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July 13, 2012

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

In re: Docket No. R-2012-2287044, et al.
Pennsylvania Public Utility Commission, et al. v. Equitable Gas Company, LLC

Dear Secretary Chiavetta:

Enclosed for filing in the above matter are an original and three (3) copies of the Joint Settlement Agreement of Equitable Gas Company, LLC ("Equitable"), the Bureau of Investigation and Enforcement ("I&E"), and the Office of Consumer Advocate ("OCA"). Appended to the Joint Settlement Agreement are Statements by Equitable, I&E and OCA in support of the settlement. Copies of the Joint Settlement Agreement are being served upon Judge Dunderdale and upon the persons and in the manner set forth on the certificate of service attached to it. If approved, the settlement would resolve all contested issues in Equitable's 2012 1307(f) proceeding.

Very truly yours,

THOMAS, LONG, NIESEN & KENNARD

By

Thomas T. Niesen

Encl.

cc: Certificate of Service (w/encl.)
John M. Quinn (w/encl.)
David W. Gray, Esq. (w/encl.)

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Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Administrative Law Judge
Katrina L. Dunderdale, Presiding

In The Matter Of

R-2012-2287044
C-2012-2297006
C-2012-2295220

- Pennsylvania Public Utility Commission
- Irwin A. Popowsky, Consumer Advocate
- Stephen C. Gray, Acting Small Business Advocate
Dominion Retail, Inc., d/b/a Dominion Energy
Solutions, Intervenor
Pennsylvania Independent Oil and Gas
Association, Intervenor

v.

Equitable Gas Company, LLC

JOINT SETTLEMENT AGREEMENT

The Bureau of Investigation and Enforcement ("I&E") of the Pennsylvania Public Utility Commission ("Commission"), the Office of Consumer Advocate ("OCA") and Equitable Gas Company, LLC ("Equitable," "EGC" or "Company"), active parties to the above-captioned Section 1307(f) proceeding (hereinafter sometimes referred to collectively as "Settling Parties"), respectfully present this Joint Settlement Agreement for consideration and approval by Administrative Law Judge Katrina L. Dunderdale and, upon her recommendation, by the Commission.

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I. The Company

Equitable is engaged in the purchase, distribution, sale and transportation of natural gas and serves over 260,000 residential, commercial and industrial customers in the City of Pittsburgh and adjacent territories in Allegheny, Armstrong, Butler, Clarion, Fayette, Greene, Indiana, Jefferson, Washington and Westmoreland Counties in Southwestern Pennsylvania.

II. The 1307(f) Filing at R-2012-2287044

On April 1, 2012, Equitable filed its Computation of Annual Purchased Gas Cost ("Section 1307(f) Filing") with the Commission, pursuant to Section 1307(f) of the Pennsylvania Public Utility Code and the Commission's Regulations at Section 53.61, *et seq.*, of Title 52 of the Pennsylvania Code. In support of the filing, Equitable also submitted the prepared direct testimony and accompanying exhibits of two witnesses. Equitable's Section 1307(f) Filing proposed a Purchased Gas Cost ("PGC") Rate of \$5.12 per Mcf, a decrease of \$1.15 per Mcf in the then effective PGC rate of \$6.27 per Mcf.

III. The 1307(f) Proceeding at R-2012-2287044

An investigation was instituted to determine the lawfulness, justness and reasonableness of the rates proposed in the Section 1307(f) Filing and to satisfy the requirements of Sections 1307, 1317 and 1318 of the Public Utility Code. In addition to the Commission's investigation docketed at R-2012-2287044, the OCA and the Office of Small Business Advocate ("OSBA") filed Complaints which were docketed by the Commission at C-2012-2297006 and C-2012-2295220, respectively. I&E filed a Notice of Appearance pursuant to the provisions of 52 Pa. Code § 5.71(a)(1). Petitions to Intervene were filed by Dominion Retail, Inc., d/b/a Dominion Energy Solutions

("Dominion Retail") and by the Pennsylvania Independent Oil and Gas Association ("PIOGA").

A prehearing conference was held on April 11, 2012, at which a schedule of various hearing, testimony submission, briefing and other dates was agreed to by the parties. In accordance with the procedural schedule, I&E and the OCA served direct testimony on May 18, 2012. I&E, the OCA and the OSBA, in addition, propounded a substantial number of interrogatories, which were answered by Equitable. Equitable served rebuttal testimony on June 1, 2012. Following the circulation of the direct and rebuttal testimony and the completion of discovery, the Settling Parties were able to achieve a proposed resolution of their issues. No surrebuttal testimony was served.

IV. The Proposed Settlement Stipulation

A. Overview

In accordance with the Commission's Rules of Practice, I&E, OCA and Equitable have engaged in extensive discussions in an effort to resolve the contested issues in this 1307(f) proceeding. The terms and conditions set forth in the following section of this Joint Settlement Agreement present a comprehensive resolution of all contested issues.¹

B. Settlement Terms and Conditions

1. Asset Management Agreement (AMA)

Equitable will share the proceeds of its Asset Management Agreement on a 75% PGC Customer/25% Company basis. No further credit to the PGC is required in regard to this transaction.

¹ Although not signatories to the Joint Settlement Agreement, the OSBA, Dominion Retail and PIOGA have authorized the Settling Parties to state that they do not oppose approval of the Joint Settlement Agreement.

2. Credits for Balancing Service

EGC will present an analysis evaluating the extent to which no-notice service provided by Equitrans, L.P. is used and variable charges are incurred to accommodate PGC and transportation customer imbalances. Equitable will present the analysis in next year's 1307(f) proceeding. The OCA withdraws its proposed balancing service credit adjustment in settlement of this year's proceeding.

3. Credits for Standby Service

EGC's transportation customers may contract for Standby Service pursuant to the Company's current tariff. In turn, EGC contracts with its pipeline supplier to reserve pipeline capacity for Standby Service. Standby Service capacity costs are credited to the PGC. The data in this year's proceeding showed that, despite the conversion of PGC customers to transportation service, the total design day demands of PGC and transportation customers has been relatively stable in recent years. In next year's 1307(f) proceeding, the Company will further analyze the conversion of PGC customers to transportation service and the impact, if any, on design day demands of transportation customers and the design peak day demands of PGC customers. The OCA, in settlement, withdraws its proposed standby service credit adjustment and there will be no additional capacity credit to the PGC in this year's proceeding.

4. Historic Period Transportation Migration Rider Discount

EGC will not recover the migration rider discount at issue here from PGC customers.

5. Interest Charges

EGC incurred a late payment charge related to a monthly invoice from TETCO. Equitable will not recover the interest charge from PGC customers.

