission Lines(CR)		REQ	NS		
OPQ-P-01401 Abandonment or Inactivation of Facilities(CR)		REQ	NS		
OPQ-P-01402 Backfilling(CR)		REQ	NS		
OPQ-P-01404 Casing Vents and Seals(CR)		REQ	NS		
OPQ-P-01405 Underground Clearances(CR)		REQ	NS		
OPQ-P-01408 Installation of Plastic Pipe(CR)		REQ	NS		
OPQ-P-01409 Installation of Steel Pipe(CR)		REQ	NS		
OPQ-P-01410 Cover - Service Lines, Mains & Transmission Lines(CR)		REQ	NS		
OPQ-P-01411 Inspection of Material(CR)		REQ	NS		
OPQ-P-01413 Line Markers(CR)		REQ	NS		
OPQ-P-01414 Pipeline Shutdown, Startup or Pressure Change(CR)		REQ	NS		
OPQ-P-01415 Protection from Hazards(CR)		REQ	NS		
OPQ-P-00402 Coating Maintenance(CR)		REQ	NS		
OPQ-P-00501 Cathodic Protection System Maintenance(CR)		REQ	NS		
OPQ-P-00503 Cathodic Protection Systems – Electrical Connections(CR)		REQ	NS		
OPQ-P-00512 Pipe-to-Soil Testing(CR)		REQ	NS		
OPQ-P-00701 Locating, Installing and Protecting Customer Meters and Regulators(CR)		REQ	NS		
OPQ-P-00801 Locating Pipelines(CR)		REQ	NS		
OPQ-P-00802 Protection During Disturbance of Segment Support(CR)		REQ	NS		
OPQ-P-00803 Inspection for Damage(CR)		REQ	NS		
OPQ-P-01418 Purging(CR)		REQ	NS		
OPQ-P-01424 Support and Anchor Maintenance - Exposed Pipeline(CR)		REQ	NS		
OPQ-P-01425 Tapping Cast and Ductile Iron Pipe(CR)		REQ	NS		
OPQ-P-01426 Tapping Steel and Plastic Pipe(CR)		REQ	NS		
OPQ-P-01427 Valve Maintenance(CR)		REQ	NS		
OPQ-P-01430 Internal Sealing – Cast Iron and Ductile Iron Segments(CR)		REQ	NS		
OPQ-P-01431 Segment Removal(CR)		REQ	NS		
OPQ-P-01432 Leak Clamps and Sleeves(CR)		REQ	NS		
OPQ-P-02010 Service Line Replacement(CR)		REQ	NS		
OPQ-P-02011 Prevention of Accidental Ignition(CR)		REQ	NS		
OPQ-P-00401 Corrosion Monitoring - Atmospheric, External & Internal(CR)		REQ	NS		
OPQ-P-01417 Protection When Minimum Cover Not Met(CR)		REQ	NS		
OPQ-P-00702 Customer Pressure Regulating, Limiting and Relief Devices – Operation & Maintenance(CR)		REQ	NS		
OPQ-P-01202 Outside Gas Leakage Investigation, Pinpointing & Grading(CR)		REQ	NS		
OPQ-P-02014 Service Lines Not In Use and Service Discontinuance(CR)		REQ	NS		
OPQ-E-00001 Abnormal Operating Conditions(CR)		REQ	NS		
<b>past completions</b>					
<b>PLASTIC JOINER OPQ-P-00210</b>	<b>2017-JAN-12</b>	<b>REQ</b>	<b>EQ</b>	<b>2017-JAN-12</b>	
<b>Comments:</b> >Bulk Non-WBT Completion Entry					
<i>Plastic Joiner - You must take all items in this set.</i>					
OPQ-P-01002 Plastic Pipe-Electrofusion(CR)		REQ	NS		
OPQ-P-01003 Plastic Pipe-Butt Heat Fusion(CR)		REQ	NS		
OPQ-P-01006 Plastic Pipe-Socket Heat Fusion(CR)		REQ	NS		
OPQ-P-01005 Plastic Pipe-Mechanical Joints(CR)		REQ	NS		
OPQ-E-00001 Abnormal Operating Conditions(CR)		REQ	NS		
<b>past completions</b>					
<b>PLASTIC JOINER OPQ-P-00210</b>	<b>2018-JAN-08</b>	<b>REQ</b>	<b>EQ</b>	<b>2018-JAN-08</b>	
<b>Comments:</b> >Bulk Non-WBT Completion Entry					
<i>Plastic Joiner - You must take all items in this set.</i>					
OPQ-P-01002 Plastic Pipe-Electrofusion(CR)		REQ	NS		
OPQ-P-01003 Plastic Pipe-Butt Heat Fusion(CR)		REQ	NS		
OPQ-P-01006 Plastic Pipe-Socket Heat Fusion(CR)		REQ	NS		
OPQ-P-01005 Plastic Pipe-Mechanical Joints(CR)		REQ	NS		
OPQ-E-00001 Abnormal Operating Conditions(CR)		REQ	NS		
<b>past completions</b>					
<b>PLASTIC JOINER OPQ-P-00210</b>	<b>2020-JAN-14</b>	<b>REQ</b>	<b>EQ</b>	<b>2019-JAN-14</b>	
<b>Comments:</b> >Bulk Non-WBT Completion Entry					
<i>Plastic Joiner - You must take all items in this set.</i>					
OPQ-P-01002 Plastic Pipe-Electrofusion(CR)		REQ	NS		
OPQ-P-01003 Plastic Pipe-Butt Heat Fusion(CR)		REQ	NS		
OPQ-P-01006 Plastic Pipe-Socket Heat Fusion(CR)		REQ	NS		
OPQ-P-01005 Plastic Pipe-Mechanical Joints(CR)		REQ	NS		
OPQ-E-00001 Abnormal Operating Conditions(CR)		REQ	NS		
<b>past completions</b>					
<b>IFIR - LEVEL 1 INITIAL (DELIVERY) IMP-E-00100</b>	<b>2022-MAR-21</b>	<b>REQ</b>	<b>EQ</b>	<b>2019-MAR-21</b>	
<b>Comments:</b> >Bulk Non-WBT Completion Entry					



