

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,	:	Docket Nos. R-2012-2285985
Office of Small Business Advocate,	:	C-2012-2295218
Office of Consumer Advocate,	:	C-2012-2292047
Pennsylvania State University,	:	C-2012-2298317
Snyder Brothers, Inc. <i>et al.</i> ,	:	C-2012-2302859
D. Killmeyer,	:	C-2012-2295700
Raymond Anderson,	:	C-2012-2298575
Steven J. Swencki,	:	C-2012-2299156
James Weber, and	:	C-2012-2300419
Severo Miglioretti,	:	C-2012-2302827

Complainants :

v. :

Peoples Natural Gas Company LLC, :

Respondent :

JOINT PETITION FOR APPROVAL OF SETTLEMENT OF ALL ISSUES

TO ADMINISTRATIVE LAW JUDGE MARY D. LONG:

I. INTRODUCTION

Peoples Natural Gas Company LLC (“Peoples” or the “Company”), the Bureau of Investigation & Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), Dominion Retail, Inc. and Interstate Gas Supply, Inc. (“Dominion/IGS”), EQT Energy, LLC d/b/a Equitable Energy (“EQT”), Pennsylvania Independent Oil and Gas Association (“PIOGA”), Community Action Association of Pennsylvania (“CAAP”), Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), Snyder Brothers, Inc., Buffalo Valley Ltd., Snyder Armclar Gas Company LP and S & D Energy (collectively, “Snyder Brothers”) and The Pennsylvania State University (“Penn State”), all

parties to the above-captioned proceeding (hereinafter, collectively “Joint Petitioners”), hereby join in this “Joint Petition for Approval of Settlement of All Issues” (“Settlement”) and respectfully request that Administrative Law Judge Mary D. Long (the “ALJ”) and the Commission approve this Settlement. The Settlement has been agreed to or not opposed by all active parties in this proceeding.¹

As fully set forth and explained below, the Joint Petitioners have agreed to a settlement of all issues in the above-captioned general base rate proceeding (the “2012 Base Rate Filing”). The Settlement provides for increases in rates and the implementation of various other tariff provisions, as set forth in the form of tariff supplements attached hereto as **Appendix A (Retail)** and **Appendix B (Supplier)**, the proof of revenues attached hereto as **Appendix C**, and the final Settlement Rates as provided in **Appendix D (“Settlement Rates”)**. The Settlement Rates are designed to produce increased operating revenues of \$15.4 million annually based upon the level of operations for the twelve months ending October 31, 2012. The Settlement Rates are to become effective upon one day’s notice following entry of the Commission’s order approving the Settlement. In support of the Settlement, the Joint Petitioners state the following:

II. BACKGROUND

1. Peoples is a “public utility” and “natural gas distribution company” (“NGDC”) as those terms are defined in Sections 102 and 2202 of the Public Utility Code, 66 Pa.C.S.A. §§ 102, 2202. Peoples provides natural gas sales, transportation, and supplier of last resort services to approximately 360,000 customers throughout its certificated service territory, which includes all or a portion of the following Pennsylvania Counties: Allegheny, Armstrong, Beaver,

¹ The Retail Energy Supply Association (“RESA”), an intervenor in this proceeding, has indicated that it does not object to the Settlement. A copy of RESA’s letter of non-opposition is attached hereto as Appendix P. Snyder Brothers joins in the Settlement to support Paragraph 41 and has indicated that it does not oppose the other terms in the Settlement.

Blair, Butler, Cambria, Clarion, Fayette, Greene, Indiana, Lawrence, Mercer, Somerset, Venango, Washington, and Westmoreland.

2. On February 28, 2012, Peoples filed Retail Tariff Gas – PA PUC No. 45 and Supplement No. 6 to Supplier Tariff Gas – PA PUC No. S-2 (collectively “Tariffs”) with the Commission. Peoples proposed changes in rates and rules to become effective on April 28, 2012 designed to produce an overall revenue increase of approximately \$28.4 million annually, based upon the pro forma future test year ending October 31, 2012. The 2012 Base Rate Filing was made in compliance with the Commission’s regulations and contains all supporting data and testimony required to be submitted in conjunction with a tariff change seeking a general rate increase.

3. On February 29, 2012, I&E filed a Notice of Appearance.

4. On March 7, 2012, the OCA filed a Notice of Appearance, Formal Complaint and Public Statement at Docket No. C-2012-2292047.

5. On March 8, 2012, EQT filed a Petition to Intervene.

6. On March 19, 2012, the OSBA filed a Notice of Appearance, Formal Complaint and Public Statement at Docket No. C-2012-2295218.

7. On March 19, 2012, Dominion/IGS filed a Petition to Intervene.

8. On April 5, 2012, PIOGA filed a Petition to Intervene.

9. On April 5, 2012, Penn State filed a Formal Complaint at Docket No. C-2012-2298317.

10. On April 25, 2012, RESA filed a Petition to Intervene.

11. In an Order entered April 26, 2012, the Commission initiated an investigation of Peoples’ proposed general rate increase. Retail Tariff No. 45 and Supplier Tariff No. S-2 were

suspended by operation of law pursuant to Section 1308(d) of the Public Utility Code, 66 Pa.C.S.A. § 1308(d), for up to seven months or until November 28, 2012, unless permitted by Commission Order to become effective at an earlier date.