6. Natural Gas Purchases from Affiliates

EGC submitted supporting analysis justifying its affiliated gas supply purchases as consistent with least cost procurement standards. Accordingly, the OCA's concerns have been addressed and it withdraws its adjustment.

7. Quarterly Gas Cost Filings

EGC will reflect quarterly over/under recoveries of gas costs in the derivation of the current C-factor rate submitted in quarterly PGC filings. The actual gas cost over/(under) collection for the three month period reconciled in each quarterly PGC filing will be included in the C-factor

component of the rate adjustment rather than in the E-factor component. As part of the 1307(f) annual gas cost filing, any residual over/(under) collection for actual gas costs during the twelve month historic period will be incorporated into the E-factor rate at that time. The change will be incorporated for the first quarterly filing after the implementation of the new PGC rate that takes effect October 1, 2012. EGC's compliance tariff filing will include the tariff language attached to this Joint Settlement Agreement.

C. Settlement Stipulation Re Requirements of Section 1318 of the Public Utility Code, 66 Pa. C.S. §1318

In recognition and application of the foregoing settlement terms and conditions and conditioned upon Equitable's fulfillment of the Settlement Terms, the Settling Parties further stipulate Equitable's compliance with the requirements of Section 1318 of the Public Utility Code as follows:

Equitable is pursuing a least cost fuel procurement policy consistent with its obligation to provide safe, adequate and reliable service to its customers. Equitable Exhibit I, Items 53.64(c)(1) and 53.64(c)(6).

Equitable has fully and vigorously represented the interests of its ratepayers in proceedings before the FERC. Equitable Exhibit I, Item 53.64(c)(4).

Equitable has taken all prudent steps necessary to negotiate favorable gas supply contracts and to relieve it from terms in existing contracts with its gas suppliers which are or may be adverse to the interests of its ratepayers. Equitable Exhibit I, Items 53.64(c)(1) and 53.64(c)(6).

Equitable has taken all prudent steps necessary to obtain lower cost gas supplies on both short-term and long-term bases both within and outside the Commonwealth, including the use of gas transportation arrangements with pipelines and other distribution companies. Equitable Exhibit I, Items 53.64(c)(3) and 53.64(c)(8).

Equitable has not withheld from the market or caused to be withheld from the market any gas supplies which should have been utilized as part of a least cost fuel procurement policy. Equitable Exhibit I, Item 53.65(5).

Equitable has fully and vigorously attempted to obtain less costly gas supplies on both short-term and long-term bases from nonaffiliated interests. Equitable Exhibit I, Item 53.65(3).

Equitable's contracts with affiliates for the purchase of gas are consistent with a least cost fuel procurement policy. Equitable Exhibit I, Items 53.65(1) and 53.65(4).

Neither Equitable nor its affiliates have withheld from the market any gas supplies which should have been utilized as part of a least cost fuel procurement policy. Equitable Exhibit I, Item 53.65(5).

D. Discounting or Waiving of Tariff Rates

The discounting or waiving of tariff rates was fully litigated in the Company's 2005 1307(f) proceeding. As a result, the Commission issued an Order in Docket No. R-00050272 providing guidance on the treatment of discounts and waivers in future 1307(f) proceedings. The Commission's Order required that if Equitable exercised its discretion to discount or waive tariff rates in the future, the Company must provide a demonstration of the positive benefits to customers as a result of the discounts or waivers. Equitable addressed the discounting or waiving of rates in the testimony and accompanying exhibit of its witness Scanlon. With the exception of the issues addressed in Settlement Term and Condition No. 4 *supra*, no party proposed any PGC disallowance as a result of the discounting or waiving of tariff rates.

E. Settlement Tariff Supplement

The adjustments related to the Historic Period waiver of the Transportation Migration Rider and the Interest Charge do not materially impact the proposed PGC rate of \$5.12 per Mcf. The remaining Settlement Terms and Conditions do not require adjustment to the form of tariff supplement included with the April 1 Section 1307(f) Filing other than the change in tariff language implementing Settlement Term and Condition No. 7 - Quarterly Gas Cost Filings. The PGC rate to be placed into effect as of October 1, 2012, will need to correspond to the October 1, 2012 quarterly filing pursuant to 52 Pa. Code Section 53.64(i)(5).

F. Evidentiary Basis

The Settling Parties believe that the testimony and exhibits sponsored by the Company, I&E and OCA, as further supported by the attached Statements in Support, fully support the fairness and reasonableness of the proposed settlement and demonstrate that it is in the public interest. At the hearing held on June 14, 2012, I&E, the OCA and Equitable offered into the record their respective statements and associated exhibits. With the approval of the presiding Administrative Law Judge, the statements of testimony and associated exhibits of Equitable, I&E and OCA were admitted into the record by stipulation without the necessity of calling their witnesses to the stand for the purpose of authenticating their respective statements and exhibits and being available for cross examination made unnecessary by virtue of the settlement. If for some reason the Commission should act to reject all or any part of this settlement, a hearing will be held on the subject issues prior to Commission disposition upon the request of any one of the Settling Parties:

**Testimony and Exhibits of the Settling Parties Admitted
into the Evidentiary Record**

<u>Party</u>	<u>Witness</u>	<u>Statements</u>	<u>Attachments/Exhibits/ Schedules</u>
Equitable			Equitable Exhibit I - 2012 1307(f) Filing
Equitable	Carol A. Scanlon	Equitable St. No. 1	Equitable Exhibits CAS-1 and CAS-2 (<i>Highly Confidential</i>)
		Equitable St. No. 1-R	Equitable Exhibits CAS-1R through CAS-3R

<u>Party</u>	<u>Witness</u>	<u>Statements</u>	<u>Attachments/Exhibits/ Schedules</u>
Equitable	Thomas P. Wiggers	Equitable St. No. 2 <i>(Proprietary and Public Versions)</i>	Equitable Exhibits TPW-1 through TPW-14 <i>(Including Confidential and Proprietary Exhibit TPW-3)</i>
		Equitable St. No. 2-R <i>(Proprietary and Public Versions)</i>	Equitable Exhibits TPW-1R through TPW-7R <i>(Including Confidential and Proprietary Exhibits TPW-6R and TPW-7R)</i>
I&E	Emily Sears	I&E St. No. 1	I&E Exhibit No. 1, Schedules 1 through 3
OCA	Jerome D. Mierzwa	OCA St. No. 1 <i>(Proprietary and Public Versions)</i>	Schedules JDM-1 through JDM-6 <i>(Including Confidential and Proprietary Schedule JDM-2)</i>

The Settling Parties request that this Settlement Agreement be designated ALJ Exhibit 1 and admitted into the record as a late-filed exhibit.

