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July 1, 2010

VIA HAND DELIVERY

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street -- Filing Room  
Harrisburg, PA 17120

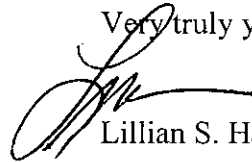
Re: **R-2010-2155608** - Pennsylvania Public Utility Commission v. Peoples Natural Gas Company LLC (1307(f)-2010 Proceeding); **REPLY BRIEF**

Dear Secretary Chiavetta:

Enclosed, for filing with the Commission in the above-captioned matter, are the original and nine (9) copies of the Reply Brief of Peoples Natural Gas Company LLC. This filing has been served in accordance with the attached Certificate of Service.

If you have any questions, please contact me.

Very truly yours,



Lillian S. Harris

*Counsel for Peoples Natural Gas Company LLC*

LSH:TLG/san

Enclosures

cc: Honorable David A. Salapa  
Per Certificate of Service  
Anthony Caldro  
William H. Roberts II, Esquire

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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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Administrative Law Judge David A. Salapa

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PENNSYLVANIA PUBLIC UTILITY  
COMMISSION, et al.

v.

PEOPLES NATURAL GAS  
COMPANY LLC

Docket Nos. R-2010-2155608  
C-2010-2163637 and  
C-2010-2164664

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**REPLY BRIEF OF  
PEOPLES NATURAL GAS COMPANY LLC**

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## I. SUMMARY OF ARGUMENT

The Joint Petition for Approval of Settlement Agreement (“Joint Petition”) represents a fair and reasonable compromise of all issues presented in this proceeding. There is substantial record evidence supporting the Settlement Agreement and it should be adopted in its entirety as in the public interest. Dominion Retail Inc.’s (“Dominion Retail”) recommended gas cost disallowance, that finds no support in the record, comes too late. Despite three opportunities to develop the record on this issue, Dominion Retail failed to take advantage of those opportunities to set forth its new claim that Peoples Natural Gas Company LLC (“Peoples” or “Company”) should have no opportunity to recover a portion of its gas costs associated with the retainage increase from any of its customers. It is only in Dominion Retail’s Main Brief that the recommendation for an adjustment to Peoples’ gas cost recovery is explained in any detail for the first time. At this late time when the record is closed, it is far too late to fully develop the issue now raised by Dominion Retail and its proposal should be rejected.

The Office of Small Business Advocate’s (“OSBA”) proposal in its Main Brief that Peoples’ lost and unaccounted for gas (“LUFG”) be capped also suffers from a lack of record support and is contrary to the Public Utility Commission’s (“PUC” or “Commission”) prior ruling declining to cap LUFG volumes for a natural gas distribution company (“NGDC”). In addition, OSBA’s position ignores the Commission’s November 19, 2009 approval of the settlement reached in the Peoples’ sale proceeding (“Sale Case”),<sup>1</sup> under which Peoples is

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<sup>1</sup> See *Joint Application for All of the Authority and the Necessary Certificate(s) of Public Convenience to Transfer All of the Issued and Outstanding Shares of Capital Stock of The Peoples Natural Gas Company, d/b/a Dominion Peoples, currently owned by Dominion Resources, Inc., to Peoples Hope Gas Companies LLC, an indirect subsidiary of Babcock & Brown Infrastructure Fund North America LP, and to Approve the Resulting Change in Control of The Peoples Natural Gas Company, d/b/a Dominion Peoples*, Docket No. A-2008-2063737 (Order entered November 19, 2009).

obligated to submit a comprehensive report on LUGF to the Commission regarding mitigation measures on or before its 2011 1307(f) proceeding.

Ample credible record evidence supports adoption of the Joint Petition in its entirety, including the provisions with regard to LUGF and the GS-T and T retainage factors that reasonably track Peoples' three-year average system LUGF. The belated recommendation offered by Dominion Retail and the LUGF capping proposal offered by OSBA both lack evidentiary support and must be rejected.

## **II. ARGUMENT**

### **A. Dominion Retail's Proposed Adjustment Should Not Be Adopted.**

#### **i. The Proposal Set Forth By Dominion Retail Has No Record Basis And Should Be Rejected As Untimely.**

For the first time in its Main Brief, Dominion Retail proposes that effective October 1, 2010, the tariffed retainage percentages applicable to GS-T and T customers remain static and any difference between those static levels and the retainage levels in the Settlement would be absorbed by Peoples. Dominion Retail's new proposal, never before voiced on the record in the case, represents a downward adjustment to the gas costs that Peoples would recover through retainage percentages applied to GS-T and T customers and/or applied to its 1307(f) customers.

Dominion Retail had three opportunities to address on the record whether the current retainage percentage levels should be adjusted. The first opportunity was Dominion Retail's direct testimony in response to Peoples' proposal in its April 1, 2010 filing to maintain the retainage percentages at current levels. Dominion Retail filed direct testimony but did not advocate the second piece of its new proposal, which is no recovery by Peoples from transport or 1307(f) customers of the delta between static transportation retainage percentages and the

retainage levels in the Settlement.<sup>2</sup> The second opportunity Dominion Retail missed to discuss its proposed adjustment would have been in rebuttal testimony filed in response to the Office of Trial Staff's ("OTS") proposal to increase the tariffed retainage percentages for Rate GS-T and T customers. Dominion Retail did not file any rebuttal testimony to OTS' proposal. The third opportunity was the surrebuttal round in response to the Company's rebuttal testimony accepting OTS' recommended approach of increasing the GS-T and T retainage percentages to reasonably track the current three-year average for LUFG.<sup>3</sup> Thus, Dominion Retail had three opportunities and failed to avail itself of any of them to propose and develop a record with regard to its new adjustment.<sup>4</sup>

It is inappropriate for a party to make a recommended adjustment for the first time in a Brief.<sup>5</sup> Dominion Retail failed to avail itself of any of the three opportunities to submit testimony regarding the issue. Allowing Dominion Retail to advance its position now not only ignores the requirement that a full and thorough evidentiary record be developed to vet and review all positions and alternatives, but also substantially prejudices the rights of other parties

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<sup>2</sup> Dominion Retail's direct and surrebuttal testimony was focused on establishing a gathering system retainage factor. That issue and the one raised in its Main Brief are separate and distinct, and the gathering system retainage factor issue has been settled by Dominion Retail and all other parties. Let there be no confusion that Dominion Retail's direct and surrebuttal testimony never raised the issue of a disallowance for Peoples' LUFG — it just advocated an allocation of LUFG volumes away from transport customers and to producers. See Dominion Retail Statement No. 1 at 8, lines 5-9; Dominion Retail Statement No. 2 at 18, lines 21-23 and 19, lines 1-23.

<sup>3</sup> In its surrebuttal testimony, Dominion Retail only discussed gathering retainage.

<sup>4</sup> Dominion Retail's approach is becoming a familiar one. During the course of the proceeding Dominion Retail failed to present explanatory testimony with regard to its Banking, Balancing and Advancing Issue until the surrebuttal round, and Your Honor appropriately granted a motion to strike substantial portions of Dominion Retail's surrebuttal testimony because it prejudiced other parties' opportunities to dissect and respond to positions that should have been voiced in the direct round. Once again, Dominion Retail has presented an untimely position too late in the game for parties to develop sufficient record evidence to be used to evaluate Dominion Retail's proposed adjustment.

<sup>5</sup> *Petition of Duquesne Light Company for approval of smart meter procurement and installation plan*, Docket No. M-2009-2123948 (Order entered May 11, 2010) (Commission adopted ALJ's Initial Decision language determining that a party's recommendations, raised for the first time in main briefs, were untimely and should not be considered, as other parties were deprived of an opportunity to address them until reply briefs and allowing proposed adjustments that appear for the first time in briefs would be contrary to the Commission's historical treatment of such proposals); see also, *Pa. P.U.C. v. Pa. Power and Light Co.*, 57 Pa. P.U.C. 559 (1983) (Commission held that it is highly inappropriate for a party to propose a new adjustment for the first time in briefs); *Pa. P.U.C. v. UGI Corp.*, 58 Pa. P.U.C. 155 (1984) (Commission stated it would be hesitant to ever adopt proposals raised in the briefing stage because it denies the other parties an opportunity to examine the underlying position).

to submit responsive testimony at an appropriate time. Consideration of Dominion Retail's proposed adjustment must be rejected because it should have been included in Dominion Retail's case-in-chief in accordance with the Commission's regulations, or at the very least in rebuttal or surrebuttal testimony.

Furthermore, Dominion Retail's new adjustment varies considerably from Dominion Retail's position taken on the record in testimony. Dominion Retail's witness did not address this issue at all in testimony; instead, he proposed the potential establishment of a gathering system retainage percentage. That issue has been settled by the parties, including Dominion Retail. The only record built by Dominion Retail with regard to the changes to retainage percentages for GS-T and T customers was its cross examination of the Company's witness, Mr. Gregorini, and that colloquy did not include any discussion of the adjustment Dominion Retail now proposes. While Dominion Retail discussed a "freeze" of tariff retainage rate percentages while Peoples' LUGF study is underway and completed, no mention was made whatsoever of Dominion Retail's new twist – namely, that Peoples will be "without recourse to any other customer class of the difference" in the currently effective retainage factors and those to be established by the Settlement.