## Standard Operation Procedure

**Section:** 010 / General  
**SOP:** 02 / Policy Statement

**Effective Date:** 04/01/2000  
**Revision Date:** 09/12/2018  
**Previous Review Date:** 10/02/2017

### I. SCOPE

This procedure provides policy regarding compliance with applicable local, state, and federal regulations.

### II. POLICY STATEMENT

- A. It is the policy of the Company to provide safe and reliable service to its customers, safety to its employees and protection of the environment. This policy can only be achieved and maintained by complying with all applicable local, state and federal regulations. The Standard Operating Procedures set forth in the Pipeline Safety Operations & Maintenance Manual, Environmental Manual and Employee Safety Manual meet or exceed all applicable regulations. The Pipeline Safety Operations & Maintenance Manual also incorporates, by reference, the Emergency Response Plan, Drug & Alcohol Plan, Welding Procedures, Fusion & Joining Qualification Manual, the Operator Qualification Plan, the Transmission and Distribution Pipeline Integrity Management Programs, the Design Standards Manual, the Control Room Management Plan and the Job Procedures. In a large number of procedures, training or guidance documents and/or industry codes, standards and specifications are used to provide direction for specific procedure execution.
- B. Appropriate parts of these manuals and plans are strategically located throughout the Peoples databases and the Peoples Place intranet website. It is the responsibility of each employee to review these manuals and plans and to comply with all procedures within their area of responsibility. It is also the responsibility of each employee to report any instances of noncompliance, within or outside of their area of responsibility.
- C. Employees will be instructed and trained as necessary in procedures and methods to ensure uniformity, safety and efficiency in operating the corporation.

- D. These manuals and plans are also available for inspection by outside regulatory agencies.