G. Settlement Perspective

The Settling Parties agree that the resolution of the issues herein proposed is in the public interest and consistent with the requirements of Section 1318 of the Public Utility Code. Statements in support of this Joint Settlement Agreement on behalf of Equitable, I&E and OCA are attached hereto. Except where expressly noted to the contrary, this Joint Settlement Agreement is being presented only in the context of Equitable's 2012 Section 1307(f) proceeding in an effort to resolve outstanding issues in a manner which is fair and reasonable and in the public interest.

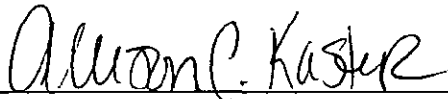
This Joint Settlement Agreement reflects compromises on all sides and is presented without prejudice to any position any of the Settling Parties may have advanced or may advance in the future, and without prejudice to the positions, if any, initially advanced by the Settling Parties on the merits of the issues. Those positions are preserved should the Commission reject this settlement in whole or in part. In such

event, all parties retain the right to litigate their respective issues, if any, and may withdraw from the settlement, or a portion of the settlement, within 5 days of a Commission order rejecting the settlement in whole or in part. Regardless of whether this Joint Settlement Agreement is approved or not, no adverse inference shall be drawn, nor shall prejudice result, to any party hereto in this or any future proceeding as a consequence of this Joint Settlement Agreement.

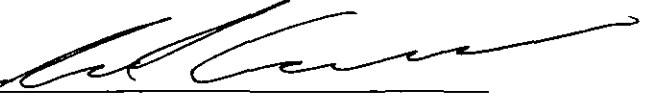
WHEREFORE, Equitable Gas Company, LLC, the Bureau of Investigation and Enforcement and the Office of Consumer Advocate, by their respective attorneys, respectfully request that Administrative Law Judge Katrina L. Dunderdale and the Pennsylvania Public Utility Commission approve the settlement proposed in this Joint Settlement Agreement.

Respectfully submitted,

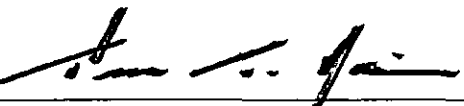
BUREAU OF INVESTIGATION AND ENFORCEMENT

By 
Johnnie E. Simms, Chief Prosecutor
Allison Curtin Kaster, Prosecutor

OFFICE OF CONSUMER ADVOCATE

By 
Darryl Lawrence
James A. Mullins
Assistant Consumer Advocates

EQUITABLE GAS COMPANY, LLC

By 
Charles E. Thomas, Jr., Esquire
Thomas T. Niesen, Esquire
David W. Gray, Esquire

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SETTLEMENT TERM AND CONDITION NO. 7
LANGUAGE FOR COMPLIANCE TARIFF FILING

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RIDER APURCHASED GAS COSTI. Provision for Purchased Gas Cost

The Purchased Gas Cost (PGC) is the rate determined pursuant to Section 1307(f) of the Public Utility Code for recovery of natural gas costs and shall be included in Rate Schedules RS, GSS, and GSL of this Tariff (PGC Rate Schedules) as explained here and after.

II. Computation and Application of Purchased Gas Cost (PGC)

The PGC shall be computed to the nearest one cent (\$0.01) in accordance with the formula set forth below:

$$PGC = \frac{C - E}{S}$$

(C)

The PGC rate shall be redetermined annually and will go into effect Oct 1 of each year. Thereafter, the Company may make quarterly filings on January 1, April 1 and July 1, effective on one day's notice, and upon determination that the effective rate will result in more than a +/- 2% change in the PGC rate.

The quarterly revisions may reflect adjustments to the "C" factor for more current projected commodity costs of purchased gas for the periods remaining until Oct 1 of each year and a reconciliation and adjustment for the over or under collection of natural gas supply costs from the three month period ending one month prior to the quarterly filing date applied to the projected annual Mcf sales of gas in the computation year of the Company's most recent annual proceeding.

The "E" factor may be adjusted for variations in actual volumes of gas compared to the projected volumes of gas based on the Company's most recent annual proceeding.

III. Definitions

"PGC" -- purchased gas cost determined to the nearest one cent (\$0.01) comprised of a "C" factor and an "E" factor. The C factor is the natural gas supply charge included in the PGC Rate Schedules. The E factor is included in the natural gas delivery charge in the PGC Rate Schedules except for those customers returning from Delivery Service Rate Schedules in accordance with Rider B.

"C-Factor" -- a number of dollars, determined as follows: (a) for all types of "Purchased Gas," project the cost for each purchase (adjusted for net current gas stored) for the computation year plus (b) the arithmetical sum of (1) the projected book value of noncurrent gas at the beginning of the computation year minus (2) the projected book value of noncurrent gas at the end of the computation year. The C factor is C divided by S.

"E-Factor" -- Net over collection or under collection of the cost of purchased gas including interest, for the period beginning with the month following the last month of the historic reconciliation included in the previous PGC and ending with the month preceding the effective date of the new PGC. The E factor is E divided by S.

(C) Indicates Change

ISSUED:

WILLIAM R. LUCAS
PRESIDENT

EFFECTIVE: October 1, 2012

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EQUITABLE GAS COMPANY, LLC

STATEMENT IN SUPPORT

**Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Administrative Law Judge
Katrina L. Dunderdale, Presiding**

In The Matter Of

**R-2012-2287044
C-2012-2297006
C-2012-2295220**

**- Pennsylvania Public Utility Commission
- Irwin A. Popowsky, Consumer Advocate
- Stephen C. Gray, Acting Small Business Advocate
Dominion Retail, Inc., d/b/a Dominion Energy
Solutions, Intervenor
Pennsylvania Independent Oil and Gas
Association, Intervenor**

v.

Equitable Gas Company, LLC

**EQUITABLE GAS COMPANY'S
STATEMENT IN SUPPORT OF
JOINT SETTLEMENT AGREEMENT**

AND NOW, comes Equitable Gas Company, LLC ("Equitable" or "Company"), by its attorneys, and submits the following statement in support of the Joint Settlement Agreement presented in the above captioned Section 1307(f) proceeding ("Joint Settlement Agreement").

I. Background

1. This proceeding concerns Equitable's 2012 Computation of Annual Purchased Gas Adjustment pursuant to Section 1307(f) of the Public Utility Code. As filed with the Commission on April 1, 2012, Equitable's 2012 Section 1307(f) Filing ("April 1 Filing") proposed a Purchased Gas Cost ("PGC") Rate of \$5.12 per Mcf.