Dominion Retail's Main Brief in support of its newly-minted adjustment also is peppered with factual assertions that go beyond facts in the record. For example, Dominion Retail repeatedly claims, with no record support, that the LUGF, as calculated by the OSBA "is an all time company high." There is no record evidence to support such a claim and Dominion Retail's inflammatory statements, which are beyond the record, must be recognized for what they are – baseless statements advanced by a "settling party."<sup>6</sup> In point of fact, Dominion Retail spends

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<sup>6</sup> Dominion Retail wants its cake and to eat it too. It will take the Settlement benefits but now argues for a substantial gas cost adjustment to be made in its favor with no record support now that the settlement is inked.

much of its Main Brief discussing the last several years of LUFG data on Peoples' system, despite having been a settling party in each of those cases. It now lambastes the Company and unfairly criticizes the Company's efforts to address its levels of LUFG which have never been determined to be unreasonable.

It also bears repeating that Dominion Retail was a settling party in every year where it now is complaining that LUFG levels were increasing. Dominion Retail's negative citations to prior orders where it was a settling party and received the benefits of settlement are disingenuous and self-serving. Dominion Retail once again has extracted concessions in settlement this year, but is not satisfied. It now seeks to extract through briefing a further and substantial concession never before voiced on the record in the case. The record is devoid of support for the conclusions that Dominion Retail seeks to have this Commission reach and it belies the unfair statements and accusations leveled against Peoples by Dominion Retail.

**ii. Peoples' LUFG Levels Are Reasonable.**

Peoples' LUFG levels meet the reasonableness test. Peoples has established repeatedly that its levels of LUFG are not unreasonable for the kind of system it operates. Peoples detailed at length the findings made in the 2009 1307(f) proceeding where the unique nature of its system was underscored and where the groundwork was laid for the considerable studies undertaken presently to address LUFG levels despite the fact that no finding of unreasonableness was made. In fact, Dominion Retail expressly admits at page 4 of its Main Brief that the conclusion in last year's case was that "ample evidence upon which to base the conclusion that Peoples' LUFG/CU rates are, at present, reasonable" was made.<sup>7</sup> Peoples' three-year average LUFG has gone up

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<sup>7</sup> *Pa. P.U.C. v. The Peoples Natural Gas Co. d/b/a Dominion Peoples*, Docket No. R-2009-2088069, *et al.* (Order entered September 24, 2009).

slightly. A slight increase does not equate to an unreasonable level of LUFG on Peoples' system.

Dominion Retail cites various orders of the Commission in other NGDCs' 1307(f) proceedings where LUFG levels were examined. While Peoples insists and maintains that its systems should not be compared to the systems of others because an independent analysis of each individual NGDC system is necessary in order to determine what is a reasonable level of LUFG, Peoples notes that in the case of the most similar NGDC – Equitable Gas Company (“Equitable”) – and as pointed out in the Amicus Brief of the Pennsylvania Independent Oil and Gas Association (“PIOGA”), the Commission recently approved a settlement of Equitable’s 2009 1307(f) proceeding, rejecting the OTS’ recommendation that Equitable’s reasonable level of LUFG be capped at 8%.<sup>8</sup> Equitable is another NGDC with significant gathering facilities and which has a very similar LUFG mitigation plan underway. To the extent there is any basis for comparison between NGDCs, the most reasonable comparison would be between Peoples and Equitable. The retainage percentages proposed in the Settlement in this case do not equal or exceed those approved in the Equitable case. Furthermore, Peoples is employing substantial mitigation measures in compliance with the 2009 1307(f) settlement and it has voluntarily undertaken measures beyond those requirements. Finally, as agreed by the parties and approved by the Commission in the Sale Case, Peoples has an obligation to report to the Commission on or before its 2011 1307(f) proceeding with regard to the outcome of its examination of the LUFG issue on its system.

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<sup>8</sup> *Pa. P.U.C et al. v. Equitable Gas Co.*, Docket Nos. R-2009-2088072, *et al.*, Order entered September 30, 2009, at 17; ALJ Recommended Decision dated July 16, 2009 at 10.

**iii. Dominion Retail Departs From The Commission-Approved Three-Year Average Measure For Evaluation Of LUFG To Distort The Slight LUFG Increase Peoples Has Experienced.**

Dominion Retail throws around a lot of numbers in the classic attempt to abandon the agreed-upon and Commission-approved measure by which LUFG must be presented by Peoples. Dominion Retail does so to make inflammatory statements with regard to Peoples' LUFG levels and the associated retainage percentage increases for Rates GS-T and T. For instance, Dominion Retail claims that Peoples' LUFG has increased 20% over the last year and 40% over the last three years. Dominion Retail's self-serving approach ignores that the Commission approved a settlement in the 2008 1307(f) proceeding<sup>9</sup> where it was agreed that a three-year average would be used for the representation of LUFG because of the variation from year-to-year in LUFG levels. It made sense then and it makes sense today to examine LUFG on a three-year average basis as opposed to a straight year-to-year analysis. As noted in the OSBA Main Brief, the rolling three-year average for system LUFG for the periods 2006-2008 and 2007-2009 are 5.94% and 6.66%, respectively, a difference of 12%, as opposed to Dominion Retail's inflated and inflammatory figure of 40%.

Dominion Retail twists the testimony of Peoples' witness, Gregorini, with regard to Peoples' historic levels of LUFG.<sup>10</sup> During cross-examination, Mr. Gregorini was asked whether he agreed that Peoples' retainage levels were at a 3-4% level in the recent past. Mr. Gregorini's unequivocal testimony was that "it's been many years since it's been at that level."<sup>11</sup> Dominion Retail distorts Mr. Gregorini's statement by reference to the later colloquy where counsel was attempting to extract a different answer. Review of the compliance tariff filed by Peoples as a

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<sup>9</sup> Dominion Retail was a settling party in the case and not only had no problem with the three-year averaging at that time, but benefited from a drop in GS-T and T retainage factors as a result of using this method.

<sup>10</sup> Dominion Retail Main Brief at 5.

<sup>11</sup> Transcript at 101, lines 23-24.

result of its last base rate proceeding in 1995 establishes that fifteen years ago, the retainage percentages applicable to GS-T and T customers were 5.3%.<sup>12</sup> Since that time, the GS-T and T retainage percentages have not gone below 5.1%.<sup>13</sup> While Dominion Retail would like to paint a picture of a ballooning or rapid increase with regard to retainage percentages applicable to transportation customers, that is simply not the case.

**iv. The Focus on LUFG Has Increased For All NGDCs, Not Just Peoples, And Peoples Has Been Very Responsive To Calls For Action On LUFG Levels.**

Increased attention has been given to LUFG levels on NGDC systems given the marked increase in natural gas costs in recent years and the desire to minimize gas costs for customers in every respect. Numerous NGDCs have faced inquiry with regard to their LUFG levels and the reasonableness thereof. Peoples has been no exception to that rule and has made solid commitments and followed through on those commitments to study and address, through specific measures and actions, the LUFG levels on its unique system. As noted previously, that unique system has been repeatedly acknowledged by the Commission. Rather than ignore or mismanage the LUFG issue, Peoples has been active in undertaking significant review of LUFG on its system through the extensive gathering study presented in last year's 1307(f) proceeding, in undertaking the voluntary gathering system leak survey this past year, and in now undertaking a voluntary check meter program for local production. Contrary to Dominion Retail's bold claims, Peoples has not taken a "do nothing" attitude whatsoever.

Contrary to Dominion Retail's claim, Peoples is not just studying its system, it is taking action. With that said, it must have time to carry out its actions under new ownership. That is specifically what the Settlement Agreement approved by this Commission in the Sale Case

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<sup>12</sup> A copy of that compliance tariff that was on file and effective with the Commission for a time is attached hereto as **Appendix A**.

<sup>13</sup> Attached as **Appendix B** are representative tariff sheets showing all changes to the GS-T and T retainage factors that were placed into effect since 1995.

contemplated. The Commission should not pull the rug out from under Peoples. Just two months before Peoples filed this case, it changed ownership and the new ownership should have a reasonable opportunity to undertake the LUGF study contemplated by the Sale Case Order. The Commission recently acknowledged in approving a settlement on the PPL Gas Utilities System that time to complete LUGF mitigation measures is essential and adjustments to the company's gas cost to penalize them in the interim are unfair and unnecessary.<sup>14</sup>

Dominion Retail argues that Peoples failed to provide updates, additional information and further explanation regarding its current LUGF rate.<sup>15</sup> Dominion Retail's claim is belied by the substantial record evidence that Peoples presented regarding all the mitigation measures that it is undertaking pursuant to the 2009 1307(f) Commission-approved settlement and Peoples' lengthy explanation with regard to additional measures it is employing to reduce LUGF, including its voluntary gathering system leak survey program as well as its local production check meter program. Dominion Retail discounts this extensive list of mitigation measures employed by Peoples despite a finding of reasonable LUGF in Peoples' 2009 1307(f) case. Peoples has demonstrated on this record that its LUGF levels are reasonable and that it has in place a substantial and directed mitigation plan that it is not only studying but implementing.