**Exceptions**

N/A

**Environmental**

**Safety**

**Job Procedures**

**Forms, Tables and Reports**

**Regulations**

**DOT 49 CFR 192.605**

**DOT 49 CFR 192.631**

**DOT 49 CFR 199**

# PENNSYLVANIA PUBLIC UTILITY COMMISSION

## PLASTIC PIPELINE CONSTRUCTION

Inspection Report		Post Inspection Memorandum	
OPID:	15350	NC Required :	No
Inspection/ Submit Date :	8/2/2018	Inspection Tracking # :	9397
		NC Tracking # :	
OPID: 15350			
Name Of Operator : PEOPLES NATURAL GAS - WILKINSBURG			
Operator Address: 1201 PITT ST WILKINSBURG, PA 15221 -			
Records Location: 1201 Pitt Street, Wilkinsburg, PA			
Commodity: Natural Gas			
Inspection Type: Field And Records			Inspection Date(s) : 01/17/2018, 08/02/2018
PUC Representative(s): Lassine Niambele			Field Days : 1

**Findings:** Merrimac Street, Mount Washington in the City of Pittsburgh:

This pipeline replacement section consist of eliminated 4"825'BS with 4"825'PE & 12'3"PE (for 1-tie-in-piece). This project was the result of leak complaint on Merrimac Street on Mount Washington area in the city of Pittsburgh. This is not a major project.

The work start 01/09/18 and complete 02/02/18.

Project records reviewed included operator qualification records, pressure test records, company maps, PA One Calls records, and pipe specifications information on the main and service lines.

Risk assessment records for leaks history also were review, included Company DIMP records and Gas Standard for this project, Plastic -Tie and Butt Fusion Joining Procedures were reviewed & pressure test records.

M O ' HERRON Construction Company conduct the Main line work, and Subcontracted of Delona Sewers for Service lines. ALL OQ were review.

No violations found!

**Summary:** Merrimac Street, Mount Washington in the City of Pittsburgh:

This pipeline replacement section consist of eliminated 4"825'BS with 4"825'PE & 12'3"PE (for 1-tie-in-piece). This project was the result of leak complaint on Merrimac Street on Mount Washington area in the city of Pittsburgh, include 42 customers service lines. This is not a major project.

The work start 01/09/18 and complete 02/06/18.

Project records reviewed included operator qualification records, pressure test records, company maps, PA One Calls records, and pipe specifications information on the main and service lines.

Risk assessment records for leaks history also were review, included Company DIMP records and Gas Standard for this project, Plastic -Tie and Butt Fusion Joining Procedures were reviewed & pressure test records.

M O ' HERRON Construction Company conduct the Main line work, and Subcontracted of Delona Sewers for Service lines. ALL OQ were review.

M O ' HERRON/Main line:

Michael Rodgers Fusion OQ issue 06/09/17; Anthony Tollari Fusion OQ issue 01/17/17;

Subcontractor of Delona Sewers/Service lines:

**NOTES:**

S; Stands for "Satisfactory".

U; Stands for "Unsatisfactory".

N/A; Stands for "Not Applicable".

N/C; Stands for "Not Checked".

No violations found!

# PENNSYLVANIA PUBLIC UTILITY COMMISSION

## PLASTIC PIPELINE CONSTRUCTION

Person Interviewed	Title	Phone No
Wayne Dadig	Compliance Manager	412-352-1576
Carl Taylor	Construction Manager	412-244-2694
Jason Zimmerman	Construction Inspector	412-901-6635
Mike Patsilevas	Construction Supervisor	412-244-2565
Nina-Katrina Barcelona	Construction Supervisor	412-290-5083

  

Construction plans reviewed? :	Yes
PA One Call Information (192.614 a & d, 192.13c) One Call #s:	20180371877; 20180041582; 20180030228; 20180020025.
Description of Construction include length of project (ft), number of valves, planned bores & casing locations; purpose of line, tie-in points & type, and complete pipe specs on next page	This pipeline replacement section consist of eliminated of 4"825'BS with 4"825'PE & 12'3"PE (for 1-tie-in-piece). This project was the result of leak complaint on Merrimac Street on Mount Washington area in the city of Pittsburgh, include 42 customers service lines. This is not a major project. The work start 01/09/18 and complete 02/06/18.
DESIGN REQUIREMENTS PROJECT INFORMATION (additional info add to comments)	