2. The Commission instituted an investigation at Docket No. R-2012-2287044 to determine the lawfulness, justness and reasonableness of the rates

proposed in the April 1 Filing and to satisfy the requirements of Sections 1307, 1317 and 1318 of the Public Utility Code. The signatory parties to the Joint Settlement Agreement (the "Settling Parties") are Equitable and the only other parties to submit testimony -- the Office of Consumer Advocate ("OCA") and the Bureau of Investigation and Enforcement ("I&E"). Although not signatories, the only remaining parties to the proceeding, Office of Small Business Advocate, the Pennsylvania Independent Oil and Gas Association, Dominion Retail, Inc., d/b/a Dominion Energy Solutions, are not opposed to the settlement.¹

3. The Settling Parties have agreed that this Section 1307(f) proceeding can be settled without further litigation under the terms set forth in the Joint Settlement Agreement.

II. The Joint Settlement Agreement is Consistent with the Requirements of the Public Utility Code and It is in the Public Interest

Policy Considerations

4. It is the policy of the Commission to encourage parties in contested proceedings to enter into settlements. 52 Pa. Code §5.231(a). A settlement mitigates the time and expense of litigating the matter to its ultimate conclusion. This directly benefits all parties concerned.

5. The Joint Settlement Agreement proposes a comprehensive resolution of all issues in Equitable's 2012 Section 1307(f) proceeding. Where the active parties in a proceeding have reached a settlement, the principal issue for Commission consideration is whether the agreement reached is in the public interest. Pa. P.U.C. v. CS Water and Sewer Associates, 74 Pa. P.U.C. 767, 771 (1991). The Settling Parties

¹ Transcript pages 34 and 36.

agree that, based upon the evidence of record, the resolution of the issues proposed in the Joint Settlement Agreement is in the public interest and consistent with the requirements of Section 1318 of the Public Utility Code.

Specific Settlement Terms and Conditions

6. Specific settlement terms and conditions are presented in the Joint Settlement Agreement. They are generally set forth below and are in the public interest for the following reasons:

Asset Management Agreement

Equitable entered into an Asset Management Agreement ("AMA") with a third party that included release of TETCO capacity through October 2012, the end of the TETCO capacity contract term. The details of the AMA are proprietary and confidential and are presented at pages 13 through 15 of Equitable Statement No. 2 (Proprietary Version). Equitable proposed to share the proceeds of the AMA on a 75% PGC Customer/25% Company basis consistent with accepted sharing principles and its approved performance based rate mechanism. Although the OCA initially challenged the amount of the proceeds to be shared, the Settling Parties, after further discussion and review, have agreed that Equitable's sharing calculation is appropriate. The OCA, in settlement, withdrew its proposed adjustment and no further credit to the PGC is necessary.

Through the AMA and credit mechanism Equitable has produced a significant PGC credit for the benefit of PGC customers. The AMA fee and the sharing of it are presented in Equitable Statement No. 2 (Proprietary Version). Although Equitable retains a percentage of the AMA fee, the lion's share of 75%

is allocated through the PGC for the benefit of PGC customers. The AMA, the related fee and the sharing on a 75% PGC Customer/25% Company basis are reasonable and appropriate and consistent with the public interest and established PGC ratemaking principles.

Credits for Balancing Service

Equitable subscribes to a FERC regulated “no-notice” interstate pipeline transportation service that benefits both PGC and transportation customers. Details of the “no-notice” service are presented at page 6 of Equitable Statement No. 2 (Public Version). For PGC purposes, Equitable provides a PGC credit for the demand charges associated with the no-notice service provided to transportation customers.² OCA proposed a change to the crediting calculation which includes a variable charge component.

Equitable disagrees with the OCA’s attempt to expand the allocation of no-notice costs to transportation customers but agreed in settlement to present an analysis evaluating the extent to which no-notice service is used and variable charges are incurred to accommodate PGC and transportation customer imbalances. Equitable will present the analysis in next year’s 1307(f) proceeding and the OCA agreed to withdraw its adjustment in settlement of this year’s proceeding.

Equitable supports the settlement resolution as reasonable and appropriate and consistent with the public interest. Equitable would continue to

² See Equitable St. No. 1 at 9.

oppose the expansion of the credit to include variable charges³ but supports the development of further information in next year's proceeding with the preparation and submission of the agreed upon additional analysis. Equitable supports the settlement resolution of this issue as a reasonable and appropriate accommodation of competing positions and consistent with the public interest.

Credits for Standby Service

Equitable provides Standby Service to transportation customers who contract for it. In turn, Equitable contracts with its pipeline supplier to reserve pipeline capacity for Standby Service. Standby Service capacity costs are credited to the PGC.⁴ Citing recent conversions of PGC customers to transportation service, the OCA recommended that the capacity credit to the PGC be increased to reflect higher levels of Standby Service.

Equitable submitted updated design day studies in rebuttal to the OCA recommendation and adjustment. The studies showed that despite the conversion of PGC customers to transportation service, the total design day demands of PGC and transportation customers has been relatively stable in recent years.⁵

Equitable disagrees with the OCA's attempt to expand the allocation of capacity costs to transportation customers but agreed, in settlement, to present a further analysis in next year's proceeding of the conversion of PGC customers

³ See Equitable St. No. 2-R at 6 (Public Version).

⁴ See Equitable St. No. 1 at 8.

⁵ See Equitable St. No. 2-R (Public Version) at 8-9 and Schedules TPW-4R and TPW-5R.

to transportation service and the impact, if any, on design day demands of transportation customers and the design peak day demands of PGC customers. The OCA agreed to withdraw its adjustment in settlement of this year's proceeding.

Equitable supports the settlement resolution as reasonable and appropriate and consistent with the public interest. Equitable would continue to oppose the expansion of the Standby Service credit⁶ but supports the development of further information in next year's proceeding with the preparation and submission of the agreed upon additional analysis. Equitable supports the settlement resolution of this issue as a reasonable and appropriate accommodation of competing positions and consistent with the public interest.

Historic Period Transportation Migration Rider Discount

Sales customers that switch to transportation service either receive an E-factor credit or pay the E-factor for one year after a switch. The E-factor applicable to a transportation customer for this one-year period is referred to as the Transportation Migration Rider. Equitable waived the Transportation Migration Rider for two customers during the historic period in order to retain the customer after the customer was approached for service by another natural gas distribution company. The Company did not want to risk losing the customer and also wanted to avoid extended years of discounting the customer's Delivery Service rate in order to retain the customer.⁷

⁶ See Equitable St. No. 2-R (Public Version) at 7-11.