12. By Supplement No. 1 to Retail Tariff Gas – PA PUC No. 45 and Supplement No. 7 to Supplier Tariff Gas – PA PUC No. S-2, both effective April 28, 2012, Peoples suspended the effective date of the Tariffs until November 28, 2012 as required by the Commission’s Order entered April 26, 2012.

13. On May 3, 2012, the Community Action Association of Pennsylvania (“CAAP”) filed a Petition to Intervene.

14. On May 4, 2012, Snyder Brothers filed a Formal Complaint at Docket No. C-2012-2302859.

15. On May 7, 2012, CAUSE-PA filed a Petition to Intervene.

16. Peoples has been served with Formal Complaints by the following customers: Daniel Killmeyer, C-2012-2295700; Raymond Anderson, C-2012-2298575; Steven J. Swencki, C-2012-2299156; James Weber, C-2012-2300419; and Severo Miglioretti, C-2012-2302827.²

17. A Prehearing Conference was scheduled for May 8, 2012 before the ALJ. The Joint Petitioners participated in the prehearing and filed prehearing memoranda identifying potential issues and witnesses. At the Prehearing Conference, ALJ Long established a litigation schedule.

18. The Joint Petitioners undertook extensive formal and informal discovery, prior and subsequent to the Prehearing Conference.

² As indicated on the Certificate of Service, Peoples is serving a copy of the Settlement on these formal complainants, all of whom opted not to participate in the rate determination phase of this proceeding and will hereafter be referred to as the inactive parties, although Mssrs. Anderson and Swencki testified in the public input hearings.

19. On May 24, 2012, a Public Input Hearing Notice was issued scheduling public input hearings in Peoples' service territory. Pursuant to that notice, two public input hearings were conducted. The first public input hearing was held on Monday, June 18, 2012 at 2:00 p.m. at the Shaler Township Municipal Building, Glenshaw, Pennsylvania. The second public input hearing was held on Monday, June 18, 2012 at 6:00 p.m. at the Community College of Allegheny County, Monroeville, Pennsylvania.

20. I&E, OCA, OSBA, Dominion/IGS, CAAP, PIOGA, and Snyder Brothers served direct testimony and accompanying exhibits on May 30, 2012. On June 25, rebuttal testimony and accompanying exhibits were served by Peoples, I&E, OSBA, OCA, Penn State, and Snyder Brothers. On July 13, 2012, surrebuttal testimony and accompanying exhibits were served by Peoples, I&E, OCA, OSBA, Dominion/IGS, and Penn State.

21. Settlement discussions were held which produced a Settlement of all issues prior to the dates for rejoinder testimony and hearings. On July 17, 2012, the Joint Petitioners advised the ALJ of a settlement in principle and, at the request of the Joint Petitioners, the ALJ suspended the procedural schedule.

22. In conjunction with the Settlement, the Parties have entered into a Stipulation of Evidence for the admission by stipulation of prepared testimony and exhibits into the record. The Parties reserve the right to present rejoinder testimony and to cross-examine witnesses if further litigation of this proceeding is required.

III. SETTLEMENT

23. The following terms of this Settlement reflect a carefully balanced compromise of the interests of all the Joint Petitioners in this proceeding. The Joint Petitioners unanimously agree that the Settlement, which resolves all issues, is in the public interest. The Joint Petitioners

respectfully request that the 2012 Base Rate Filing, including the Retail Tariff No. 45 and Supplier Tariff No. S-2, be approved in its entirety as revised by and subject to the terms and conditions of this Settlement, as specified below:

A. REVENUE REQUIREMENT

24. Peoples will be permitted to increase distribution rates by amounts designed to produce increased operating revenues of \$15.4 million annually based upon the level of operations for the twelve months ended October 31, 2012.

B. PENNSYLVANIA PRODUCTION ENHANCEMENT SERVICES (“PES”)

25. Peoples will retain and use \$3.8 million of the \$7.6 million of PES revenue for services rendered to local producers, which is in excess of costs to provide production enhancement services, to invest as incremental annual expenditures to reduce lost and unaccounted for gas (“L&UFG”) on Peoples’ gathering facilities or for gathering system upgrades used to deliver local gas to Peoples and its customers (“Gathering Expenditures”). The remaining \$3.8 million of PES revenues in excess of costs is reflected as a reduction to the cost of service used to arrive at the Settlement rates agreed to in this Settlement.

26. In respect of the Gathering Expenditures, they will be made for a three-year period commencing December 1, 2012 or until the effective date of rates in Peoples’ next base rate case filing, whichever is sooner. Peoples will report in each 1307(f) filing commencing with the filing made on April 1, 2013, and continuing until all Gathering Expenditures have been made, the planned use of and the amount of Gathering Expenditures associated with L&UFG to be made during the projected 1307(f) period and the benefits to be derived therefrom.

C. POST EMPLOYMENT AND POST RETIREMENT BENEFITS

27. Peoples has been granted approval in Docket No. R-00943252 to continue to recover FAS 112 (Post-employment benefit costs) on a pay-go basis. Peoples will continue to recover these costs in rates consistent with that prior Commission order.