# PENNSYLVANIA PUBLIC UTILITY COMMISSION

## PLASTIC PIPELINE CONSTRUCTION

Title	Mains	ServiceLines
Manufacturer	Duraline	DDriscoplex
Manufacturing Standard	ASTM D2513/PE2708	ASTM D2513/PE2708
Lot or Serial Numbers main And serviceline	D06s01NR	D07j15NR-6EA
Nominal Size	4"	3"
SDR	13.5	11.5
Density And manufacturer "born on" dates	11/16/2017	
Number of "pushes" or inserts (review all tests)	None	
Proposed test pressure	90 Pig	
Proposed MAOP	7"WC(Lp)	
Joint design	None	
Coil or string type (indicate length string)	String/Stick	
Type of excavation (direct, insert, etc)	Direct/Open Cut	
Total footage or miles	See notes below	
Approximate number of services		42
Type of screenings and thickness	4"-6"top/6"-12"bottom	
Tracer wire size	#8 Gauge Wire	
Location of tracer wire relative to pipe	Bottom/below pipe	
Fusion temperature if applicable	400-500deg F(Butt)	500+-10 deg F(Socket)
Method of temperature measurement	Pyrometer	
Fusion equipment model(s)	McElroy	
Drag considered? (butt fusion only)	None	
Fusion pressure (butt fusion only)	4"SDR13.5= 99Psig	
Are manufacturer's joining procedures used?	Peoples Gas	Peoples Gas
Company Inspector (s)	Jason Zimmerman	Jason Zimmerman
Name of person(s) making the fusion, company or contractor name, and qual dates?	M O' HERRON	DELANO SEWERS

# PENNSYLVANIA PUBLIC UTILITY COMMISSION

## PLASTIC PIPELINE CONSTRUCTION

Title	Mains	ServiceLines
Manufacturer		
Manufacturing Standard		
Lot or Serial Numbers main And serviceline		
Nominal Size		
SDR		
Density And manufacturer "born on" dates		
Number of "pushes" or inserts (review all tests)		
Proposed test pressure		
Proposed MAOP		
Joint design		
Coil or string type (indicate length string)		
Type of excavation (direct, insert, etc)		
Total footage or miles		
Approximate number of services		
Type of screenings and thickness		
Tracer wire size		
Location of tracer wire relative to pipe		
Fusion temperature if applicable		
Method of temperature measurement		
Fusion equipment model(s)		
Drag considered? (butt fusion only)		
Fusion pressure (butt fusion only)		
Are manufacturer's joining procedures used?		
Company Inspector (s)		
Name of person(s) making the fusion, company or contractor name, and qual dates?		

# PENNSYLVANIA PUBLIC UTILITY COMMISSION

## PLASTIC PIPELINE CONSTRUCTION

Normal Size	Minimum wall mm/inches
2 - 3	1.52(.060)
4	1.78(.070)
6	2.45(.100)

Normal Size	Minimum wall mm/inches
2 - 3	1.52(.060)
4	1.78(.070)
6	2.45(.100)

### Main

FormColumn=3

FormColumn=4

Inspection Details				
<b>Design Requirements</b>				
Design Requirements				
192.59(b)(5)	Is the pipe free of visible defects?		S	
Marking of materials				
192.63(a)	Were pipes, valves, fittings and components marked in accordance with the ASTM D-2513-87?		S	
<b>.101</b>	<b>Requirements for the Design of Pipe</b>			
	Design limitations for plastic pipe			
	192.123(a)	Is the design pressure limited to 100psig in distribution systems or 125 psig if conditions from sections (e) or (f) are met?	S	
	192.123(c)	Is the wall thickness for thermal plastic pipe at least 1,57 mm (0.062 inches)?	S	
192.123(d)	Is the minimum wall thickness for reinforced thermal setting plastic pipe in accordance to the following table? SEE TABLE 192.123(d)		S	
<b>.141</b>	<b>Design and Installation</b>			
	Valves			
	192.145(b)	Does each valve have a max service pressure rating for temperatures that equal or exceed the max service temperature?		N/A
	Flexibility			
	192.159	Is the pipeline designed with enough flexibility to prevent thermal expansion or contraction from causing excessive stresses in the pipe or components?		S
	Distribution line valves			
	192.181(a)	Are valves being installed and spaced according to operating pressure, size of mains and operating conditions?		S
	Design pressure of plastic fittings			
	192.191(a)	Thermosetting fittings for plastic pipe must conform to ASTM 2517-00.	D	N/A
	192.191(b)	Thermoplastic fittings for plastic pipe must conform to ASTM 2513-99.	D	S
Valve installation in plastic pipe				