⁷ See Equitable St. No. 1 at 13 and Equitable St. No. 1-R at 4-5.

Equitable and its other customers benefitted by the retention of the customer on the Equitable system with its continued contribution to fixed costs. Equitable, in settlement, has agreed to forego PGC recovery of the discount and adjust its PGC by the amount of the OCA's adjustment for the revenue impact of the waiver of the Rider. The adjustment does not materially impact the proposed PGC rate of \$5.12 per Mcf. Equitable submits that the foregoing, achieved after extended negotiation and as part of a comprehensive settlement, is reasonable and appropriate and consistent with the public interest.

Interest Charge

EGC inadvertently incurred an interest charge on one monthly invoice from TETCO. Equitable would typically pay an invoice before incurrence of an interest charge and agreed in settlement to eliminate the charge from its PGC calculation. The elimination of the charge does not materially impact the proposed PGC rate of \$5.12 per Mcf. Equitable supports the elimination of this charge as reasonable and appropriate and consistent with the public interest.

Natural Gas Purchases from Affiliates

The OCA reviewed certain natural gas purchases and, in its direct testimony, asked that Equitable justify the purchases as consistent with least cost fuel procurement. In response, the Company submitted confidential and proprietary cost data at pages 11 through 13 of Equitable Statement No. 2-R (Proprietary Version) and Confidential and Proprietary Exhibit TPW-7R that demonstrated that the affiliated purchases were consistent with least cost fuel procurement principles and, in settlement, the OCA withdrew its proposed adjustment. The evidence of record demonstrates that PGC costs would have

been higher *absent* the affiliated purchases. Equitable supports the settlement term as reasonable and appropriate and consistent with the public interest.

Quarterly Gas Cost Filings

I&E proposed a change to the method of presenting quarterly PGC gas cost filings whereby quarterly over/under recoveries of gas costs would be reflected in the derivation of the current C-factor rate submitted in the quarterly filings. Although a change to what Equitable views as long standing practice, Equitable did not oppose the change in calculation methodology.⁸

Going forward, the actual gas cost over/(under) collection for the three month period reconciled in each quarterly PGC filing will be included in the C-factor component of the rate adjustment rather than in the E-factor component. As part of the 1307(f) annual gas cost filing, any residual over/(under) collection for actual gas costs during the twelve month historic period will be incorporated into the E-factor rate at that time.

The change will be incorporated for the first quarterly filing after the implementation of the new PGC rate that takes effect October 1, 2012. The Settling Parties agreed that Equitable will make certain changes in tariff language to implement the change in the quarterly calculation. Equitable supports the settlement term as reasonable and appropriate and consistent with the public interest.

⁸ See Equitable St. No. 1-R at 2-4.

An Additional Matter - Discounting or Waiving of Tariff Rates

7. Equitable addressed the discounting or waiving of rates in the testimony and accompanying exhibit of its witness Carol A. Scanlon.⁹ Other than the *transportation migration rider discount discussed above*, no party proposed any PGC disallowance as a result of the discounting or waiving of tariff rates.

Additional Statutory Findings

8. In consideration of the settlement and the evidence of record, the Settling Parties support the Commission making the following findings required by Section 1318:


- (1) Equitable is pursuing a least cost fuel procurement policy, consistent with its obligation to provide safe, adequate and reliable service to its customers.
- (2) Equitable has fully and vigorously represented the interests of its ratepayers in proceedings before the FERC.
- (3) Equitable has taken all prudent steps necessary to negotiate favorable gas supply contracts and to relieve it from terms in existing contracts with its gas suppliers which are or may be adverse to the interests of its ratepayers.
- (4) Equitable has taken all prudent steps necessary to obtain lower cost gas supplies on both short-term and long-term bases both within and outside the Commonwealth, including the use of gas transportation arrangements with pipelines and other distribution companies.
- (5) Equitable has not withheld from the market or caused to be withheld from the market any gas supplies which should have been utilized as part of a least cost fuel procurement policy.
- (6) Equitable has fully and vigorously attempted to obtain less costly gas supplies on both short-term and long-term bases from nonaffiliated interests.
- (7) Each contract for the purchase of gas from its affiliated interest is consistent with a least cost fuel procurement policy.

⁹ Equitable Sts. Nos. 1 and 1-R.

- (8) Neither Equitable nor its affiliated interest has withheld from the market any gas supplies which should have been utilized as part of a least cost fuel procurement policy.

WHEREFORE Equitable Gas Company, LLC requests that Administrative Law Judge Katrina L. Dunderdale recommend approval of and upon her recommendation that the Pennsylvania Public Utility Commission approve the Joint Settlement Agreement.

Respectfully submitted,

By 

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EGC Statement in Support of Settlement.wpd

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**BUREAU OF INVESTIGATION AND
ENFORCEMENT**

STATEMENT IN SUPPORT

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :

v. :

Equitable Gas Company, LLC :

Docket No. R-2012-2287044

**BUREAU OF INVESTIGATION AND ENFORCEMENT
STATEMENT IN SUPPORT OF
JOINT PETITION FOR SETTLEMENT**

TO ADMINISTRATIVE LAW JUDGE KATRINA DUNDERDALE:

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), by and through its Prosecutor, Allison C. Kaster, hereby respectfully submits that the terms and conditions of the foregoing Joint Settlement Agreement (“Settlement”) are in the public interest and represent a fair, just and reasonable balance of the interests of Equitable Gas Company, LLC (“Equitable” or “Company”) and its customers. The parties to this Settlement conducted extensive discovery and negotiation sessions and, as a result, the Joint Petitioners have agreed upon the terms embodied in the foregoing Settlement. This request is based upon I&E’s conclusion that the Settlement is in the public interest as supported by the following factors:

1. I&E is charged with the representation of the public interest in proceedings relating to rates, rate-related services and application proceedings affecting the public interest held before the Commission. Consequently, in negotiated settlements, it is

incumbent upon I&E to ensure that the public interest is served and to quantify to what extent amicable resolution of any such proceeding will benefit the public interest. Based upon I&E analysis of the Company's 1307(f) filing, acceptance of this proposed Settlement is in the public interest and I&E recommends that Administrative Law Judge Katrina Dunderdale and the Commission approve the Settlement in its entirety.

2. On April 2, 2012, the Company filed its Annual Purchased Gas Cost Filing pursuant to Section 1307(f) of the Public Utility Code. Equitable's 1307(f) filing proposed a purchased gas cost rate of \$5.12 per Mcf, which is a \$1.15 reduction from the purchase gas cost rate in effect prior to April 2, 2012.