28. The Settlement Rates include recovery of pension expense of \$616,470 based upon a projected total pension cost of \$739,527. Peoples commits to make pension contributions to its pension trusts at least equal to the pension cost of \$739,527 for each calendar year commencing January 1, 2013, during which rates set in this proceeding remain in effect, as long as the expense component of the contribution is tax deductible.

29. Commencing with the effective date of the Settlement Rates, Peoples will capitalize any Peoples Service Company LLC (“PSC”) labor and related overheads associated with time worked by PSC employees on Peoples’ capital projects. All other PSC labor charges and overheads to Peoples will be recorded by Peoples as expenses.

D. CLASS REVENUE REQUIREMENTS/RATE DESIGN

30. The Settlement Rates implement Peoples’ proposed redesign of the class rate schedules grouping commercial and industrial customers by volumetric usage.

31. The monthly changes in customer charges and distribution rates by class included in the Settlement Rates and proof of revenues showing the class revenue increases at Settlement Rates, which are designed to produce the \$15.4 million increase in revenues, are as set forth in Appendix C. Appendix D provides the Settlement Rates including the allocation of the remaining ratepayer credits from the Peoples’ Acquisition Settlement at Docket No. A-2008-2063737, to the redesigned class rate schedules.

E. PRICE TO COMPARE (“PTC”) AND PURCHASE OF RECEIVABLES (“POR”) PROGRAM

32. The PTC consisting of natural gas supply charges (a Commodity Charge and a Gas Cost Adjustment Charge (“GCA”)), a Merchant Function Charge (“MFC”) and a Gas Procurement Charge (“GPC”) (Rider G) are included in the Settlement Rates.

33. The Settlement Rates set forth the portion of the revenue requirement to be recovered via the MFC in Rider E and the GPC in Rider G. The GPC shall equal \$0.09 per Mcf.

34. Peoples’ proposal to revise and update its POR discount rate and MFC to match the current write-off factor used to derive the Company’s bad debt revenue requirement and to revise and update the administrative rider designed recover incremental POR implementation costs is implemented in the Settlement Rates.

35. Any shortfall in recovery of the uncollectible expenses and administrative costs of the POR program will not be recovered from sales customers.

F. CUSTOMER ASSISTANCE PROGRAM (“CAP”)

36. Peoples’ use of the CAP Plus method contained in the settlement approved by the Commission in Peoples’ last base rate proceeding at Docket No. R-2010-2201702 will continue to be deferred. The Joint Petitioners will meet following finalization of the State LIHEAP plan to determine whether an alternative to CAP Plus should be implemented. Peoples reserves the right to propose amendments to its CAP if no agreement is achieved. Any billing system modifications required to affect this change will be expensed and recovered through the Universal Service Rider - Rider F.

G. NON-CAP UNIVERSAL SERVICE COST RECOVERY

37. Peoples’ funding level of the Emergency Furnace and Line Repair Program will be increased from \$200,000 to \$400,000 annually. Peoples’ annual LIURP funding will be

increased from \$1.0 million to \$1.1 million. The \$200,000 increase for the furnace repair program and \$100,000 increase in LIURP funding are included in the \$15.4 million increase and will be recovered by increases in charges under Rider F. Peoples will attempt to apply 25% of annual LIURP funding to eligible customers not participating in CAP. Among the methods to be used will be to refer to LIURP those eligible non-CAP participating customers who are LIHEAP recipients or who contact Peoples for payment agreements. Any unexpended LIURP funds will be carried over to the following year. Peoples will continue to partner with Community Based Organizations in its service territory in administering its universal service programs.

38. The Company's proposal to increase the funding level of the Community Partnership for Weatherization Program to \$100,000 annually will not be implemented. The Company will maintain the current annual funding level of \$50,000 for the Community Partnership for Weatherization Program.

H. POOLING AND BILLING FEES

39. The Company's existing pooling fees applicable to NP-1 and P-1 pools will be reduced to \$0.0436/Mcf. In addition, Peoples' proposal to assess Rate P-1 pooling fees on residential volumes is approved.

I. ST AND ST-SW STORAGE RATES

40. The Company's proposed modifications to the terms and conditions for Rates ST and ST-SW storage service are revised as set forth in Appendix A.

J. GAS QUALITY LANGUAGE³

41. The proposed gas quality language appearing after the second full paragraph of Section 2 (“Measurement and Quality of Gas”) on First Revised Page 7 of Supplement No. 6 to Tariff Gas - PA PUC No. S-2 (“Supplier Tariff”) will be deleted. The proposed revisions with respect to Btu content in the second full paragraph of Section 2 on First Revised Page 7 of the Supplier Tariff will be approved. These changes are reflected in Appendix B.

K. GAS PROCUREMENT CHARGE LANGUAGE

42. The proposed GPC language appearing on Original Page 69 of Tariff Gas - PA PUC No. 45 (“Retail Tariff”) is modified as set forth in Appendix A.

L. MISCELLANEOUS TARIFF PROVISIONS

43. Except as otherwise set forth in this Settlement, the revisions contained in Tariff Gas - PA PUC No. 45 and the Supplier Tariff, as contained in Appendices A and B, respectively, will be approved.

M. ACQUISITION REPORTING REQUIREMENT

44. The parties agree not to oppose a petition filed by Peoples requesting removal of the requirement to file reports every 120 days concerning progress toward achieving commitments made in the Acquisition Settlement at Docket No. A-2008-2063737, as currently required under Paragraph 6 of the Commission’s Order entered November 19, 2009 at such docket. Annual reports will continue to be filed for the remainder of the five-year, post-acquisition period, as required by Paragraph 35 of the approved Acquisition Settlement at such docket.