At page 13 of its Main Brief, Dominion Retail belittles the agreement that all the parties to the Sale Case reached and the Commission approved regarding Peoples' new owner undertaking and presenting an LUGF study to the Commission on or before the 2011 1307(f) proceeding. Peoples anticipates meeting or exceeding the stated deadline for completion of the study and reporting those results to the Commission. Peoples reiterates that it would be

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<sup>14</sup> *Pa. P.U.C. v. PPL Gas Utils. Corp.*, Docket Nos. R-2008-2039634, *et al.* (Opinion and Order entered November 14, 2008).

<sup>15</sup> Dominion Retail Main Brief at 11.

premature and penal for the Commission to grant Dominion Retail an adjustment in this case when it was not raised on the record and where it is contrary to the Sale Case Order.

Dominion Retail challenges the prudence of Peoples' historic efforts to control LUGF on its system.<sup>16</sup> Dominion Retail expresses its opinion without any evidence of record to support the conclusion that there is any basis whatsoever to conclude that Peoples did not prudently deal with LUGF on its system in the past. In fact, all of the conclusions that are recorded in Commission orders belie such a determination.<sup>17</sup>

Dominion Retail complains that Peoples' witness would not speculate with regard to the basis for the slight LUGF increase that occurred in the past year.<sup>18</sup> Peoples' witness was credible in refusing to speculate as to a single cause or a cause at all with regard to the LUGF increase that Peoples has seen without having the results of the study that it has promised to complete before next year's 1307(f) case. Furthermore, Dominion Retail's characterization of "ballooning" increases in LUGF and parties having "no understanding" of the potential cause of the increase is disingenuous given the extensive record Peoples has built in each of its 1307(f) cases for the last three years with regard to LUGF levels on its system. Bluster and innuendo and calls for speculation do not negate the substantial evidence of record present not only in this record but in prior records before this Commission to support the fact that Peoples' LUGF levels are not unreasonable for the unique kind of system that they operate. Dominion Retail essentially complains that Peoples should do a "self correction" before it knows whether a correction is necessary. Dominion Retail's claims are without merit and should be rejected as

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<sup>16</sup> *Id.* at 13-15.

<sup>17</sup> *Pa. P.U.C. v. The Peoples Natural Gas Co. d/b/a Dominion Peoples*, Docket No. R-2009-2088069, *et al.* (Order entered September 24, 2009); *Pa. P.U.C. v. The Peoples Natural Gas Company d/b/a Dominion Peoples*, Docket No. R-2008-2022206, *et al.* (Order entered August 22, 2008); *Pa. P.U.C. v. The Peoples Natural Gas Co. d/b/a Dominion Peoples*, Docket No. R-00072109, *et al.* (Order entered September 28, 2007); *Pa. P.U.C. v. The Peoples Natural Gas Co. d/b/a Dominion Peoples*, Docket No. R-00061301, *et al.* (Order entered August 23, 2006).

<sup>18</sup> Dominion Retail Main Brief at 15-20. Peoples notes that its GS-T and T retainage factors decreased in last year's case and Dominion Retail was happy to sign on to the settlement accepting those reductions.

baseless. The Commission and Peoples' customers have been fully informed in numerous 1307(f) proceedings with regard to the causes for LUFGE, the mitigation measures Peoples is employing to reduce LUFGE, and the additional study that Peoples is undertaking now. Peoples has taken ownership of its LUFGE levels which it maintains are not unreasonable, and it will be in a strong position to report to the Commission on or before the next 1307(f) case, in compliance with the Order approved in the Sale Case.

Dominion Retail also faults Peoples for not providing assurances that LUFGE will decrease.<sup>19</sup> No NGDC has ever been required by this Commission to make such a commitment. It is the nature of LUFGE that it varies from year to year. Sometimes it goes up. Sometimes it goes down. And many operational aspects play into where the LUFGE number pans out for a twelve-month period. Again, a three-year average is, therefore, the right measure by which to examine LUFGE. In addition, Dominion Retail has already concluded of its own accord without any support that Peoples' voluntary and additional measures, such as the gathering system leak survey and the check meter program, will fail.<sup>20</sup> Peoples is not in such a hurry to draw such a negative conclusion without the results of the study it is now undertaking. The Commission should not rush to judgment without having the study that it called for and approved in the Sale Case.

Dominion Retail is quick to point out that it is not advocating a cap on Peoples' LUFGE levels.<sup>21</sup> Perhaps this is because the Commission has explicitly ruled that it is not appropriate to place a cap on LUFGE. The Commission has never approved a cap on LUFGE.<sup>22</sup> The Commission

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<sup>19</sup> *Id.* at 17-18.

<sup>20</sup> *Id.* at 18.

<sup>21</sup> *Id.* at 4.

<sup>22</sup> *Pa. P.U.C. v. Equitable Gas Co.*, 65 Pa. PUC 27 (1987) (Commission rejected proposal to limit the level of LUFGE where NGDC had an above average number of gas wells and field lines and an above average amount of gas injected into storage, and, therefore, could be reasonably expected to have levels of UFG in excess of the proposed cap).

has also repeatedly held that LUGF may vary considerably among various NGDCs and, therefore, the Commission has not established a permanent statewide standard maximum reasonable percentage of LUGF to be allowed in the calculation of purchase gas cost adjustment rates.<sup>23</sup>

Peoples' LUGF is not the runaway train that Dominion Retail paints it as. As mentioned previously in this Reply Brief, Dominion Retail has misrepresented the record in this case by twisting Mr. Gregorini's testimony as to whether retainage levels have been at a 3-4% level on Peoples' system in recent memory. Mr. Gregorini was unequivocal that it is not his understanding that retainage levels were at that level in recent memory.<sup>24</sup> Furthermore, the tariffs filed by Peoples indicating 5.3% or higher GS-T and 5.1% or higher T retainage factors belie Dominion Retail's bald claims. Far more is required to support a conclusion that Dominion Retail's claim is accurate.

**v. Dominion Retail Does Not Want To Pay For Its Own Significant Use Of Peoples' Gathering System.**

On pages 20-21 and in Dominion Retail's proposed ordering paragraph at Appendix B to its Main Brief, Dominion Retail in a very self-serving manner seeks to have Peoples incur a substantial gas cost recovery adjustment without any record evidence from Dominion Retail or any other party to support such an adjustment. Dominion Retail relies on its cross-examination of Peoples' witness and not its own direct, rebuttal or surrebuttal case to make the claim that the GS-T and T retainage factor should stay the same. That translates into Dominion Retail not paying more for the substantial amount of gas that it moves through the gathering system, which

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<sup>23</sup> *Id. See also, Pa. P.U.C. v. T.W. Phillips Gas and Oil Co.*, Docket Nos. R-2009-2145441, *et al.* (Opinion and Order entered June 17, 2010); *Pa. P.U.C. v. PPL Gas Utils. Corp.*, Docket Nos. R-2008-2039634, *et al.* (Opinion and Order entered November 14, 2008).

<sup>24</sup> Transcript at 101, lines 23-24.

use drives the LUGF number up.<sup>25</sup> A cursory examination of Peoples' filing in this case indicates that 38-40 Bcf of supplies are moved onto Peoples' system from the gathering system,<sup>26</sup> which is approximately 78% of the total local production into Peoples' system.<sup>27</sup> At PNG Exhibit No. 3 of Peoples' filing it shows system supply local purchases of approximately 14 Bcf, with about 11 Bcf of that supply moved through the gathering system. The logical conclusion is that the balance of the volumes moved off of the gathering system – 28 Bcf - are moved by transportation customers, of which Dominion Retail is one. Dominion Retail conceded on the record that Peoples' system is the system where it has the most customers in all of Pennsylvania. For a supplier who serves a large number of customers and logically draws a substantial amount of its supply off of Peoples' gathering system, it is unreasonable for it to argue that retainage factors associated with movement of that supply should not track the current three-year average LUGF. As almost an afterthought, Dominion Retail throws into the mix that Peoples would not have any recourse to any other customer class of the difference between the current and settled retainage levels. Under Dominion Retail's proposal, Peoples would eat the difference, despite the fact that Dominion Retail and other suppliers are benefiting markedly by heavily utilizing the gathering system to move local supplies onto Peoples' system. Dominion Retail's end game is clear. Its testimony with regard to potentially establishing a gathering system retainage factor<sup>28</sup> shows that it does not want to be subject to any such gathering retainage factor. Dominion Retail's testimony advocates imposing such a factor upon local producers. While the potential for establishing a gathering system retainage factor is now a settled issue, Dominion Retail makes a last minute grab, without having built a record to make

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<sup>25</sup> The Commission has repeatedly stated that Peoples' evidence of record in prior 1307(f) proceedings has established that LUGF is higher on its gathering system than on the other transmission/distribution and storage facilities on its system.