3. I&E filed a Notice of Appearance on March 12, 2012.

4. A telephonic Prehearing Conference was held on April 11, 2012, which resulted in the establishment of a procedural schedule.

5. Discovery was undertaken by the parties during the proceeding.

6. Pursuant to the procedural schedule, I&E served direct testimony, identified as I&E Statement No. 1, on May 18, 2012. The I&E testimony was entered into the evidentiary record on June 14, 2012.

7. In accordance with the Commission's policy favoring settlements over costly and time consuming litigation, 52 Pa. Code § 5.231, the Settling Parties were successful in achieving a full and complete settlement of all issues utilizing the discovery and settlement negotiation process.

8. I&E submits that the proposed Settlement is in the public interest and should be approved by the ALJ and the Commission for the following reasons:

a. I&E represents that the purchased gas costs that Equitable incurred during the historic period adhered to a least cost fuel procurement policy. Adhering to a least cost procurement policy benefits ratepayers because least cost gas directly impacts customer gas bills and obligates the Company to provide safe, adequate and reliable service to its customers. After review of the filing and extensive discovery and settlement discussions, I&E maintains that the Company's gas purchasing practices have satisfied its least cost procurement obligation.

I&E analyzed the Company's E-factor and found that it was calculated in accordance with established Commission practices. This review is critical because the proper calculation of the E-factor ensures that rates are adjusted appropriately. I&E is satisfied that the Company's E-factor calculation is appropriate and accurate.

Additionally, I&E reviewed the Company's projected gas costs and determined that it appears those costs are consistent with a least cost fuel procurement policy. Equitable's current PGC rate is \$6.27 per Mcf. In its filing, Equitable projects a decrease of \$1.15 per Mcf for a proposed PGC rate of \$5.12 per Mcf to be effective October 1, 2012. While those costs are subject to review in a future PGC proceeding, I&E maintains that ratepayers are protected in that Equitable gains no unwarranted financial advantages through its projected gas purchases and projected gas purchasing policies.

b. Quarterly Gas Cost Filings (Joint Settlement Agreement ¶ IV.B.7)

In direct testimony, I&E recommended that the quarterly gas cost over/(under) reconciliation be included in the C-factor rather than the E-factor. The basis for the I&E recommendation is to ensure that each month's actual over or under collection dollar

amount and its corresponding interest amounts will be repaid or recovered at the completion of the PGC year that is currently in progress. Equitable does not oppose I&E's recommendation and it has been incorporated into the Joint Settlement Agreement. Equitable St. No. 1-R, pp. 2-4.

Currently, Equitable includes its C-factor over/(under) collections in the E-factor rate. The Quarter Adjustment is calculated by adding the current C-factor over/(under) collections to the E-factor over/(under) collections, which is then divided by annual throughput (in Mcfs). I&E St. No. 1, p. 6. However, the Quarter Adjustment is only applied to the E-factor rate. In testimony, I&E recommended that Equitable recognize its current C-factor over/(under) collections in its C-factor rate in its Quarterly Filing, which requires the removal of the C-factor over/(under) collections from Equitable's Quarter Adjustment calculation. I&E St. No. 1, p. 5, I&E Exhibit No. 1, Schedule No. 1. Removing the C-factor from the Quarter Adjustment properly recognizes the current period's C-factor over/(under) collections in the current C-factor rate.

I&E's proposal allows the Company to maintain its E-factor rate and allows the interest time periods to remain accurate. The Company will continue its current Quarter Adjustment practice related to the E-factor and adjust for any over/(under) collections related solely to the current E-factor revenues versus projected E-factor revenues made in the Annual Filing. I&E St. No. 1, p. 9. Similarly, I&E's recommendation allows the Company to recognize any over/(under) collections of the current C-factor in the C-factor rate. I&E St. No. 1, pp. 8-9. For example, as demonstrated by Equitable witness

Scanlon, under the current methodology the total PGC rate is \$5.77, which is comprised of a C-factor of \$5.00 and an E-factor of \$0.77. Equitable St. No. 1-R, p. 3. Under I&E's calculation, the total PGC rate remains \$5.77, but the C-factor rate would be \$5.54 and the E-factor would be \$0.23. Equitable St. No. 1-R, p. 3.

I&E maintains that this settlement term is in the public interest because the Company will minimize its net annual over/(under) collection and will mitigate large variances between actual natural gas costs and revenues billed.

9. Based upon I&E's analysis of the filing, acceptance of this proposed Settlement is in the public interest because resolution of this case by settlement rather than litigation will avoid the substantial time and effort involved in continuing to formally pursue all issues in this proceeding at the risk of accumulating excessive expense.

10. I&E further submits that the acceptance of the foregoing settlement will negate the need for any direct and cross-examination of witnesses, the preparation of Main Briefs, Reply Briefs, Exceptions and Reply Exceptions, and the filing of possible appeals.

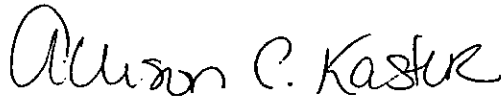
11. The Settlement is conditioned upon the Commission's approval of all terms and conditions contained therein and should the Commission fail to grant such approval or otherwise modify the terms and conditions of the Settlement, it may be withdrawn by the Company or I&E as provided therein.

12. I&E's agreement to settle this case is made without any admission or prejudice to any position that I&E might adopt during subsequent litigation in the event that the Settlement is rejected by the Commission or otherwise properly withdrawn by any of the Joint Petitioners.

13. If the ALJ recommends that the Commission adopt the Settlement as proposed, I&E has agreed to waive the filing of Exceptions. However, I&E has not waived its rights to file Reply Exceptions with respect to any modifications to the terms and conditions of the Settlement, or any additional matters, that may be proposed by the ALJ in the Recommended Decision. I&E has also reserved the right to file Reply Exceptions to any Exceptions that may be filed by the Company.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement represents that it supports the Settlement as being in the public interest and respectfully requests that Administrative Law Judge Katrina Dunderdale recommend, and the Commission subsequently approve, the foregoing Joint Settlement Agreement, including all terms and conditions contained therein.

Respectfully submitted,



Allison C. Kaster
Prosecutor

Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
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Dated: July 13, 2012

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OFFICE OF CONSUMER ADVOCATE
STATEMENT IN SUPPORT

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
	:	Docket No. R-2012-2287044
v.	:	
	:	
EQUITABLE GAS COMPANY	:	

STATEMENT OF THE OFFICE OF
CONSUMER ADVOCATE IN SUPPORT
OF THE JOINT SETTLEMENT AGREEMENT

The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Settlement Agreement (Settlement) respectfully requests that the terms and conditions of the Settlement be approved by the Administrative Law Judge and the Pennsylvania Public Utility Commission (Commission). This request is based upon the OCA's conclusion that the proposed Settlement is in the public interest and is in the interest of the customers of Equitable Gas Company (Equitable or Company).

