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File #: 3552/148423

May 17, 2011

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

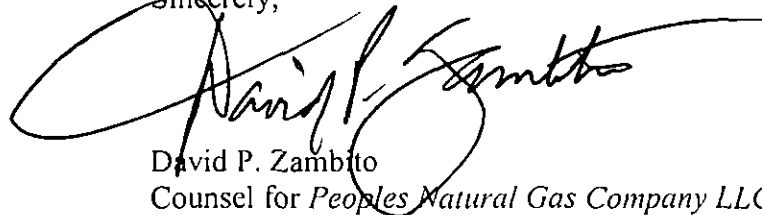
**RE: Peoples Independent Producers Group v. The Peoples Natural Gas Company d/b/a
Dominion Peoples; Docket No. C-20054393; FURTHER CONFERENCE
MEMORANDUM OF PEOPLES NATURAL GAS COMPANY LLC**

Dear Secretary Chiavetta:

Enclosed for filing with the Commission on behalf of Peoples Natural Gas Company LLC ("Peoples") are an original and three (3) copies of its Further Conference Memorandum in the above-referenced proceeding. Copies of this document have been served in accordance with the attached Certificate of Service.

If you have any questions regarding this filing, please direct them to me. Please date-stamp the extra copy and return it with our courier.

Sincerely,



David P. Zambito
Counsel for Peoples Natural Gas Company LLC

DPZ/kmg
Enclosures

cc: Administrative Law Judge Wayne L. Weismandel (via e-mail and hand deliver)
Certificate of Service

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Peoples Independent Producers Group,
Complainant

v.

The Peoples Natural Gas Company
d/b/a Dominion Peoples,
Respondent

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Docket No. C-20054393

**FURTHER CONFERENCE MEMORANDUM OF
PEOPLES NATURAL GAS COMPANY LLC**

In accordance with the Further Conference Order of the Honorable Administrative Law Judge Wayne L. Weismandel (“Presiding Officer”), dated April 21, 2011, and in anticipation of the Further Conference to be held at 10:00 a.m. on Tuesday, May 24, 2011, Peoples Natural Gas Company LLC (“Peoples”) submits this Further Conference Memorandum.

OVERVIEW OF PROCEDURAL HISTORY

1. Peoples Independent Producers Group (“PIPG”) filed a formal complaint and request for emergency order on April 21, 2005 at Docket Nos. C-20054393 and P-00052162, alleging *inter alia* that Peoples’ predecessor, The Peoples Natural Gas Company d/b/a Dominion Peoples (“DP”), was attempting to impose unreasonable and unlawful requirements on locally-produced gas through its Pennsylvania Production Enhancement Services Program (“PES Program”). Through a series of filings and orders, the Commission granted PIPG’s request for emergency.

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relief. DP was stayed from enforcing water vapor standards against producers while the case was pending.

2. On May 16, 2005, DP filed an answer to PIPG's complaint and a motion to dismiss for lack of Commission jurisdiction. On May 26, 2005, PIPG filed its answer to DP's motion to dismiss. By order dated June 14, 2005, the Presiding Officer denied DP's motion to dismiss finding that PIPG's complaint raised certain Commission-jurisdictional issues. DP filed for interlocutory review and, by order entered September 13, 2005, the Commission affirmed the Presiding Officer's order.

3. The Presiding Officer assigned the case to mediation by order dated September 26, 2005.

4. DP reached settlements with most members of PIPG and, by order entered March 22, 2006, the Commission lifted the stay for those gas producers who stated in writing that they did not want to be subject to the stay.

5. In January of 2010, the mediator determined that mediation had failed and returned the case to the Presiding Officer for hearing and resolution.

SIGNIFICANT RECENT CHANGES

6. On February 1, 2010, DP was acquired by PNG Companies LLC, an indirect wholly-owned subsidiary of SteelRiver Infrastructure Fund North America LP ("SteelRiver"). Pursuant to Commission approval order entered November 19, 2009 at Docket No. A-2008-2063737, DP was merged upon closing into a new company named Peoples Natural Gas Company LLC.

7. As a result of the transfer of control, Peoples' senior management has changed. Specifically, William E. McKeown, DP's Director of Pricing and Regulatory Affairs, who

testified in the hearing on PIPG's petition for emergency order, and Susan George, DP's Managing Counsel, are no longer associated with Peoples. Their respective responsibilities with regard to the above-captioned proceeding are now assigned to Joseph A. Gregorini, Peoples' Vice President for Rates and Regulatory Affairs, and William H. Roberts II, Peoples' Senior Counsel. It is also significant to note that Peoples has a new Chief Executive Officer, Morgan K. O'Brien.