# PENNSYLVANIA PUBLIC UTILITY COMMISSION

## PLASTIC PIPELINE CONSTRUCTION

.141	192.193	Is each valve installed against excessive torsional or shearing loads exerted during operation of the valve?	S
.301	<b>Construction Requirements</b>		
	Compliance with specifications or standards		
	192.303	Are comprehensive written construction specifications available and adhered to?	S
	Inspection: General		
	192.305	Are inspections performed to check adherence to the construction specifications?	S
	Inspection of materials		
	192.307	Is material being visually inspected at the site of installation to insure against damage that could impair its serviceability?	S
	Repair of plastic pipe		
	192.311	Has each imperfection or damage that would impair serviceability been repaired or removed?	S
	Protection from hazards		
	192.317(a)	Is the pipeline being protected from washouts, floods, unstable soil, or other hazards that could cause the pipeline to move or sustain abnormal loads?	S
	192.317(b)	Are aboveground facilities protected from anticipated causes of damage?	S
	Installation of pipe in a ditch		
	192.319(a)	When pipe is placed in the ditch, is it installed so as to fit the ditch, minimize stresses, and protect the pipe coating from damage?	S
	192.319(b)	Does backfill provide firm support under the pipe and is the ditch backfilled in a manner that prevents damage to the pipe and coating from equipment or the backfill material?	S
	Installation of plastic pipe		
	192.321(a)	Is the plastic being installed below ground?	S
	192.321(b)	If installed in a vault or any below grade structure, is the plastic encased in gas tight metal pipe with the metal pipe and fittings protected against corrosion?	N/A
	192.321(c)	Is plastic pipe being installed to minimize shear and tinsel forces?	S
	192.321(e)	Does the plastic pipe have a means of being located with either tracer wire or some other means?	S
	192.321(f)	If inserted or encased is it done in a manner that protects the pipe from damage and is the lead end capped or sealed?	N/A
	Casing		
	192.323	Is casing installed under highways or railroads designed properly?	N/A
	Underground clearance		
	192.325(b)	Are mains installed with enough clearance to underground structures to allow proper maintenance and protection from such structures?	S
	192.325(c)	Is the plastic pipe protected from heat damage from outside forces?	S
	Cover		
192.327(b)	Is the pipeline installed with a minimal depth of 24 inches unless additional protection is provided from anticipated outside damage?	S	
192.327(c)	Where an underground structure prevents the installation of a transmission line or main with less cover, is the transmission line or main provided additional protection from external loading?	S	

# PENNSYLVANIA PUBLIC UTILITY COMMISSION

## PLASTIC PIPELINE CONSTRUCTION

.301	192.327(d)	Has the company established adequate procedures in the case of a state or municipality has established a law which allows for less cover, or requires common trench, which provides for adequate protection from external forces?	S
.351	<b>Customer Meters</b>		
	Service lines: Installation		
	192.361(a)	Are service lines provided with a minimum of 12 inches of cover on privately owned property and 18 inches on public roads?	S
	192.361(b)	Are service lines properly supported and backfilled with suitable material which will not cause damage to the pipe?	S
	192.361(c)	Are service lines graded to the main or are drips installed to prevent loss of service to the customer in the case of condensation in wet gas?	S
	192.361(d)	Are service lines protected against piping strain and external loading?	S
	Service lines: Valve Requirements		
	192.363(b)	Are service line valves which may be subject to anticipated heat made of material which could withstand the heat ( i.e. no soft seat valves)	S
	Service lines: Location of valves		
	192.365(a)	Does each service line have a valve installed upstream of the regulator or where there is no regulator, upstream of the meter?	S
	192.365(b)	Does each service line have a valve in a readily accessible location and if feasible, outside of the building?	S
	192.365(c)	Is each underground valve located inside a durable curb box or standpipe that allows for ready operation of the valve and is each curb box supported independently from the service line?	S
	Service lines: General requirements for connections to main piping		
	192.367(a)	Unless impractical, are service line taps located at the top of the main?	S
	Service lines: Plastic		
	192.375(a)(1)	Are service lines which are temporarily installed above ground either located where external damage is unlikely, or where ultraviolet light or temperature not detrimentally effect the plastic?	S
	192.375(a)(2)	Are service lines installed below ground with the portion of the service which extends aboveground protected from damage and is the riser not used to support external loads (i.e. meter)?	S
New service lines not in use			
192.379	Are new service lines not in use, properly secured with a locking device or in a manner which would prevent unauthorized tampering (i.e. physical disconnected with ends sealed)?	S	
.501	<b>Test Requirements</b>		
	Test requirements for plastic pipelines		
	192.513(b)	Is the pipeline tested in a manner which would allow for the discovery of hazardous leaks? For inserted pipe is each increment tested and documented?	S
	192.513(c)	Is the pipeline to be tested at least to 150% of the MAOP or 50 psig whichever is greater? (no more than 3 times the design pressure)	S
192.513(d)	When the pipeline is tested, is the temperature of the plastic less than 100 degrees Fahrenheit?	S	
.801 -809	<b>Operator Qualification FieldVerification</b>		
	Scope		