<sup>26</sup> Peoples' Statement No. 3 at 12.

<sup>27</sup> OCA Statement No. 1 at 10-11.

<sup>28</sup> See Dominion Retail Statement No. 1 at 8 and Statement No. 2 at 19-20.

sure that Peoples and not Dominion Retail, pays the freight for use of the gathering system. This unfair and self-serving adjustment should be seen for what it is. Dominion Retail wants to use all portions of Peoples' system, including the gathering system, and benefit from low cost local gas supplies, but does not want to be subject to retainage factors commensurate with the use of that system.

**B. OSBA's LUFG Capping Proposal Should Be Rejected.**

OSBA has not rebutted Peoples' claim that its current three-year average LUFG is reasonable.<sup>29</sup> Peoples complied with the 2009 1307(f) settlement by employing mitigation measures and, in fact, went beyond that to employ additional voluntary measures even as its study anticipated by the Commission to be received next year is underway. OSBA equates an LUFG increase with a conclusion that LUFG is unreasonable, per se. No such determination is *reasonable or supported by the record in this case*.

OSBA claims that the Sale Case Order did not relieve Peoples from its obligations arising out of the 2009 1307(f) case with regard to LUFG. While that is true, nothing in the Sale Case Order or the 2009 1307(f) Order supports a conclusion that an LUFG cap on Peoples' system is appropriate. Peoples has reported extensively in this case with regard to the status of LUFG mitigation measures it has undertaken both from the 2009 1307(f) settlement as well as additional mitigation measures it voluntarily has employed. It also has demonstrated that, despite an increase to its LUFG levels, those levels are not unreasonable for the kind of system it operates. It also has reported that it will be in a good position to report to the Commission in next year's 1307(f) case with regard to the study that it has been required to undertake.

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<sup>29</sup> Peoples' arguments regarding its three-year average LUFG being reasonable at pages 5-8 apply equally to OSBA's capping argument. Those arguments are incorporated herein by reference.

OSBA's prospective adjustment, which would become effective February 1, 2010, is essentially the same as if OSBA had won its rebuttable presumption argument in last year's 1307(f) case. In last year's case, OSBA argued that the Commission should impose a rebuttable presumption upon Peoples, requiring that if its three-year average LUFG increased, there would be a rebuttable presumption that the increased LUFG should be disallowed. The Commission rejected the argument in last year's case and did not establish such a presumption. OSBA's capping argument is effectively OSBA's old argument masquerading as a new one. OSBA still would have the Commission conclude that an increase in LUFG automatically equal a gas cost disallowance. The Commission should refuse to employ such a simplistic test and instead should continue to examine the individual factors for the NGDC system that may have impacted the LUFG percentage. The Commission has done so in many of the NGDC cases that have come before it recently and, while Peoples does not compare itself to the other NGDC systems, it urges the Commission to take a uniform approach to addressing each NGDC's individual circumstances to determine what is a reasonable level of LUFG on each system.<sup>30</sup>

As recently as 2009, the Commission acknowledged that Equitable's system experienced a level of LUFG and company use in the neighborhood of 10.1%.<sup>31</sup>

### III. CONCLUSION

For all of these reasons and those already stated in Peoples' Main Brief, Dominion Retail's untimely adjustment should be rejected, along with its associated proposed findings of fact and conclusions of law, as should the OSBA's proposed LUFG cap. The Joint Settlement

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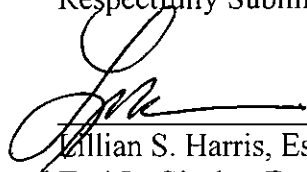
<sup>30</sup> See *Pa. P.U.C. v. T.W. Phillips Gas and Oil Co.*, Docket Nos. R-2009-2145441, *et al.* (Opinion and Order entered June 17, 2010); *Pa. P.U.C. v. Equitable Gas Co.*, Docket Nos. R-2009-2088072, *et al.* (Order entered September 30, 2009); *Pa. P.U.C. v. PPL Gas Utils. Corp.*, Docket Nos. R-2008-2039634, *et al.* (Opinion and Order entered November 14, 2008); *Pa. P.U.C. v. Equitable Gas Co.*, 65 Pa. PUC 27 (1987).

<sup>31</sup> See *Pa. P.U.C. v. PPL Gas Utils. Corp.*, Docket No. R-2008-2039634, *et al.* (Order entered November 14, 2008) (the ALJ, in his October 7, 2008 Recommended Decision, pointed out that Equitable had not been subjected to a cap on recovery of LUFG gas expenses, despite its having a LUFG level of 10.1%).

should be approved in its entirety as a reasonable resolution of this matter supported by ample record evidence.

The Settlement as a whole represents a reasonable resolution of the issues in this case that is in the public interest. It should be approved without modification.

Respectfully Submitted,



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Counsel for Peoples Natural Gas Company  
LLC

Dated: July 1, 2010

RATE GS-T  
GENERAL SERVICE - TRANSPORTATION

RULES AND DELIVERY TERMS (continued)

- b. Actual Unavailability of or Restrictions on Capacity: In the event that capacity on the Company's system either is unavailable for the transportation of customer-owned gas or is available but restricted, the Company will provide its transportation customer or the customer's designated representative with a written explanation of why capacity is unavailable or restricted and the steps examined by the Company to alleviate the unavailability or restriction. Where capacity is restricted, the Company will allocate capacity to its transportation customers without regard to the sources of the customers' natural gas supplies.
- c. Anticipated Unavailability of or Restrictions on Capacity: Whenever the Company anticipates that an extraordinary activity or occurrence will make capacity either unavailable or available but restricted, the Company will provide written notice to Pennsylvania producers, as early as possible, of the specific portions of the Company's system on which capacity may be unavailable or available but restricted and of the length of time that the unavailability or restriction likely will last.
- (9) As soon as practical after the ratepayer learns of any disruption or interruption in its supply of gas, the ratepayer shall notify the Company.
- (10) The measurements at the point of receipt and delivery shall be the responsibility of the Company. All quantities of gas received, transported, and delivered shall be expressed in terms of "mcf." If the ratepayer's gas is received by the Company in mmBtu's, the Company will divide the number of mmBtu's by 1.030, or such other factor as the Company may determine appropriate, to determine the mcf of gas received by the Company for transportation.
- (11) The Company may retain 5.3 percent as gas used in Company operations and for unaccounted-for gas of the total volume of gas received into its system on behalf of the ratepayer under Transportation Agreements that may be entered into pursuant to this rate. (C)
- (12) Ratepayer-owned gas received into the gathering system by the Company will be available for the ratepayer's use in the following month.
- (13) The Company will bank for one month following the month that the ratepayer's gas is available for the ratepayer's use, up to 5 percent of the volumes delivered on the ratepayer's behalf (net of the payback of advanced gas) where the banked gas shall precede current deliveries of gas through the ratepayer's meter during the month following the banking period. The Company will balance ratepayer's daily deliveries with ratepayer's actual daily consumption during the month. The company will advance up to 5 percent of the volumes received on the ratepayer's behalf in any month. The first gas received on the ratepayer's behalf in the succeeding month will be deemed the payback of advanced gas. Any gas not paid back in such succeeding month will be billed a combination of the monthly Standby Charge and the Standby Commodity Charge per mcf as contained in Rate GS-SB of this tariff or at Rate CER if available to the ratepayer, net of any transportation charges already paid by the ratepayer. The Company may waive these restrictions if its actions cause the ratepayer to exceed the 5 percent tolerance level.

(continued)

(C) Indicates Change.