8. On October 28, 2010, Peoples, at the direction of new management, filed its first base rate case since 1995. All aspects of Peoples' service, rates and other tariff provisions were subject to scrutiny by interested parties. The following parties either filed formal protests against the base rate filing or intervened in the proceeding: the Commission's Office of Trial Staff; the Office of Consumer Advocate; the Office of Small Business Advocate; Dominion Retail, Inc. and Interstate Gas Supply, Inc.; EQT Energy, LLC d/b/a Equitable Energy; Pennsylvania Independent Oil and Gas Association; Direct Energy Services, LLC; and, Peoples Industrial Intervenors ("PII"). Peoples' PES Program was examined as part of the base rate case. A settlement of all issues was reached between all active parties (with the exception of PII, which neither supported nor opposed the settlement). By Recommended Decision, dated April 27, 2011 and issued on May 9, 2011, the Honorable Administrative Law Judges John H. Corbett, Jr. and Mary D. Long recommended approval of the settlement without modification. The Commission has not yet taken final action.

SERVICE OF DOCUMENTS

9. Peoples' one entry on the service list should be:

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Peoples respectfully requests that the following counsel also be included on electronic service lists: William H. Roberts II (william.h.roberts@peoples-gas.com); Michael W. Gang (mgang@postschell.com); and, Jessica R. Rogers (jrogers@postschell.com).

CURRENT PIPG MEMBERS

10. Peoples is without adequate knowledge as to the current members of PIPG. To the extent that no members remain or remaining members do not participate through counsel at the Further Conference, the complaint should be dismissed with prejudice for failure to prosecute.

PROPOSED LITIGATION SCHEDULE

11. By Scheduling and Briefing Order, dated September 12, 2005, the Presiding Officer, set a briefing schedule that permitted: written direct testimony by PIPG; written direct testimony by other parties; written rebuttal testimony by PIPG; written surrebuttal testimony by other parties; three days of evidentiary hearings; main briefs; and, reply briefs.

12. Peoples suggests that the process and timelines set forth in the September 12, 2005 Scheduling and Briefing Order are again appropriate, as the case is in the same basic procedural posture as it was before referral to mediation. Accordingly, Peoples proposes the following litigation/briefing schedule:

Further Settlement Discussions	May 24 -- August 1, 2011
PIPG's Written Direct Testimony	August 1, 2011

Other Parties' Written Direct Testimony	September 14, 2011
PIPG's Written Rebuttal Testimony	October 7, 2011
Other Parties' Written Surrebutal Testimony	October 21, 2011
Evidentiary Hearings	October 26-28, 2011
Main Briefs	November 23, 2011
Reply Briefs	December 7, 2011
Close of Record	December 7, 2011

Peoples will attempt to reach a consensus with the other parties as to a schedule prior to the Further Conference.

WITNESSES

13. Peoples expects to call the following witnesses at hearing:

a. Joseph A. Gregorini, Peoples' Vice President of Rates and Regulatory Affairs, 375 North Shore Drive, Suite 600, Pittsburgh, PA 15212, (412) 208-7905. Mr. Gregorini will testify as to the history of the PES Program, participation by producers in the PES Program, Commission-approved tariff authority for implementation of the PES Program, PES Program revenue and expense accounting, similar programs employed by other natural gas distribution companies, the benefits received by the complainants as a result of the PES Program, and the net financial benefits to Peoples' ratepayers as a result of the PES Program.

b. Kenneth M. Johnston, Peoples' Vice President of Operations, 375 North Shore Drive, Suite 600, Pittsburgh, PA 15212, (412) 208-7930. Mr. Johnston will testify as to the unique characteristics of the Peoples' gathering and distribution systems, the need for gas quality standards, the damage caused to Peoples' gathering and distribution pipes by locally-produced

gas that fails to meet minimum water vapor standards, and projects funded by PES Program revenues and the results of those projects.

c. Jon H. Skoog, Peoples' Vice President of Gas Supply, 375 North Shore Drive, Suite 600, Pittsburgh, PA 15212, (412) 208-7907. Mr. Skoog will testify as to Peoples' least cost fuel procurement policy, its promotion and extensive use of locally-produced gas, and Peoples' gas quality provisions contained in its gas purchase contracts.

ISSUES/SUPPORTING EVIDENCE

14. This complaint proceeding presents the following primary issue and related sub-issues:

Primary Issue

Is Peoples' PES Program a reasonable and legal means by which Peoples can ensure the quality of gas on its system in order to "furnish and maintain adequate, efficient, safe, and reasonable service and facilities" at "just and reasonable" rates? *Suggested Answer: Yes. Supporting Evidence: Peoples will present evidence that the PES Program was implemented in accordance with a Commission-approved tariff and that it has been fairly implemented. The PES Program has resulted in net financial benefits for ratepayers, enhanced use of Pennsylvania local gas to the benefit of producers and local communities, and mitigated pipeline corrosion caused by high water vapor levels associated with locally-produced gas. It is in the public interest and, therefore, should not be found to be in violation of the Public Utility Code.*

Sub-Issues

Is Peoples' PES Program a service over which the Commission has jurisdiction? *Suggested Answer: No. Supporting Evidence: Peoples will present evidence regarding its various gas purchasing options and provide examples of other vendor requirements which are not subject to Commission jurisdiction.*

Does Peoples' Supplier Tariff, which states that the "Supplier [which is defined to include producers] will pay for any investment costs and any other agreed-upon fees related to the delivery of gas into the Company's system," provide legal authority for the PES Program? *Suggested Answer: Yes. Supporting Evidence: Peoples will move the Commission-approved tariff provision into the record and present evidence regarding its origins, implementation, and use.*

