

Appendix O

gas delivered out of an LGA pool for off-system sales delivery are not subject to the \$0.08/Mcf pooling fee.² PIOGA's testimony³ showed that the service provided to LGA pool operators with respect to off-system deliveries of LGA pool volumes is less than the level provided to P-1 and NP-1 pool operators. PIOGA's testimony also showed that elimination of the pooling fee as requested by PIOGA is consistent with Peoples' prior elimination of the pooling fee charge to P-1 pools to promote retail competition, and would also promote increased use of Pennsylvania-produced natural gas. Finally, PIOGA recommended that if the LGA pooling fee was not discontinued, at a minimum it should be reduced to a cost-based rate rather than maintained as a value of service rate as currently structured. The Settlement (§ 49) provides that Rate LGA will be modified to require that gas supplied from an LGA pool and delivered off-system by Peoples will be subject to a separate negotiated off-system transportation rate. This resolution is fair; reasonable, supported by the testimony in this case, and is consistent with the public interest in promoting retail competition and increased use of lower cost Pennsylvania-produced natural gas.

PIOGA's rebuttal testimony⁴ addressed the proposals of other parties to impose gathering system costs, including gathering system lost and unaccounted for gas ("LUGF"), on producers of Pennsylvania natural gas, and showed why those proposals should be rejected. Peoples' rebuttal testimony⁵ also showed why these proposals should be rejected. The Settlement (§s 41 and 50) resolves these issues by maintaining the status quo. This resolution is also fair,

² Peoples provides three types of pools on its system: (1) Priority One, or P-1, pools which serve essential human needs use; (2) Non-Priority, or NP-1, pools which serve non-essential human needs uses; and (3) Local Gas Aggregation, or LGA, pools which serve producers of Pennsylvania natural gas. Producer volumes supplied from an LGA pool to NP-1 pools are not charged the pooling fee because it is charged to the NP-1 pool operator or marketer and passed onto the end user customers, but producer volumes supplied from an LGA pool for off-system delivery are charged the pooling fee.

³ PIOGA St. No. 1 and PIOGA St. No. 1SR (surrebuttal).

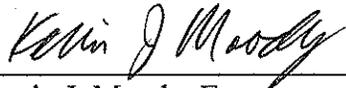
⁴ PIOGA St. No. 1R.

⁵ Peoples Statement No. 16-R (Joseph A. Gregorini).

reasonable, supported by the testimony in this case, and is consistent with the public interest in promoting retail competition and increased use of lower cost Pennsylvania-produced natural gas.

WHEREFORE, the Pennsylvania Independent Oil and Gas Association respectfully requests that the Settlement in this matter be approved.

Respectfully submitted,



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