RATE T  
TRANSPORTATION SERVICE - INDUSTRIALRULES AND DELIVERY TERMS (continued)

- (10) The measurements at the point of receipt and delivery shall be the responsibility of the Company. All quantities of gas received, transported, and delivered shall be expressed in terms of "mcf." If the ratepayer's gas is received by the Company in mmBtu's, the Company will divide the number of mmBtu's by 1.030, or such other factor as the Company may determine appropriate, to determine the mcf of gas received by the Company for transportation.
- (11) The Company may retain 5.3 percent as gas used in Company operations and unaccounted-for gas of the total volume of gas received into its system on behalf of the ratepayer under Transportation Agreements that may be entered into pursuant to this rate. (C)
- (12) Ratepayer-owned gas received into the gathering system by the Company will be available for the ratepayer's use in the following month.
- (13) The Company will bank for one month following the month that the ratepayer's gas is available for the ratepayer's use, up to 5 percent of the volumes delivered on the ratepayer's behalf (net of the payback of advanced gas) where the banked gas shall precede current deliveries of gas through the ratepayer's meter during the month following the banking period. The Company will balance ratepayer's daily deliveries with ratepayer's actual daily consumption during the month. The Company will advance up to 5 percent of the volumes received on the ratepayer's behalf in any month. The first gas received on the ratepayer's behalf in the succeeding month will be deemed the payback of advanced gas. Any gas not paid back in such succeeding month will be billed a combination of the monthly Standby Charge and the Standby Commodity Charge as contained in Rate IS/SB of this tariff or at Rate CER, if available to the ratepayer, net of any transportation charges already paid by the ratepayer. The Company may waive these restrictions if its actions cause the ratepayer to exceed the 5 percent tolerance level.
- (14) A banking, balancing, and advancing (BB&A) charge will be assessed against each mcf of transportation at a rate of \$0.0551. This rate will be recalculated in the Company's annual 1307(f) gas cost proceeding. The BB&A charge will not be assessed if (1) the ratepayer is already paying the standby charge under Rate Schedule IS/SB on the same volumes or (2) if the ratepayer or pool can balance its supply and deliveries on a daily basis in a manner satisfactory to the Company. (I)

(continued)

(C) Indicates Change.

(I) Indicates Increase.

**RATE GS-T**  
**GENERAL SERVICE - TRANSPORTATION**

**RULES AND DELIVERY TERMS** (continued)

- (8) Unless otherwise agreed under paragraph (16) below, the Company will arrange its utilization of available capacity by endeavoring to fairly accommodate, to the extent practicable, the interests of its retail and transportation ratepayers while maintaining its ability to remain competitive.
- a. Available System Capacity for Transportation Service: Capacity for the transportation of ratepayer-owned gas is available on the Company's system to the same extent as capacity is available for the general system supplies that the Company acquires for its retail ratepayers, except where operational constraints may require otherwise. Those operational constraints can include the safety of persons or property and the displacement of locally produced or purchased retail gas supplies and conditions required under Rate ST & ST-SW.
  - b. Actual Unavailability of or Restrictions on Capacity: In the event that capacity on the Company's system either is unavailable for the transportation of ratepayer-owned gas or is available but restricted, the Company will provide its transportation ratepayer or the ratepayer's designated representative with a written explanation of why capacity is unavailable or restricted and the steps examined by the Company to alleviate the unavailability or restriction. Where capacity is restricted, the Company will allocate capacity to its transportation ratepayers without regard to the sources of the ratepayers' natural gas supplies.
  - c. Anticipated Unavailability of or Restrictions on Capacity: Whenever the Company anticipates that an extraordinary activity or occurrence will make capacity either unavailable or available but restricted, the Company will provide written notice to Pennsylvania producers, as early as possible, of the specific portions of the Company's system on which capacity may be unavailable or available but restricted and of the length of time that the unavailability or restriction likely will last.
- (9) As soon as practical after the ratepayer learns of any disruption or interruption in its supply of gas, the ratepayer shall notify the Company.
- (10) The measurements at the point of receipt and delivery shall be the responsibility of the Company. All quantities of gas received, transported, and delivered shall be expressed in terms of "Mcf." If the ratepayer's gas is received by the Company in Btus, the Company will divide the number of Btus by 1,030, or such other factor as the Company may determine appropriate, to determine the Mcf of gas received by the Company for transportation.
- (11) The Company shall retain 7.3 percent as gas used in Company operations and for unaccounted-for gas of the (D) total volume of gas received into its system on behalf of the ratepayer under Transportation Agreements that have been or are entered into pursuant to this rate, except in the following circumstances, where the Company may exercise its discretion to waive retainage in conjunction with a positive cost/benefit analysis:
- 1) If ratepayer can obtain alternate transportation service via direct bypass;
  - 2) If ratepayer receives transportation service through Company-owned facilities which do not produce the retainage percentage set forth in this rate schedule;
  - 3) If ratepayer has a competitive offer from a non-PUC-jurisdictional entity;
  - 4) If ratepayer can demonstrate economic development or job retention considerations are present; or
  - 5) If ratepayer has a bona fide competitive offer from an alternative energy source.

As used in this rate schedule, "alternative energy source" shall not include natural gas service from other Natural Gas Distribution Companies.

- (12) Ratepayer-owned gas received into the gathering system by the Company will be available as nominated by the ratepayer or his agent in the current month. Nominations will be accepted if determined to be reasonable by the Company. Reconciliation of the actual volumes to nominated volumes will be made in the first month available.

(continued)

ISSUED: September 30, 2009

EFFECTIVE: October 1, 2009

RATE GS-T  
GENERAL SERVICE - TRANSPORTATION

RULES AND DELIVERY TERMS (continued)

- (8) Unless otherwise agreed under paragraph (16) below, the Company will arrange its utilization of available capacity by endeavoring to fairly accommodate, to the extent practicable, the interests of its retail and transportation ratepayers while maintaining its ability to remain competitive.
- a. Available System Capacity for Transportation Service: Capacity for the transportation of ratepayer-owned gas is available on the Company's system to the same extent as capacity is available for the general system supplies that the Company acquires for its retail ratepayers, except where operational constraints may require otherwise. Those operational constraints can include the safety of persons or property and the displacement of locally produced or purchased retail gas supplies and conditions required under Rate ST & ST-SW.
  - b. Actual Unavailability of or Restrictions on Capacity: In the event that capacity on the Company's system either is unavailable for the transportation of ratepayer-owned gas or is available but restricted, the Company will provide its transportation ratepayer or the ratepayer's designated representative with a written explanation of why capacity is unavailable or restricted and the steps examined by the Company to alleviate the unavailability or restriction. Where capacity is restricted, the Company will allocate capacity to its transportation ratepayers without regard to the sources of the ratepayers' natural gas supplies.
  - c. Anticipated Unavailability of or Restrictions on Capacity: Whenever the Company anticipates that an extraordinary activity or occurrence will make capacity either unavailable or available but restricted, the Company will provide written notice to Pennsylvania producers, as early as possible, of the specific portions of the Company's system on which capacity may be unavailable or available but restricted and of the length of time that the unavailability or restriction likely will last.
- (9) As soon as practical after the ratepayer learns of any disruption or interruption in its supply of gas, the ratepayer shall notify the Company.
- (10) The measurements at the point of receipt and delivery shall be the responsibility of the Company. All quantities of gas received, transported, and delivered shall be expressed in terms of "Mcf." If the ratepayer's gas is received by the Company in Btus, the Company will divide the number of Btus by 1.030, or such other factor as the Company may determine appropriate, to determine the Mcf of gas received by the Company for transportation.
- (11) The Company shall retain 7.5 percent as gas used in Company operations and for unaccounted-for gas of the (I) total volume of gas received into its system on behalf of the ratepayer under Transportation Agreements that have been or are entered into pursuant to this rate, except in the following circumstances, where the Company may exercise its discretion to waive retainage in conjunction with a positive cost/benefit analysis:
- 1) If ratepayer can obtain alternate transportation service via direct bypass;
  - 2) If ratepayer receives transportation service through Company-owned facilities which do not produce the retainage percentage set forth in this rate schedule;
  - 3) If ratepayer has a competitive offer from a non-PUC-jurisdictional entity;
  - 4) If ratepayer can demonstrate economic development or job retention considerations are present; or
  - 5) If ratepayer has a bona fide competitive offer from an alternative energy source.

As used in this rate schedule, "alternative energy source" shall not include natural gas service from other Natural Gas Distribution Companies.

- (12) Ratepayer-owned gas received into the gathering system by the Company will be available as nominated by the ratepayer or his agent in the current month. Nominations will be accepted if determined to be reasonable by the Company. Reconciliation of the actual volumes to nominated volumes will be made in the first month available.