Does Peoples have an obligation under Section 1501 of the Public Utility Code, 66 Pa. C.S. § 1501 (regarding character of service and facilities) to develop and enforce minimum standards for the quality of gas delivered on to its distribution system? *Suggested Answer: Yes. Supporting Evidence: Peoples will present evidence regarding the need for minimum gas quality standards and the necessity to enforce such standards for the reliability of the system, quality of service to customers, and the extension of the useful life of pipelines.*

Does Peoples have an obligation under Section 1301 of the Public Utility Code, 66 Pa. C.S. § 1301 (regarding justness and reasonableness of rates) to take prudent steps to prevent the untimely corrosion of its pipes and potential interference with service to customers resulting from gas with high water vapor levels? *Suggested Answer: Yes. Supporting Evidence: Peoples will present evidence regarding the effect of high water vapor levels on pipes and the resulting effect upon customer rates.*

Is Peoples' PES Program consistent with a "least cost fuel procurement policy," as required by subsection (f) of Section 1307 of the Public Utility Code, 66 Pa. C.S. § 1307(f)? *Suggested Answer: Yes. Supporting Evidence: Peoples will present evidence regarding the impact of low-cost local gas on purchased gas costs and explain how the PES Program has facilitated the use of local production for the benefit of ratepayers.*

Has Peoples' PES Program enhanced the production and use of local Pennsylvania gas? *Suggested Answer: Yes. Supporting Evidence: Peoples will present evidence regarding the increased use of local Pennsylvania gas as a result of the PES Program and the benefits of such use to local producers and communities.*

Have ratepayers experienced a net financial benefit as a result of Peoples' PES Program? *Suggested Answer: Yes. Supporting Evidence: Peoples will present evidence to demonstrate that ratepayers have financially benefited from the PES Program through reduced pipeline expenses and low-cost local gas. Moreover, Peoples' recent base rate proceeding provided an opportunity for all interested parties to examine the PES Program and Peoples' associated revenues and expenses.*

If Peoples is successful in defending its PES Program in this proceeding and the Commission's stay against Peoples' enforcement of water vapor standards is lifted, may Peoples require the complainants to pay their fair share of PES Program investments made during the stay period? *Suggested Answer: Yes. Supporting Evidence: Peoples will quantify the financial benefit received by the complainants as a result of the Commission's stay. Other producers have funded various projects that have inured to the substantial benefit of the complainants.*

DISCOVERY

15. Peoples proposes that the parties adhere to the Commission’s Rules of Practice and Procedure regarding discovery, 52 Pa. Code §§ 5.321-5.373, with the following exception: Any discovery request served after noon on a Friday or the day before a state-recognized holiday shall be deemed served on the next following business day.

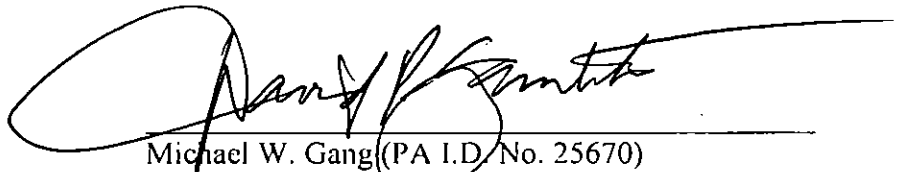
SERVICE OF DOCUMENTS

16. Peoples agrees to accept electronic service of documents, followed by delivery by first class mail.

SETTLEMENT

17. Peoples is willing to engage in further settlement discussions with the parties. Peoples’ proposed procedural schedule allows for approximately two months of further settlement discussions prior to the due date of PIPG’s written direct testimony. Peoples opposes any open-ended period for settlement discussions. A procedural schedule should be set at this time in order to bring this matter to final resolution if settlement discussions again fail.

Respectfully submitted,



Michael W. Gang (PA I.D. No. 25670)
David P. Zambito (PA I.D. No. 80017)
Jessica R. Rogers (PA I.D. No. 309842)
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Date: May 17, 2011

Counsel for *Peoples Natural Gas Company LLC*

CERTIFICATE OF SERVICE
Docket No. C-20054393

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

VIA FIRST CLASS MAIL and ELECTRONIC MAIL:

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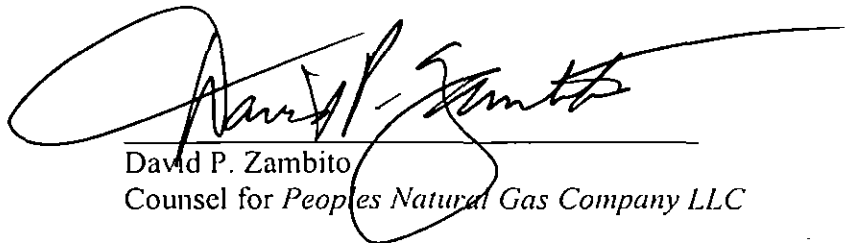
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DATED: May 17, 2011



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Counsel for Peoples Natural Gas Company LLC

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