³ On July 12, 2012, Peoples and Snyder Brothers filed a Joint Petition for Partial Settlement (“Partial Settlement”) resolving in full Snyder Brothers’ Formal Complaint in this proceeding. Consistent with the terms of the Partial Settlement, this term of the Settlement incorporates the substantive terms of the Partial Settlement. Therefore, the Settlement supersedes the prior agreement as evidenced by the joint letter filed by Peoples and Snyder Brothers contemporaneously with this Settlement, withdrawing the Partial Settlement.

IV. SETTLEMENT IS IN THE PUBLIC INTEREST

45. This Settlement was achieved by the Joint Petitioners after an extensive investigation of Peoples' 2012 Base Rate Filing, including informal and formal discovery and the submission of direct, rebuttal, and surrebuttal testimony by a number of the Joint Petitioners that has been admitted into the record by stipulation.

46. Acceptance of the Settlement will avoid the necessity of further administrative and possibly appellate proceedings regarding the settled issues at what would have been a substantial cost to the Joint Petitioners and, ultimately, Peoples' customers.

47. Joint Petitioners have submitted, along with this Settlement, their respective Statements in Support setting forth the basis upon which each believes the Settlement to be fair, just and reasonable and therefore in the public interest. The Joint Petitioners' Statements in Support are attached hereto as Appendices E through O, submitted by Peoples, I&E, OCA, OSBA, Dominion/IGS, EQT, PIOGA, CAAP, CAUSE-PA, Snyder Brothers and Penn State.

V. CONDITIONS OF SETTLEMENT

48. The Settlement is conditioned upon the Commission's approval of the terms and conditions contained in this Settlement without modification. If the Commission modifies the Settlement, any Joint Petitioner may elect to withdraw from the Settlement and may proceed with litigation and, in such event, the Settlement shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission and served upon all Joint Petitioners within five (5) business days after the entry of an Order modifying the Settlement.

49. This Settlement is proposed by the Joint Petitioners to settle all issues in the instant proceeding. If the Commission does not approve the Settlement and the proceedings

continue, the Parties reserve their respective procedural rights to evidentiary hearings, cross-examination of witnesses and briefing, and to argue their respective positions. The Settlement is made without any admission against, or prejudice to, any position that any Party may adopt in the event of any subsequent litigation of these proceedings, or in any other proceeding.

50. The Joint Petitioners acknowledge that the Settlement reflects a compromise of competing positions and does not necessarily reflect any party's position with respect to any issues raised in this proceeding. This Settlement may not be cited as precedent in any future proceeding, except to the extent required to implement this Settlement.

51. It is understood and agreed among the Joint Petitioners that the Settlement is the result of compromise, and does not necessarily represent the position(s) that would be advanced by any Joint Petitioner in these proceedings if they were fully litigated.

52. This Settlement is being presented only in the context of these proceedings in an effort to resolve the proceedings in a manner which is fair and reasonable. The Settlement is the product of compromise between and among the Joint Petitioners. This Settlement is presented without prejudice to any position that any of the Joint Petitioners may have advanced and without prejudice to the position any of the Joint Petitioners may advance in the future on the merits of the issues in future proceedings except to the extent necessary to effectuate the terms and conditions of this Settlement. This Settlement does not preclude the Joint Petitioners from taking other positions in proceedings involving other public utilities under Section 1308 of the Public Utility Code, 66 Pa.C.S.A. § 1308, or any other proceeding.

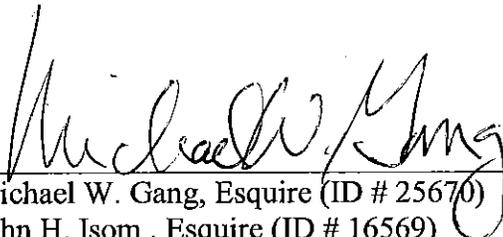
53. If the ALJ adopts the Settlement without modification, the Joint Petitioners waive their right to file Exceptions.

VI. CONCLUSION

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request as follows:

1. That Administrative Law Judge Mary D. Long and the Commission approve this Settlement, including all the terms and conditions thereof, without modification;
2. That the Commission's proceedings at PUC Docket No. R-2012-2285985, Office of Consumer Advocate, Docket No. C-2012-2292047, Office of Small Business Advocate, Docket No. C-2012-2295218, The Pennsylvania State University, Docket No. C-2012-2298317, Snyder Brothers, Inc. *et al*, Docket No. C-2012-2302859, Daniel Killmeyer, C-2012-2295700; Raymond Anderson, C-2012-2298575; Steven J. Swencki, C-2012-2299156; James Weber, C-2012-2300419; and Severo Miglioretti, C-2012-2302827 be marked closed;
3. That the Commission enter an Order closing the dockets, and authorizing Peoples Natural Gas Company LLC to issue a tariff or tariff supplements upon Commission approval, to be effective upon one day's notice.