# PENNSYLVANIA PUBLIC UTILITY COMMISSION

## PLASTIC PIPELINE CONSTRUCTION

<b>.801 -809</b>	192.801	Operator Qualification - Use PHMSA Form 15 Operator Qualification Field Inspection Protocol Form if applicable to the project (tapping crew, purging, starting up operation must be qualified).	S
	Definitions		
	192.803	Operator Qualification - Use PHMSA Form 15 Operator Qualification Field Inspection Protocol Form if applicable to the project (tapping crew, purging, starting up operation must be qualified).	S
	Qualification Program		
	192.805	Operator Qualification - Use PHMSA Form 15 Operator Qualification Field Inspection Protocol Form if applicable to the project (tapping crew, purging, starting up operation must be qualified).	S
	Recordkeeping		
	192.807	Operator Qualification - Use PHMSA Form 15 Operator Qualification Field Inspection Protocol Form if applicable to the project (tapping crew, purging, starting up operation must be qualified).	S
	General		
192.809	Operator Qualification - Use PHMSA Form 15 Operator Qualification Field Inspection Protocol Form if applicable to the project (tapping crew, purging, starting up operation must be qualified).	S	
<b>.620</b>	<b>Operator Qualification Field Verification</b>		
	Alternative maximum allowable operating pressure for certain steel pipelines		
	192.620	If performance of a construction task associated with implementing the alternative MAOP standard in 192.620 can affect the integrity of the pipeline, the operator treats those tasks as "covered tasks" and implements the requirements of subpart N as appropriate.	N/A
<b>Operations &amp; Maintenance Plan</b>			
§192.605(a)	General. Each operator shall prepare and follow for each pipeline, a manual of written procedures for conducting operations and maintenance activities and for emergency response. For transmission lines, the manual must also include procedures for handling abnormal operations. This manual must be reviewed and updated by the operator at intervals not exceeding 15 months, but at least one each calendar year. This manual must be prepared before operations of a pipeline system commence. Appropriate parts of the manual must be kept at locations where operations and maintenance activities are conducted.		
§192.605(b)	Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following, if applicable, to provide safety during maintenance and operations.		
§192.605(b)(1)	Operating, maintaining, and repairing the pipeline in accordance with each of the requirements of this subpart and Subpart M of this part.		S
§192.605(b)(2)	Controlling corrosion in accordance with the operations and maintenance requirements of Subpart I of this part.		N/A
§192.605(b)(3)	Making construction records, maps, and operating history available to appropriate operating personnel.		S
§192.605(b)(4)	Gathering of data needed for reporting incidents under Part 191 of this chapter in a timely and effective manner.		N/A
§192.605(b)(5)	Starting up and shutting down any part of the pipeline in a manner designed to assure operation within the MAOP limits prescribed by this part, plus the build-up allowed for operation of pressure-limiting and control devices.		N/A