I. INTRODUCTION

On February 29, 2012 pursuant to Section 53.64(c) of the Commission's Rules and Regulations, 52 Pa. Code Section 53.64(c), Equitable Gas Company (Equitable or Company) submitted pre-filing information in support of its annual reconciliation of purchased gas cost (PGC) rates under Section 1307(f) of the Public Utility Code. 66 Pa. C.S. § 1307(f). On April 2, 2012, pursuant to Sections 53.61 through 53.68 of the Commission's Rules and Regulations, 52

Pa. Code Sections 53.61-53.68, Equitable filed the definitive copies of its annual purchased gas cost filing for the period ending September 30, 2013.

Equitable's current PGC rate is \$6.27 per Mcf. In its filing, Equitable projects a decrease of \$1.15 per Mcf for a proposed PGC rate of \$5.12 per Mcf to be effective October 1, 2012. The average bill of a residential customer using 90 Mcf per year would decrease by approximately \$8.62 per month as a result of the proposed new PGC rate.

The Company's filing was assigned to the Office of Administrative Law Judge, and was further assigned to Administrative Law Judge Katrina L. Dunderdale (ALJ Dunderdale) for investigation and scheduling of hearings to determine whether Equitable's gas costs comply with the standards set forth in the Public Utility Code. On April 4, 2012, the OCA filed a Formal Complaint against Equitable's proposed PGC rate.

Equitable Gas Company is a wholly owned subsidiary of Equitable Resources, Inc. In Pennsylvania, Equitable provides service to approximately 242,220 residential, 17,651 commercial and 138 industrial customers in the City of Pittsburgh and adjacent territories in Allegheny, Armstrong, Butler, Clarion, Fayette, Greene, Indiana, Jefferson, Washington and Westmoreland Counties in Southwestern Pennsylvania. Approximately 93% of the Company's Pennsylvania customers are residential customers.

On April 11, 2012, ALJ Dunderdale held a prehearing conference. The parties agreed to a litigation schedule, as well as certain modifications to the discovery rules. Subsequent to the Prehearing Conference, Dominion Retail and the Pennsylvania Independent Oil and Gas Association filed Petitions to Intervene in this matter. Those interventions were granted.

As part of its investigation and analysis of this matter, the OCA reviewed the Company's purchasing policies and practices for natural gas supply for the 12-month historic period ending January 31, 2012 and the 12-month PGC period ending September 30, 2012. This analysis included an evaluation of numerous issues associated with the Company's historic and projected purchasing practices and policies, including, but not limited to:

- (1) Whether Equitable has properly estimated its gas cost to be incurred during the interim and prospective periods covered by the Company's filing;
- (2) Whether the gas supply mix proposed by Equitable and the costs produced by such mix are optimal and in the best interest of the Company's customers;
- (3) Whether Equitable has properly provided for the optimal mix of demand entitlements, storage, and local production on its system in order to meet its system requirements at the lowest available cost;
- (4) Whether Equitable, through its purchasing practices concerning local gas supplies, has prudently used its available procurement resources to the advantage of its customers and engaged in appropriate hedging techniques;
- (5) Whether Equitable's treatment of interstate pipeline charges resulting from the restructuring of the gas industry is reasonable and in the best interest of Equitable's customers;
- (6) Whether the Company's projected sales for the applicable period are accurate and otherwise consistent with the standards set forth in Section 1307(f) of the Public Utility Code, Commission rules and regulations;
- (7) Whether Equitable has properly reported all refunds and attendant interest that it has received or will be receiving from suppliers;

- (8) Whether the impact of Equitable's proposed allocations of purchased gas costs and refunds are unduly discriminatory;
- (9) Whether the existing incentive mechanisms for capacity release revenues and off-system sales are appropriate in that they result in a least cost fuel procurement policy;
- (10) Whether Equitable's design day study and capacity entitlements are consistent with providing reliable service at least cost;
- (11) Whether Equitable has accurately projected capacity release revenues and off-system sales and has appropriately utilized the capacity release market to offset capacity costs;
- (12) Whether the existing performance-based incentive mechanisms are reasonable and should be continued;
- (13) Whether the current Asset Management Agreement is reasonable and in the best interest of Equitable's customers; and,
- (14) Technical issues pertaining to the gas cost recovery mechanism, including computation of quarterly adjustments to purchased gas costs, treatment of supplier refunds, provision of carrying costs associated with gas in storage, interest on gas cost over-collections, and proper computation of the E-factor and migration riders.

Following an initial round of formal discovery, the OCA submitted the written Direct Testimony of Jerome D. Mierzwa on May 11, 2011, in Public and Highly Confidential versions. Based on the initial discovery and analysis, Mr. Mierzwa testified in relevant part that:

A. My findings and recommendations are as follows:

- Equitable has overstated its share of the revenues it is entitled to retain under the asset management arrangement with ConocoPhillips;
- The credit to PGC customers for the costs associated with the provision of balancing service to transportation customers is inadequate and should be increased;
- The credit to PGC customers for the costs associated with the provision of standby service to transportation customers is inadequate and should be increased;
- The costs associated with the Transportation Migration Rider discounts granted by Equitable should not be collected through PGC rates;
- Equitable has improperly collected interest charges through PGC rates; and
- Equitable should demonstrate that the costs associated with its purchases from its affiliate during the review period were reasonable, or Equitable's recoverable gas costs should be adjusted accordingly.

OCA St. 1, Public Version at 3.

Following the filing of the OCA's Direct Testimony, the OCA and the Company engaged in extensive informal discovery and settlement discussions as to the issues raised by the OCA. As a result of those discussions and the continued settlement discussions among the parties an agreement was reached, which is set forth in its entirety in the attached Joint Settlement Agreement. As a result of the Settlement, a hearing was held on June 14, 2012, for the purpose of entering testimony into the record without the need for cross examination or further evidentiary proceedings. Consistent with the instructions provided at the hearing, the OCA submits this Statement in Support of the Joint Settlement Agreement.

II. TERMS AND CONDITIONS OF THE JOINT SETTLEMENT AGREEMENT

The following represents the terms of the Settlement that directly address the OCA's outstanding concerns in this case.