Respectfully submitted,



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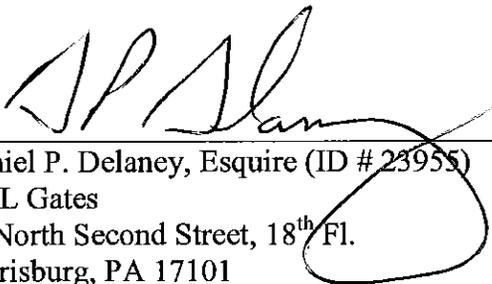
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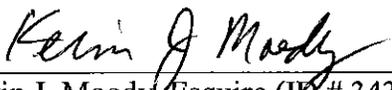
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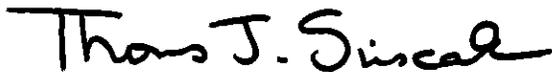


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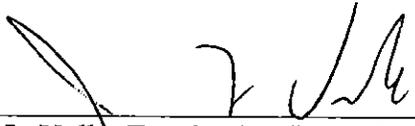
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Vasiliki Karandrikas

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*For Snyder Brothers, Inc., Buffalo Valley Ltd.,
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APPENDIX “A”

PEOPLES NATURAL GAS COMPANY LLC

**RATES AND RULES
GOVERNING THE
FURNISHING OF
NATURAL GAS SERVICE
TO RETAIL
GAS CUSTOMERS**

ISSUED: February 28, 2012
BY: Morgan K. O'Brien
President
375 North Shore Drive, Suite 600
Pittsburgh, PA 15212

EFFECTIVE:

NOTICE

This tariff makes changes to existing rates.
(See page 2)

LIST OF CHANGES

Page	Page Description	Revision Description
Cover	Tariff Cover Page	
2., 2a., 2b	List of Changes	List of Changes.
3-4	Summary of Rates	Summary of prices for each rate schedules & rider.
5	Table of Contents	Page # changed. Multiple page number and Rate Schedule changes.
6	Definitions of Terms	Page # changed.
7	Definitions of Terms	Page # changed.
8	Classification of Ratepayers	Page # changed.
9	Classification of Ratepayers	Page # changed.
10	Rates Available Under This Tariff	Page # changed. Modifications to reflect new Rate Schedules.
11	Description of Territory	Page # changed. Corrected borough name and additional cities/borough included.
12	Description of Territory	Page # changed. Additional cities/boroughs included.
13	Description of Territory	Page # changed. Corrected alphabetical order.
14	Description of Territory	Page # changed. Additional borough included.
15	Description of Territory	Page # changed.
16	Description of Territory	Page # changed.
17	Rules and Regulations	Page # changed.
18	Rules and Regulations	Page # changed.
19	Rules and Regulations	Page # changed.
20	Rules and Regulations	Page # changed.
21	Rules and Regulations	Page # changed.
22	Rules and Regulations	Page # changed.
23	Rules and Regulations	Page # changed.
24	Rules and Regulations	Page # changed.
25	Rules and Regulations	Page # changed.
26	Rules and Regulations	Page # changed. Additional language added to Priority of Service.
27	Rules and Regulations	Page # changed.
28	Rules and Regulations	Page # changed.
29	Rules and Regulations	Page # changed.
30	Rules and Regulations	Page # changed.
29	Rules and Regulations	Page # changed.
31	Rules and Regulations	Page # changed. Modified Rate Schedule listed under item #21. Order of Gas Deliveries Through meter for Billing Purposes.
32	Rules and Regulations	Page # changed.
33	Rules and Regulations	Page # changed.
34	Rules and Regulations	Page # changed.
35	Rules and Regulations	Page # changed. Modification made to language in Gas Quality section.
36	Rate RS	Page # changed. Revised prices. Removed riders and added reference to Summary of Rates.
37	Customer Assistance Program (CAP)	Page # changed.
38	Customer Assistance Program (CAP)	Page # changed.
39	Customer Assistance Program (CAP)	Page # changed.
40	Rate SGS – Small General Service	Page # changed. New rate schedule. Replaces Rate CS-S. Revised prices. Removed riders and added reference to Summary of Rates.
41	Rate SGS – Small General Service	Page # changed. Updated late-payment charge section to reflect percentage applicable to industrial customers.

LIST OF CHANGES (Continued)