(continued)

RATE GS-T

GENERAL SERVICE - TRANSPORTATION

RULES AND DELIVERY TERMS (continued)

- (8) Unless otherwise agreed under paragraph (16) below, the Company will arrange its utilization of available capacity by endeavoring to fairly accommodate, to the extent practicable, the interests of its retail and transportation ratepayers while maintaining its ability to remain competitive.
- a. Available System Capacity for Transportation Service: Capacity for the transportation of ratepayer-owned gas is available on the Company's system to the same extent as capacity is available for the general system supplies that the Company acquires for its retail ratepayers, except where operational constraints may require otherwise. Those operational constraints can include the safety of persons or property and the displacement of locally produced or purchased retail gas supplies and conditions required under Rate ST & ST-SW.
  - b. Actual Unavailability of or Restrictions on Capacity: In the event that capacity on the Company's system either is unavailable for the transportation of ratepayer-owned gas or is available but restricted, the Company will provide its transportation ratepayer or the ratepayer's designated representative with a written explanation of why capacity is unavailable or restricted and the steps examined by the Company to alleviate the unavailability or restriction. Where capacity is restricted, the Company will allocate capacity to its transportation ratepayers without regard to the sources of the ratepayers' natural gas supplies.
  - c. Anticipated Unavailability of or Restrictions on Capacity: Whenever the Company anticipates that an extraordinary activity or occurrence will make capacity either unavailable or available but restricted, the Company will provide written notice to Pennsylvania producers, as early as possible, of the specific portions of the Company's system on which capacity may be unavailable or available but restricted and of the length of time that the unavailability or restriction likely will last.
- (9) As soon as practical after the ratepayer learns of any disruption or interruption in its supply of gas, the ratepayer shall notify the Company.
- (10) The measurements at the point of receipt and delivery shall be the responsibility of the Company. All quantities of gas received, transported, and delivered shall be expressed in terms of "Mcf." If the ratepayer's gas is received by the Company in Btus, the Company will divide the number of Btus by 1,030, or such other factor as the Company may determine appropriate, to determine the Mcf of gas received by the Company for transportation.
- (11) The Company shall retain 7.1 percent as gas used in Company operations and for unaccounted-for gas of the (I) total volume of gas received into its system on behalf of the ratepayer under Transportation Agreements that have been or are entered into pursuant to this rate, except in the following circumstances, where the Company may exercise its discretion to waive retainage in conjunction with a positive cost/benefit analysis:
- 1) If ratepayer can obtain alternate transportation service via direct bypass;
  - 2) If ratepayer receives transportation service through Company-owned facilities which do not produce the retainage percentage set forth in this rate schedule;
  - 3) If ratepayer has a competitive offer from a non-PUC-jurisdictional entity;
  - 4) If ratepayer can demonstrate economic development or job retention considerations are present; or
  - 5) If ratepayer has a bona fide competitive offer from an alternative energy source.

As used in this rate schedule, "alternative energy source" shall not include natural gas service from other Natural Gas Distribution Companies.

- (12) Ratepayer-owned gas received into the gathering system by the Company will be available as nominated by the ratepayer or his agent in the current month. Nominations will be accepted if determined to be reasonable by the Company. Reconciliation of the actual volumes to nominated volumes will be made in the first month available.

(continued)

RATE GS-T  
GENERAL SERVICE - TRANSPORTATION

**RULES AND DELIVERY TERMS (continued)**

- (8) Unless otherwise agreed under paragraph (16) below, the Company will arrange its utilization of available capacity by endeavoring to fairly accommodate, to the extent practicable, the interests of its retail and transportation ratepayers while maintaining its ability to remain competitive.
- a. Available System Capacity for Transportation Service: Capacity for the transportation of ratepayer-owned gas is available on the Company's system to the same extent as capacity is available for the general system supplies that the Company acquires for its retail ratepayers, except where operational constraints may require otherwise. Those operational constraints can include the safety of persons or property and the displacement of locally produced or purchased retail gas supplies and conditions required under Rate ST & ST-SW.
  - b. Actual Unavailability of or Restrictions on Capacity: In the event that capacity on the Company's system either is unavailable for the transportation of ratepayer-owned gas or is available but restricted, the Company will provide its transportation ratepayer or the ratepayer's designated representative with a written explanation of why capacity is unavailable or restricted and the steps examined by the Company to alleviate the unavailability or restriction. Where capacity is restricted, the Company will allocate capacity to its transportation ratepayers without regard to the sources of the ratepayers' natural gas supplies.
  - c. Anticipated Unavailability of or Restrictions on Capacity: Whenever the Company anticipates that an extraordinary activity or occurrence will make capacity either unavailable or available but restricted, the Company will provide written notice to Pennsylvania producers, as early as possible, of the specific portions of the Company's system on which capacity may be unavailable or available but restricted and of the length of time that the unavailability or restriction likely will last.
- (9) As soon as practical after the ratepayer learns of any disruption or interruption in its supply of gas, the ratepayer shall notify the Company.
- (10) The measurements at the point of receipt and delivery shall be the responsibility of the Company. All quantities of gas received, transported, and delivered shall be expressed in terms of "Mcf." If the ratepayer's gas is received by the Company in Btus, the Company will divide the number of Btus by 1.030, or such other factor as the Company may determine appropriate, to determine the Mcf of gas received by the Company for transportation.
- (11) The Company shall retain 6.0 percent as gas used in Company operations and for unaccounted-for gas of the (I) total volume of gas received into its system on behalf of the ratepayer under Transportation Agreements that have been or are entered into pursuant to this rate, except in the following circumstances, where the Company may exercise its discretion to waive retainage in conjunction with a positive cost/benefit analysis:
- 1) If ratepayer can obtain alternate transportation service via direct bypass;
  - 2) If ratepayer receives transportation service through Company-owned facilities which do not produce the retainage percentage set forth in this rate schedule;
  - 3) If ratepayer has a competitive offer from a non-PUC-jurisdictional entity;
  - 4) If ratepayer can demonstrate economic development or job retention considerations are present; or
  - 5) If ratepayer has a bona fide competitive offer from an alternative energy source.

As used in this rate schedule, "alternative energy source" shall not include natural gas service from other Natural Gas Distribution Companies.

- (12) Ratepayer-owned gas received into the gathering system by the Company will be available as nominated by the ratepayer or his agent in the current month. Nominations will be accepted if determined to be reasonable by the Company. Reconciliation of the actual volumes to nominated volumes will be made in the first month available.

(continued)

ISSUED: September 29, 2006

EFFECTIVE: October 1, 2006

**RATE GS-T**  
**GENERAL SERVICE - TRANSPORTATION**

**RULES AND DELIVERY TERMS (continued)**

- (8) Unless otherwise agreed under paragraph (16) below, the Company will arrange its utilization of available capacity by endeavoring to fairly accommodate, to the extent practicable, the interests of its retail and transportation ratepayers while maintaining its ability to remain competitive.
- a. Available System Capacity for Transportation Service: Capacity for the transportation of ratepayer-owned gas is available on the Company's system to the same extent as capacity is available for the general system supplies that the Company acquires for its retail ratepayers, except where operational constraints may require otherwise. Those operational constraints can include the safety of persons or property and the displacement of locally produced or purchased retail gas supplies and conditions required under Rate ST & ST-SW.
  - b. Actual Unavailability of or Restrictions on Capacity: In the event that capacity on the Company's system either is unavailable for the transportation of ratepayer-owned gas or is available but restricted, the Company will provide its transportation ratepayer or the ratepayer's designated representative with a written explanation of why capacity is unavailable or restricted and the steps examined by the Company to alleviate the unavailability or restriction. Where capacity is restricted, the Company will allocate capacity to its transportation ratepayers without regard to the sources of the ratepayers' natural gas supplies.
  - c. Anticipated Unavailability of or Restrictions on Capacity: Whenever the Company anticipates that an extraordinary activity or occurrence will make capacity either unavailable or available but restricted, the Company will provide written notice to Pennsylvania producers, as early as possible, of the specific portions of the Company's system on which capacity may be unavailable or available but restricted and of the length of time that the unavailability or restriction likely will last.
- (9) As soon as practical after the ratepayer learns of any disruption or interruption in its supply of gas, the ratepayer shall notify the Company.
- (10) The measurements at the point of receipt and delivery shall be the responsibility of the Company. All quantities of gas received, transported, and delivered shall be expressed in terms of "Mcf." If the ratepayer's gas is received by the Company in Btus, the Company will divide the number of Btus by 1.030, or such other factor as the Company may determine appropriate, to determine the Mcf of gas received by the Company for transportation.
- (11) The Company shall retain 5.3 percent as gas used in Company operations and for unaccounted-for gas of the (C) total volume of gas received into its system on behalf of the ratepayer under Transportation Agreements that have been or are entered into pursuant to this rate, except in the following circumstances, where the Company may exercise its discretion to waive retainage in conjunction with a positive cost/benefit analysis:
- 1) If ratepayer can obtain alternate transportation service via direct bypass;
  - 2) If ratepayer receives transportation service through Company-owned facilities which do not produce the retainage percentage set forth in this rate schedule;
  - 3) If ratepayer has a competitive offer from a non-PUC-jurisdictional entity;
  - 4) If ratepayer can demonstrate economic development or job retention considerations are present; or
  - 5) If ratepayer has a bona fide competitive offer from an alternative energy source.

As used in this rate schedule, "alternative energy source" shall not include natural gas service from other Natural Gas Distribution Companies.

- (12) Ratepayer-owned gas received into the gathering system by the Company will be available as nominated by the ratepayer or his agent in the current month. Nominations will be accepted if determined to be reasonable by the Company. Reconciliation of the actual volumes to nominated volumes will be made in the first month available.