A. The Asset Management Arrangement.

As discussed above, OCA witness Mierzwa had concerns as to the appropriate level of revenues that the Company would be entitled to retain under the Asset Management Arrangement (AMA). OCA St. 1, Confidential Version at 6-9. The parties agreed to address this issue, as follows:

1. **Asset Management Arrangement (AMA)**

Equitable will share the proceeds of its Asset Management Agreement on a 75% PGC Customer/25% Company basis. No further credit to the PGC is required in regard to this transaction.

The AMA will benefit PGC customers by providing a credit mechanism that without the AMA, would not have been possible. Accordingly, and after a complete review of the AMA, the OCA submits that the resolution of this issue is reasonable and in the best interest of Equitable's customers.

B. **Credits For Balancing Service.**

OCA witness Mierzwa testified as to his concerns over the proper treatment of credits for balancing service in conjunction with the provision of transportation service. OCA St. 1, Public Version at 10-11. The parties agreed to address this issue, as follows:

2. **Credits for Balancing Service**

EGC will present an analysis evaluating the extent to which no-notice service provided by Equitrans, L.P. is used and variable charges are incurred to accommodate PGC and transportation customer imbalances. Equitable will present the analysis in next year's 1307(f) proceeding. The OCA withdraws its proposed balancing service credit adjustment in settlement of this year's proceeding.

An additional crediting mechanism may need to be created in order to reflect the entire range of costs being collected from transportation customers. Such a mechanism would be intended to properly reflect cost responsibility for variable and fuel charges related to No Notice Firm

Transportation Service. At this time, however, the OCA submits that further study on this issue is needed as the current data is inconclusive. It is possible that the current data is not representative of average conditions on Equitable's system due to the abnormally warm winter of 2011-2012. As the Settlement provides, after further analysis and investigation the OCA reserves the right to raise this issue in Equitable's next 1307(f) proceeding if necessary.

C. Credits For Standby Service.

Mr. Mierzwa testified as to the treatment of the costs associated with the provision of standby service to transportation customers. OCA St. 1, Public Version at 10-11.

The parties agreed to address this issue, as follows:

3. Credits for Standby Service

EGC's transportation customers may contract for Standby Service pursuant to the Company's current tariff. In turn, EGC contracts with its pipeline supplier to reserve pipeline capacity for Standby Service. Standby Service capacity costs are credited to the PGC. The data in this year's proceeding showed that, despite the conversion of PGC customers to transportation service, the total design day demands of PGC and transportation customers has been relatively stable in recent years. In next year's 1307(f) proceeding, the Company will further analyze the conversion of PGC customers to transportation service and the impact, if any, on design day demands of transportation customers and the design peak day demands of PGC customers. The OCA, in settlement, withdraws its proposed standby service credit adjustment and there will be no additional capacity credit to the PGC in this year's proceeding.

The OCA's initial analysis as to this issue showed that there are increasing numbers of PGC customers converting to transportation service. It would reasonably follow that the design day demands of this expanding transportation class would also be larger. After further discovery and review of additional data provided by the Company, however, this was not the case at the present time. The resolution of this issue, as set out above will provide additional data for review of this

issue in next years' 1307(f) proceeding. Accordingly, the resolution of this issue in this case is reasonable and in the best interest of Equitable's customers.

D. Migration Rider Discounts.

OCA witness Mierzwa testified as to why the Company' inclusion of costs associated with migration rider discounts in the PGC rate was improper. OCA St. 1, Public Version at 12-13.

The parties agreed to address this issue, as follows:

4. Historic Period Transportation Migration Rider Discount

EGC will not recover the migration rider discount at issue here from PGC customers.

The OCA submits that the resolution of this issue is reasonable and in the best interest of Equitable's customers.

E. Interest Charges.

Mr. Mierzwa testified that certain interest charges had been included in the PGC rate, and that such inclusion of interest or penalties is improper. OCA St. 1, Public Version at 14. The parties agreed to address this issue, as follows:

5. Interest Charges

EGC incurred a late payment charge related to a monthly invoice from TETCO. Equitable will not recover the interest charge from PGC customers.

The OCA submits that the resolution of this issue is reasonable.

F. Gas Purchases From Affiliates.

Mr. Mierzwa testified that Equitable had purchased gas supplies from affiliates of the Company, and that such purchases appeared to have been made at prices that were non-reflective of the market at that time. OCA St. 1, Public Version at 15. The parties agreed to address this issue, as follows:

6. Natural Gas Purchases from Affiliates

EGC submitted supporting analysis justifying its affiliated gas supply purchases as consistent with least cost procurement standards. Accordingly, the OCA's concerns have been addressed and it withdraws its adjustment.

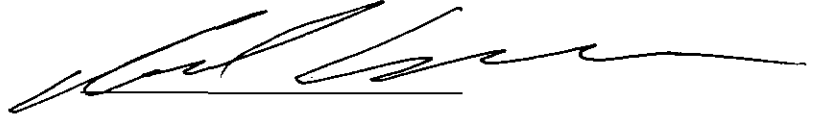
As the Settlement provides, subsequent to the filing of the OCA's Direct Testimony the Company was able to provide additional documentation as to the affiliate purchases in question. Upon further review, the OCA is satisfied that such purchases were reasonable and in accord with a least cost procurement strategy. Accordingly, the resolution of this issue is reasonable and in the public interest.

The Settlement Agreement represents compromise on all sides and is not completely indicative of the positions that various parties may have taken had these issues been fully litigated. That said, however, the agreements reached herein all represent reasonable resolutions of the issues raised in this proceeding and preclude the need to expend additional resources to litigate this matter. Accordingly, the OCA submits that the Settlement Agreement reached here is in the public interest and should be approved.

III. CONCLUSION

For the foregoing reasons, the Office of Consumer Advocate submits that the terms and conditions of the Settlement are in the public interest and therefore, should be approved.

Respectfully Submitted,



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Dated: July 12, 2012

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Before The
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Administrative Law Judge
Katrina L. Dunderdale, Presiding

Pennsylvania Public Utility Commission, <i>et al.</i>	:	
	:	
v.	:	Docket No. R-2012-2287044, <i>et al.</i>
	:	
Equitable Gas Company, LLC	:	

CERTIFICATE OF SERVICE

I hereby certify that I have this 13th day of July 2012 served a true and correct copy of the foregoing Joint Settlement Agreement, upon the persons and in the manner set forth below:

BY EMAIL AND FIRST CLASS MAIL, POSTAGE PREPAID

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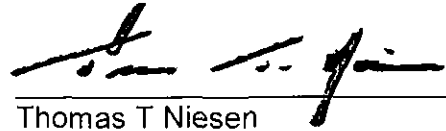
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