42	Rate MGS – Medium General Service	Changed page #. New rate schedule. Replaces Rate CS-L. Revised prices. Removed riders and added reference to Summary of Rates.
43	Rate MGS – Medium General Service	Changed page #. Updated late-payment charge section to reflect percentage applicable to industrial customers.
44	Rate LGS – Large General Service	Changed page #. New rate schedule.
45	Rate LGS -- Large General Service	Changed page #.
46	Rate GS-T General Service Transportation	Changed page #. Added item #8 to Rules & Delivery Terms.
47	Rate GS-T General Service – Transportation	Changed page #. Continuation of item #8 (Rules & Delivery Terms). Renumbered Rules. Retainage percentage for industrial ratepayers added.
48	Rate GS-T General Service – Transportation	Changed page #. Renumbered Rules.
49	Rate GS-T General Service -- Transportation	Changed page #. Renumbered Rules. Added BB&A applicable to industrial customers.
50	Rate GS-T General Service – Transportation	Changed page #. Revised prices. Removed riders and added reference to Summary of Rates. Updated language to reflect new classes.
51	Rate GS-T – General Service Transportation	Changed page #. Added reference to Summary of Rates. Added language regarding Direct Supply Service. Modified late-payment charge section to incorporate industrial ratepayers and revise the percentage applied to NGDC customers.
52	Rate GS-T General Service -- Transportation	Changed page #.
53	Rate GS-SB General Service -- Standby	Changed page #. Deleted 'Service' from the end of the rate schedule name. Revised prices. Removed riders and added reference to Summary of Rates.
54	Rate GS-SB General Service -- Standby	Changed page #. Deleted 'Service' from the end of the rate schedule name. Revised prices. Added pricing related to industrial ratepayers. Removed riders and added reference to Summary of Rates.
55	Rate GS-SB General Service -- Standby	Modified late payment charge section to reflect inclusion of industrial and NGDC ratepayers.
56	Rate NGPV	Changed page #.
57	Rate ST – Storage Service	Changed page #. Modified language regarding availability. Modified language in "Deliveries Into and From Storage" section.
58	Rate St -- Storage Service	Changed page #. Modified language in Storage Charge section.
59	Rate ST-SW Storage Service – Scheduled Withdrawal	Changed page #. Modified language in Storage Charge section. Modified language in "Deliveries Into and From Storage" section.
60	Rate CER – Competitive Energy Rate	Changed page #.
61	Rider A – State Tax Surcharge	Changed page #. Updated rate schedules to which the rider is applicable to reflect new rate schedule names. Changed applicable percentage.
62	Rider B – Recovery of Purchased Gas Costs (1307(f) Rates)	Changed page #. Updated rate schedules to which the rider is applicable to reflect new rate schedule names.
63	Rider B – Recovery of Purchased Gas Costs (1307(f) Rates)	Changed page #.
64	Rider C – Transition Cost Recovery Mechanism	Changed page #.

LIST OF CHANGES (Continued)

65	Rider C – Transition Cost Recovery Mechanism	Changed page #.
66	Rider D – Application of the Gas Cost Adjustment Charge	Changed page #. Updated rate schedules to which the rider is applicable to reflect new rate schedule names.
67	Rider E – Merchant Function Charge (MFC)	Changed page #. Updated rate schedules to which the rider is applicable to reflect new rate schedule names. Revised prices and MFC percentages.
68	Rider F – Universal Service	Changed page #.
69	Rider G – Gas Procurement Charge	Added Rider G – Gas Procurement Charge.
70	Page intentionally left blank	Changed page #.
71	Rider H – Ratepayer Trust Rate Credit	Changed page #. Modified language regarding calculation of distribution to reflect new rate classes.
72	Rider H – Ratepayer Trust Rate Credit	Changed page #. Revised prices.

Pages in which only the page number has changed have not been included in the appendix to the Settlement.