(continued)

**RATE GS-T**  
**GENERAL SERVICE - TRANSPORTATION**

**RULES AND DELIVERY TERMS** (continued)

- (8) Unless otherwise agreed under paragraph (16) below, the Company will arrange its utilization of available capacity by endeavoring to fairly accommodate, to the extent practicable, the interests of its retail and transportation ratepayers while maintaining its ability to remain competitive.
- a. Available System Capacity for Transportation Service: Capacity for the transportation of ratepayer-owned gas is available on the Company's system to the same extent as capacity is available for the general system supplies that the Company acquires for its retail ratepayers, except where operational constraints may require otherwise. Those operational constraints can include the safety of persons or property and the displacement of locally produced or purchased retail gas supplies and conditions required under Rate ST & ST-SW.
  - b. Actual Unavailability of or Restrictions on Capacity: In the event that capacity on the Company's system either is unavailable for the transportation of ratepayer-owned gas or is available but restricted, the Company will provide its transportation ratepayer or the ratepayer's designated representative with a written explanation of why capacity is unavailable or restricted and the steps examined by the Company to alleviate the unavailability or restriction. Where capacity is restricted, the Company will allocate capacity to its transportation ratepayers without regard to the sources of the ratepayers' natural gas supplies.
  - c. Anticipated Unavailability of or Restrictions on Capacity: Whenever the Company anticipates that an extraordinary activity or occurrence will make capacity either unavailable or available but restricted, the Company will provide written notice to Pennsylvania producers, as early as possible, of the specific portions of the Company's system on which capacity may be unavailable or available but restricted and of the length of time that the unavailability or restriction likely will last.
- (9) As soon as practical after the ratepayer learns of any disruption or interruption in its supply of gas, the ratepayer shall notify the Company.
- (10) The measurements at the point of receipt and delivery shall be the responsibility of the Company. All quantities of gas received, transported, and delivered shall be expressed in terms of "Mcf." If the ratepayer's gas is received by the Company in Btus, the Company will divide the number of Btus by 1.030, or such other factor as the Company may determine appropriate, to determine the Mcf of gas received by the Company for transportation.
- (11) The Company may retain 5.3 percent as gas used in Company operations and for unaccounted-for gas of the total volume of gas received into its system on behalf of the ratepayer under Transportation Agreements that may be entered into pursuant to this rate.
- (12) Ratepayer-owned gas received into the gathering system by the Company will be available as nominated by the ratepayer or his agent in the current month. Nominations will be accepted if determined to be reasonable by the Company. Reconciliation of the actual volumes to nominated volumes will be made in the first month available.

(continued)

**RATE T**  
**TRANSPORTATION SERVICE - INDUSTRIAL**

**RULES AND DELIVERY TERMS (continued)**

- (9) As soon as practicable after the ratepayer learns of any disruption or interruption in its supply of gas, the ratepayer shall notify the Company.
- (10) The measurements at the point of receipt and delivery shall be the responsibility of the Company. All quantities of gas received, transported, and delivered shall be expressed in terms of "Mcf." If the ratepayer's gas is received by the Company in mmBtu's, the Company will divide the number of mmBtu's by 1.030, or such other factor as the Company may determine appropriate, to determine the Mcf of gas received by the Company for transportation.
- (11) The Company shall retain 5.2 percent as gas used in Company operations and for unaccounted-for gas of the (D) total volume of gas received into its system on behalf of the ratepayer under Transportation Agreements that have been or are entered into pursuant to this rate, except in the following circumstances, where the Company may exercise its discretion to waive retainage in conjunction with a positive cost/benefit analysis:
- 1) If ratepayer can obtain alternate transportation service via direct bypass;
  - 2) If ratepayer receives transportation service through Company-owned facilities which do not produce the retainage percentage set forth in this rate schedule;
  - 3) If ratepayer has a competitive offer from a non-PUC-jurisdictional entity;
  - 4) If ratepayer can demonstrate economic development or job retention considerations are present; or
  - 5) If ratepayer has a bona fide competitive offer from an alternative energy source.

As used in this rate schedule, "alternative energy source" shall not include natural gas service from other Natural Gas Distribution Companies.

- (12) Ratepayer-owned gas received into gathering system by the Company will be available as nominated by the ratepayer or his agent in the current month. Nominations will be accepted if determined to be reasonable by the Company. Reconciliation of actual volumes to nominated volumes will be made in the first month available.
- (13) Monthly Balancing Provisions

The Company will bank for one month following the month that the ratepayer's gas is available for the ratepayer's use, up to 3.5 percent of the volumes delivered on the ratepayer's behalf (net of the payback of advanced gas) where the banked gas shall precede current deliveries of gas through the ratepayer's meter during the month following the banking period. The Company will balance ratepayer's daily deliveries with ratepayer's actual daily consumption during the month. The Company will advance up to 3.5 percent of the volumes received on the ratepayer's behalf in any month. The first gas received on the ratepayer's behalf in the succeeding month will be deemed the payback of advanced gas.

Negative Monthly Imbalance - A negative imbalance fee will be assessed on consumption by the ratepayer in excess of gas deliveries plus gas advanced, storage withdrawals, and any contracted for standby service. The negative imbalance volume will be sold by the Company at a price (which will include the applicable supplier of last resort delivery charge and surcharges) including the highest monthly price of gas purchased by the Company, excluding the value of gas withdrawn from storage, plus the firm transportation charges to bring the gas to the Company's system, adjusted for shrinkage on Dominion Transmission, Inc. and the Company and multiplied by the applicable Price Multiplier set forth below. Volumes sold by the Company are subject to applicable taxes. The Company may waive these restrictions if its actions cause the ratepayer to exceed the 3.5 percent tolerance level.

(continued)

**RATE T**  
**TRANSPORTATION SERVICE - INDUSTRIAL**

**RULES AND DELIVERY TERMS (continued)**

- (9) As soon as practicable after the ratepayer learns of any disruption or interruption in its supply of gas, the ratepayer shall notify the Company.
- (10) The measurements at the point of receipt and delivery shall be the responsibility of the Company. All quantities of gas received, transported, and delivered shall be expressed in terms of "Mcf." If the ratepayer's gas is received by the Company in mmBtu's, the Company will divide the number of mmBtu's by 1.030, or such other factor as the Company may determine appropriate, to determine the Mcf of gas received by the Company for transportation.
- (11) The Company shall retain 5.4 percent as gas used in Company operations and for unaccounted-for gas of the (I) total volume of gas received into its system on behalf of the ratepayer under Transportation Agreements that have been or are entered into pursuant to this rate, except in the following circumstances, where the Company may exercise its discretion to waive retainage in conjunction with a positive cost/benefit analysis:
- 1) If ratepayer can obtain alternate transportation service via direct bypass;
  - 2) If ratepayer receives transportation service through Company-owned facilities which do not produce the retainage percentage set forth in this rate schedule;
  - 3) If ratepayer has a competitive offer from a non-PUC-jurisdictional entity;
  - 4) If ratepayer can demonstrate economic development or job retention considerations are present; or
  - 5) If ratepayer has a bona fide competitive offer from an alternative energy source.

As used in this rate schedule, "alternative energy source" shall not include natural gas service from other Natural Gas Distribution Companies.

- (12) Ratepayer-owned gas received into gathering system by the Company will be available as nominated by the ratepayer or his agent in the current month. Nominations will be accepted if determined to be reasonable by the Company. Reconciliation of actual volumes to nominated volumes will be made in the first month available.
- (13) Monthly Balancing Provisions

The Company will bank for one month following the month that the ratepayer's gas is available for the ratepayer's use, up to 3.5 percent of the volumes delivered on the ratepayer's behalf (net of the payback of advanced gas) where the banked gas shall precede current deliveries of gas through the ratepayer's meter during the month following the banking period. The Company will balance ratepayer's daily deliveries with ratepayer's actual daily consumption during the month. The Company will advance up to 3.5 percent of the volumes received on the ratepayer's behalf in any month. The first gas received on the ratepayer's behalf in the succeeding month will be deemed the payback of advanced gas.

**Negative Monthly Imbalance** - A negative imbalance fee will be assessed on consumption by the ratepayer in excess of gas deliveries plus gas advanced, storage withdrawals, and any contracted for standby service. The negative imbalance volume will be sold by the Company at a price (which will include the applicable supplier of last resort delivery charge and surcharges) including the highest monthly price of gas purchased by the Company, excluding the value of gas withdrawn from storage, plus the firm transportation charges to bring the gas to the Company's system, adjusted for shrinkage on Dominion Transmission, Inc. and the Company and multiplied by the applicable Price Multiplier set forth below. Volumes sold by the Company are subject to applicable taxes. The Company may waive these restrictions if its actions cause the ratepayer to exceed the 3.5 percent tolerance level.