# PENNSYLVANIA PUBLIC UTILITY COMMISSION

## PLASTIC PIPELINE CONSTRUCTION

§192.605(b)(6)	Maintaining compressor stations, including provisions for isolating units or sections of pipe and for purging before returning to service.	N/A
§192.605(b)(7)	Starting, operating and shutting down gas compressor units.	N/A
§192.605(b)(8)	Periodically reviewing the work done by operator personnel to determine the effectiveness and adequacy of the procedures used in normal operation and maintenance and modifying the procedure when deficiencies are found.	N/A
§192.605(b)(9)	Taking adequate precautions in excavated trenches to protect personnel from the hazards of unsafe accumulations of vapor or gas, and making available when needed at the excavation, emergency rescue equipment, including a breathing apparatus and, a rescue harness and line.	S
§192.605(b)(10)	Systematic and routine testing and inspection of pipe-type or bottle-type holders including -	N/A
§192.605(b)(10)(i)	Provision for detecting external corrosion before the strength of the container has been impaired;	
§192.605(b)(10)(ii)	Periodic sampling and testing of gas in storage to determine the dew point of vapors contained in the stored gas which, if condensed, might cause internal corrosion or interfere with the safe operation of the storage plant; and,	
§192.605(b)(10)(iii)	Periodic inspection and testing of pressure limiting equipment to determine that it is in safe operating condition and has adequate capacity.	
§192.605(b)(11)	Responding promptly to a report of a gas odor inside or near a building, unless the operator's emergency procedures under §192.615(a)(3) specifically apply to these reports.	N/C
§192.605(b)(12)	Implementing the applicable control room management procedures required by § 192.631.	N/C
§192.605(c)	Abnormal operation. For transmission lines, the manual required by paragraph (a) of this section must include procedures for the following to provide safety when operating design limits have been exceeded:	
§192.605(c)(1)	Responding to, investigating, and correcting the cause of:	N/C
§192.605(c)(1)(i)	Unintended closure of valves or shutdowns;	
§192.605(c)(1)(ii)	Increase or decrease in pressure or flow rate outside normal operating limits;	
§192.605(c)(1)(iii)	Loss of communications;	
§192.605(c)(1)(iv)	Operation of any safety device; and,	
§192.605(c)(1)(v)	Any other foreseeable malfunction of a component, deviation from normal operation, or personnel error which may result in a hazard to persons or property.	
§192.605(c)(2)	Checking variations from normal operation after abnormal operation has ended at sufficient critical locations in the system to determine continued integrity and safe operation.	N/C
§192.605(c)(3)	Notifying responsible operator personnel when notice of an abnormal operation is received.	N/C
§192.605(c)(4)	Periodically reviewing the response of operator personnel to determine the effectiveness of the procedures controlling abnormal operation and taking corrective action where deficiencies are found.	N/C
§192.605(c)(5)	The requirements of this paragraph (c) do not apply to natural gas distribution operators that are operating transmission lines in connections with their distribution system.	N/C

# PENNSYLVANIA PUBLIC UTILITY COMMISSION

## PLASTIC PIPELINE CONSTRUCTION

§192.605(c)(5)(d)	Safety-related condition reports. The manual required by paragraph (a) of this section must include instructions enabling personnel who perform operation and maintenance activities to recognize conditions that potentially may be safety-related conditions that are subject to the reporting requirements of §191.23 of this subchapter.	N/C
§192.605(c)(5)(e)	Surveillance, emergency response, and accident investigation. The procedures required by §§192.613(a), 192.615, and 192.617 must be included in the manual required by paragraph (a) of this section	N/C
<b>General Pipeline Requirements</b>		
§192.13(a)	No person may operate a segment of pipeline that is readied for service listed in the first column that is readied for service after the date in the second column, unless:	S
§192.13(a)(1)	The pipeline has been designed, installed, constructed; initially inspected, and initially tested in accordance with this part; or	
§192.13(a)(2)	The pipeline qualifies for use under this part according to the requirements in §192.14.	
§192.13(a)(2)(i)	Pipeline	
§192.13(a)(2)(ii)	Offshore gathering line.	
§192.13(a)(2)(iii)	Regulated onshore gathering line to which this part did not apply until April 14, 2006.	
§192.13(a)(2)(iv)	All other pipelines.	
§192.13(b)	No person may operate a segment of pipeline listed in the first column that is replaced, relocated, or otherwise changed after the date in the second column, unless that replacement, relocation, or change has been made in accordance with this part.	N/C
§192.13(b)(i)	Pipeline	
§192.13(b)(ii)	Offshore gathering line.	
§192.13(b)(iii)	Regulated onshore gathering line to which this part did not apply until April 14, 2006.	
§192.13(b)(iv)	All other pipelines.	
§192.13(c)	Each operator shall maintain, modify as appropriate, and follow the plans, procedures, and programs that it is required to establish under this part.	S

Image

Description