	Rider B - Gas Cost charges			Proposed	Rider A	Proposed	Rider F	Proposed	Proposed	Bill Display Total Rate (10=SUM 1 to 9)
	Capacity	GCA	Commodity	Base Rate Changes	STAS	Rider E MFC	USR	Rider G GPC	Rider H Rate Credit	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
Residential Sales										
Customer Charge				\$ 13.9500					\$ (1.5000)	\$ 12.4500
Capacity	\$ 0.4695					\$ 0.0169				\$ 0.4864
PTC- Commodity Charge		\$ 0.5970	\$ 4.0930			\$ 0.1343		\$ 0.0900		\$ 4.9143
Delivery Charge				\$ 3.8560			\$ 0.2945		\$ (0.1279)	\$ 3.8226
State Tax Surcharge					\$ -					\$ -
Total per MCF						\$ 0.1512				\$ 9.2233
Commercial SGS										
Customer Charge				\$ 14.8800					\$ (1.1200)	\$ 13.7600
0 to 499 MCF/Yr				\$ 27.0000					\$ (1.1200)	\$ 25.8800
500 to 999.9 MCF/Yr										
Capacity	\$ 0.4424					\$ 0.0035				\$ 0.4459
PTC- Commodity Charge		\$ 0.5970	\$ 4.0930			\$ 0.0291		\$ 0.0900		\$ 4.8091
Delivery Charge				\$ 2.6971						\$ 2.6971
State Tax Surcharge					\$ -					\$ -
Total per MCF						\$ 0.0326				\$ 7.9521
Industrial SGS										
Customer Charge				\$ 20.0000					\$ (1.1200)	\$ 18.8800
0 to 499 MCF/Yr				\$ 27.0000					\$ (1.1200)	\$ 25.8800
500 to 999.9 MCF/Yr										
Capacity	\$ 0.4695					\$ 0.0037				\$ 0.4732
PTC- Commodity Charge		\$ 0.5970	\$ 4.0930			\$ 0.0291		\$ 0.0900		\$ 4.8091
Delivery Charge				\$ 2.2655						\$ 2.2655
State Tax Surcharge					\$ -					\$ -
Total per MCF						\$ 0.0328				\$ 7.5478
Commercial MGS										
Customer Charge				\$ 50.0000					\$ (20.4000)	\$ 29.6000
1,000 0 to 2,499 MCF/Yr				\$ 77.0000					\$ (31.4100)	\$ 45.5900
2,500 to 24,999 MCF/Yr										
Capacity	\$ 0.4695					\$ 0.0037				\$ 0.4732
PTC- Commodity Charge		\$ 0.5970	\$ 4.0930			\$ 0.0291		\$ 0.0900		\$ 4.8091
Delivery Charge -- Comm				\$ 2.5210					\$ (0.0956)	\$ 2.4254
State Tax Surcharge					\$ -					\$ -
Total per MCF						\$ 0.0328				\$ 7.7077
Industrial MGS										
Customer Charge				\$ 50.0000					\$ (20.4000)	\$ 29.6000
1,000 0 to 2,499 MCF/Yr				\$ 77.0000					\$ (31.4100)	\$ 45.5900
2,500 to 24,999 MCF/Yr										
Capacity	\$ 0.4695					\$ 0.0037				\$ 0.4732
PTC- Commodity Charge		\$ 0.5970	\$ 4.0930			\$ 0.0291		\$ 0.0900		\$ 4.8091
Delivery Charge -- Ind				\$ 1.8549					\$ (0.0956)	\$ 1.7593
State Tax Surcharge					\$ -					\$ -
Total per MCF						\$ 0.0328				\$ 7.0416
Commercial LGS										
Customer Charge				\$ 443.0000					\$ (280.7500)	\$ 162.2500
25,000 to 49,999 MCF/Yr				\$ 545.0000					\$ (345.4000)	\$ 199.6000
50,000 to 99,999 MCF/Yr				\$ 793.0000					\$ (502.5700)	\$ 290.4300
100,000 to 199,999 MCF/Yr				\$ 1,215.0000					\$ -	\$ 1,215.0000
Over 200,000 MCF/Yr										
Capacity	\$ 0.4695					\$ 0.0037				\$ 0.4732
PTC- Commodity Charge		\$ 0.5970	\$ 4.0930			\$ 0.0291		\$ 0.0900		\$ 4.8091
Delivery Charge				\$ 2.4909					\$ (0.0794)	\$ 2.4115
State Tax Surcharge					\$ -					\$ -
Total per MCF						\$ 0.0328				\$ 7.6938
Industrial LGS										
Customer Charge				\$ 443.0000					\$ (280.7500)	\$ 162.2500
25,000 to 49,999 MCF/Yr				\$ 545.0000					\$ (345.4000)	\$ 199.6000
50,000 to 99,999 MCF/Yr				\$ 1,144.0000					\$ (725.0100)	\$ 418.9900
100,000 to 199,999 MCF/Yr				\$ 2,009.0000					\$ -	\$ 2,009.0000
Over 200,000 MCF/Yr										
Capacity	\$ 0.4695					\$ 0.0037				\$ 0.4732
PTC- Commodity Charge		\$ 0.5970	\$ 4.0930			\$ 0.0291		\$ 0.0900		\$ 4.8091
Delivery Charge				\$ 1.8549					\$ (0.0794)	\$ 1.7755
State Tax Surcharge					\$ -					\$ -
Total per MCF						\$ 0.0328				\$ 7.0578

	Proposed Base Rate Changes (1)	Rider A STAS (2)	Proposed Rider E MFC (3)	Rider F USR (4)	Capacity/ BB&A (5)	Proposed Rider H Rate Credit (6)	Bill Display Total Rate (7=SUM 1 to 6)
Rate GS-T Residential							
Customer Charge	\$ 13,9500					\$ (1,5000)	\$ 12,4500
Capacity					\$ 0.4764		\$ 0.4764
Delivery Charge	\$ 3,6560			\$ 0.2945		\$ (0.1279)	\$ 3,8226
State Tax Surcharge		\$ -					\$ -
Total per MCF							\$ 4.2990
Rate GS-T Commercial SGS							
Customer Charge							
0 to 499 MCF/Yr	\$ 14,8800					\$ (1,1200)	\$ 13,7600
500 to 999.9 MCF/Yr	\$ 27,0000					\$ (1,1200)	\$ 25,8800
1/ Capacity/BB&A					\$ 0.4488		\$ 0.4488
Delivery Charge	\$ 2,6971						\$ 2,6971
State Tax Surcharge		\$ -					\$ -
Total per MCF							\$ 3.1459
Rate GS-T Industrial SGS							
Customer Charge							
0 to 499 MCF/Yr	\$ 20,0000					\$ (1,1200)	\$ 18,8800
500 to 999.9 MCF/Yr	\$ 27,0000					\$ (1,1200)	\$ 25,8800
1/ Capacity/BB&A					\$ 0.0367		\$ 0.0367
Delivery Charge	\$ 2,2655						\$ 2,2655
State Tax Surcharge		\$ -					\$ -
Total per MCF							\$ 2.3022
Rate GS-T Commercial MGS							
Customer Charge							
0 to 499 MCF/Yr	\$ 50,0000					\$ (20,4000)	\$ 29,6000
500 to 999.9 MCF/Yr	\$ 77,0000					\$ (31,4100)	\$ 45,5900
1/ Capacity/BB&A					\$ 0.1594		\$ 0.1594
Delivery Charge	\$ 2,5210					\$ (0,0956)	\$ 2,4254
State Tax Surcharge		\$ -					\$ -
Total per MCF							\$ 2.5848
Rate GS-T Industrial MGS							
Customer Charge							
1,000 0 to 2,499 MCF/Yr	\$ 50,0000					\$ (20,4000)	\$ 29,6000
2,500 to 24,999 MCF/Yr	\$ 77,0000					\$ (31,4100)	\$ 45,5900
1/ Capacity/BB&A					\$ 0.0367		\$ 0.0367
Delivery Charge	\$ 1,8549					\$ (0,0956)	\$ 1,7593
State Tax Surcharge		\$ -					\$ -
Total per MCF							\$ 1.7960
Rate GS-T Commercial LGS							
Customer Charge							
25,000 to 49,999 MCF/Yr	\$ 443,0000					\$ (280,7500)	\$ 162,2500
50,000 to 99,999 MCF/Yr	\$ 545,0000					\$ (345,4000)	\$ 199,6000
100,000 to 199,999 MCF/Yr	\$ 793,0000					\$ (502,5700)	\$ 290,4300
Over 200,000 MCF/Yr	\$ 1,215,0000					\$ -	\$ 1,215,0000
1/ Capacity/BB&A					\$ 0.1594		\$ 0.1594
Delivery Charge	\$ 2,4909					\$ (0,0794)	\$ 2,4115
State Tax Surcharge		\$ -					\$ -
Total per MCF							\$ 2.5709
Rate GS-T Industrial LGS							
Customer Charge							
25,000 to 49,999 MCF/Yr	\$ 443,0000					\$ (280,7500)	\$ 162,2500
50,000 to 99,999 MCF/Yr	\$ 545,0000					\$ (345,4000)	\$ 199,6000
100,000 to 199,999 MCF/Yr	\$ 1,144,0000					\$ (725,0100)	\$ 418,9900
Over 200,000 MCF/Yr	\$ 2,009,0000					\$ -	\$ 2,009,0000
1/ Capacity/BB&A					\$ 0.0367		\$ 0.0367
Delivery Charge	\$ 1,8549					\$ (0,0794)	\$ 1,7755
State Tax Surcharge		\$ -					\$ -
Total per MCF							\$ 1.8122