(continued)

**RATE T**  
**TRANSPORTATION SERVICE - INDUSTRIAL**

**RULES AND DELIVERY TERMS (continued)**

- (9) As soon as practicable after the ratepayer learns of any disruption or interruption in its supply of gas, the ratepayer shall notify the Company.
- (10) The measurements at the point of receipt and delivery shall be the responsibility of the Company. All quantities of gas received, transported, and delivered shall be expressed in terms of "Mcf." If the ratepayer's gas is received by the Company in mmBtu's, the Company will divide the number of mmBtu's by 1.030, or such other factor as the Company may determine appropriate, to determine the Mcf of gas received by the Company for transportation.
- (11) The Company shall retain 5.1 percent as gas used in Company operations and for unaccounted-for gas of the (D) total volume of gas received into its system on behalf of the ratepayer under Transportation Agreements that have been or are entered into pursuant to this rate, except in the following circumstances, where the Company may exercise its discretion to waive retainage in conjunction with a positive cost/benefit analysis:
- 1) If ratepayer can obtain alternate transportation service via direct bypass;
  - 2) If ratepayer receives transportation service through Company-owned facilities which do not produce the retainage percentage set forth in this rate schedule;
  - 3) If ratepayer has a competitive offer from a non-PUC-jurisdictional entity;
  - 4) If ratepayer can demonstrate economic development or job retention considerations are present; or
  - 5) If ratepayer has a bona fide competitive offer from an alternative energy source.

As used in this rate schedule, "alternative energy source" shall not include natural gas service from other Natural Gas Distribution Companies.

- (12) Ratepayer-owned gas received into gathering system by the Company will be available as nominated by the ratepayer or his agent in the current month. Nominations will be accepted if determined to be reasonable by the Company. Reconciliation of actual volumes to nominated volumes will be made in the first month available.
- (13) Monthly Balancing Provisions

The Company will bank for one month following the month that the ratepayer's gas is available for the ratepayer's use, up to 3.5 percent of the volumes delivered on the ratepayer's behalf (net of the payback of advanced gas) where the banked gas shall precede current deliveries of gas through the ratepayer's meter during the month following the banking period. The Company will balance ratepayer's daily deliveries with ratepayer's actual daily consumption during the month. The Company will advance up to 3.5 percent of the volumes received on the ratepayer's behalf in any month. The first gas received on the ratepayer's behalf in the succeeding month will be deemed the payback of advanced gas.

Negative Monthly Imbalance - A negative imbalance fee will be assessed on consumption by the ratepayer in excess of gas deliveries plus gas advanced, storage withdrawals, and any contracted for standby service. The negative imbalance volume will be sold by the Company at a price (which will include the applicable supplier of last resort delivery charge and surcharges) including the highest monthly price of gas purchased by the Company, excluding the value of gas withdrawn from storage, plus the firm transportation charges to bring the gas to the Company's system, adjusted for shrinkage on Dominion Transmission, Inc. and the Company and multiplied by the applicable Price Multiplier set forth below. Volumes sold by the Company are subject to applicable taxes. The Company may waive these restrictions if its actions cause the ratepayer to exceed the 3.5 percent tolerance level.

(continued)

RATE T  
TRANSPORTATION SERVICE - INDUSTRIAL

RULES AND DELIVERY TERMS (continued)

- (9) As soon as practicable after the ratepayer learns of any disruption or interruption in its supply of gas, the ratepayer shall notify the Company.
- (10) The measurements at the point of receipt and delivery shall be the responsibility of the Company. All quantities of gas received, transported, and delivered shall be expressed in terms of "Mcf." If the ratepayer's gas is received by the Company in mmBtu's, the Company will divide the number of mmBtu's by 1.030, or such other factor as the Company may determine appropriate, to determine the Mcf of gas received by the Company for transportation.
- (11) The Company shall retain 6.0 percent as gas used in Company operations and for unaccounted-for gas of the (I) total volume of gas received into its system on behalf of the ratepayer under Transportation Agreements that have been or are entered into pursuant to this rate, except in the following circumstances, where the Company may exercise its discretion to waive retainage in conjunction with a positive cost/benefit analysis:
- 1) If ratepayer can obtain alternate transportation service via direct bypass;
  - 2) If ratepayer receives transportation service through Company-owned facilities which do not produce the retainage percentage set forth in this rate schedule;
  - 3) If ratepayer has a competitive offer from a non-PUC-jurisdictional entity;
  - 4) If ratepayer can demonstrate economic development or job retention considerations are present; or
  - 5) If ratepayer has a bona fide competitive offer from an alternative energy source.

As used in this rate schedule, "alternative energy source" shall not include natural gas service from other Natural Gas Distribution Companies.

- (12) Ratepayer-owned gas received into gathering system by the Company will be available as nominated by the ratepayer or his agent in the current month. Nominations will be accepted if determined to be reasonable by the Company. Reconciliation of actual volumes to nominated volumes will be made in the first month available.

(13) Monthly Balancing Provisions

The Company will bank for one month following the month that the ratepayer's gas is available for the ratepayer's use, up to 3.5 percent of the volumes delivered on the ratepayer's behalf (net of the payback of advanced gas) where the banked gas shall precede current deliveries of gas through the ratepayer's meter during the month following the banking period. The Company will balance ratepayer's daily deliveries with ratepayer's actual daily consumption during the month. The Company will advance up to 3.5 percent of the volumes received on the ratepayer's behalf in any month. The first gas received on the ratepayer's behalf in the succeeding month will be deemed the payback of advanced gas.

**Negative Monthly Imbalance** - A negative imbalance fee will be assessed on consumption by the ratepayer in excess of gas deliveries plus gas advanced, storage withdrawals, and any contracted for standby service. The negative imbalance volume will be sold by the Company at a price (which will include the applicable supplier of last resort delivery charge and surcharges) including the highest monthly price of gas purchased by the Company, excluding the value of gas withdrawn from storage, plus the firm transportation charges to bring the gas to the Company's system, adjusted for shrinkage on Dominion Transmission, Inc. and the Company and multiplied by the applicable Price Multiplier set forth below. Volumes sold by the Company are subject to applicable taxes. The Company may waive these restrictions if its actions cause the ratepayer to exceed the 3.5 percent tolerance level.

(continued)

**RATE T**  
**TRANSPORTATION SERVICE - INDUSTRIAL**

**RULES AND DELIVERY TERMS (continued)**

- (9) As soon as practicable after the ratepayer learns of any disruption or interruption in its supply of gas, the ratepayer shall notify the Company.
- (10) The measurements at the point of receipt and delivery shall be the responsibility of the Company. All quantities of gas received, transported, and delivered shall be expressed in terms of "Mcf." If the ratepayer's gas is received by the Company in mmBtu's, the Company will divide the number of mmBtu's by 1.030, or such other factor as the Company may determine appropriate, to determine the Mcf of gas received by the Company for transportation.
- (11) The Company shall retain 5.3 percent as gas used in Company operations and for unaccounted-for gas of the (C) total volume of gas received into its system on behalf of the ratepayer under Transportation Agreements that have been or are entered into pursuant to this rate, except in the following circumstances, where the Company may exercise its discretion to waive retainage in conjunction with a positive cost/benefit analysis:
- 1) If ratepayer can obtain alternate transportation service via direct bypass;
  - 2) If ratepayer receives transportation service through Company-owned facilities which do not produce the retainage percentage set forth in this rate schedule;
  - 3) If ratepayer has a competitive offer from a non-PUC-jurisdictional entity;
  - 4) If ratepayer can demonstrate economic development or job retention considerations are present; or
  - 5) If ratepayer has a bona fide competitive offer from an alternative energy source.

As used in this rate schedule, "alternative energy source" shall not include natural gas service from other Natural Gas Distribution Companies.

- (12) Ratepayer-owned gas received into gathering system by the Company will be available as nominated by the ratepayer or his agent in the current month. Nominations will be accepted if determined to be reasonable by the Company. Reconciliation of actual volumes to nominated volumes will be made in the first month available.
- (13) Monthly Balancing Provisions

The Company will bank for one month following the month that the ratepayer's gas is available for the ratepayer's use, up to 3.5 percent of the volumes delivered on the ratepayer's behalf (net of the payback of advanced gas) where the banked gas shall precede current deliveries of gas through the ratepayer's meter during the month following the banking period. The Company will balance ratepayer's daily deliveries with ratepayer's actual daily consumption during the month. The Company will advance up to 3.5 percent of the volumes received on the ratepayer's behalf in any month. The first gas received on the ratepayer's behalf in the succeeding month will be deemed the payback of advanced gas.

Negative Monthly Imbalance - A negative imbalance fee will be assessed on consumption by the ratepayer in excess of gas deliveries plus gas advanced, storage withdrawals, and any contracted for standby service. The negative imbalance volume will be sold by the Company at a price (which will include the applicable supplier of last resort delivery charge and surcharges) including the highest monthly price of gas purchased by the Company, excluding the value of gas withdrawn from storage, plus the firm transportation charges to bring the gas to the Company's system, adjusted for shrinkage on Dominion Transmission, Inc. and the Company and multiplied by the applicable Price Multiplier set forth below. Volumes sold by the Company are subject to applicable taxes. The Company may waive these restrictions if its actions cause the ratepayer to exceed the 3.5 percent tolerance level.

(continued)

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of the foregoing document upon the parties, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

**VIA ELECTRONIC AND FIRST CLASS MAIL**

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\_\_\_\_\_  
Lillian S. Harris

Dated this 1<sup>st</sup> day of July, 2010

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