1/ Capacity applies to Priority 1 ratepayers when electing transport service. All other Ratepayers are billed the BB&A charge. For purposes of this schedule, Capacity has been defaulted for Residential and SGS customers and BB&A has been defaulted for MGS and LGS classes.

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DEFINITIONS OF TERMS

Applicant - Any person, corporation or other entity that (i) desires to receive from the Company natural gas or any other service provided for in this Tariff, (ii) complies completely with all Company requirements for obtaining natural gas or any other service provided for in this Tariff, (iii) has filed and is awaiting Company approval of its application for service, and (iv) is not yet actually receiving from the Company any service provided for in this Tariff. An Applicant shall become a ratepayer for purposes of this Tariff only after it actually starts receiving the applicable service(s) from the Company under this Tariff. Applicants for residential service shall be further defined as a natural person not currently receiving service who applies for residential service provided by a public utility or any adult occupant whose name appears on the mortgage, deed or lease of the property for which the residential utility service is requested.

Capacity Charge – A charge designed to recover the costs that the Company incurs to reserve capacity on interstate pipelines.

Chapter 56 – The Commission regulations that govern, among other things, metering, billing and collections for residential gas and electricity service.

City Gate – The point where interstate pipelines deliver gas into natural gas distribution company facilities.

Commission – The Pennsylvania Public Utility Commission or any lawful successor thereto that provides oversight, policy, guidance and direction to public utilities and NGSs.

Commodity Charge – A charge designed to recover the cost of producing or procuring natural gas.

Commodity Service – Service provided by the Company or a natural gas supplier which involves the purchase of gas commodity by the ratepayer.

Company – The entity doing business as Peoples Natural Gas Company LLC.

Customer Charge – A monthly charge to cover such natural gas distribution company costs as maintaining the gas lines, meter reading and billing.

Daily Available Volume – The total volume of gas actually delivered to the Company for the ratepayer's account on a particular day, less an appropriate retainage percentage plus any adjustments associated with the reconciliation of monthly volumes as set forth in Rate GS-T and Rate T.

Daily Consumption Volume – The quantity of gas estimated by the Company to be consumed by the ratepayer on any day.

Day – A 24-hour period beginning at 10 a.m. and ending at 10 a.m. or as subsequently defined by natural gas industry standards promulgated by FERC.

Delivery Charge – A charge designed to recover the costs the Company incurs in using its distribution system or local pipelines to deliver natural gas to a ratepayer.

Distribution Charges – Various natural gas distribution charges that may include the Delivery Charge, Capacity Charge and Gas Cost Adjustment Charge.

Distribution Service – Service provided by the Company involving the delivery of gas to the ratepayer.

Gas Cost Adjustment Charge – The amount billed or credited each month to account for differences between projected and actual gas supply costs of the Company.

Mcf – 1,000 cubic feet of gas. This is a measure of gas usage.

DESCRIPTION OF TERRITORY

The Company serves as a natural gas public Company in the following cities, boroughs, and townships, all of which are in Pennsylvania:

ALLEGHENY COUNTYCities and Boroughs

(C)

Bethel Park
Braddock Hills
Bridgeville
Carnegie
Chalfant
Cheswick
Churchill
Clairton
Coraopolis
East McKeesport
East Pittsburgh
Edgewood
Elizabeth

Etna
Forest Hills
Fox Chapel
Glassport
Heidelberg
Jefferson Hills
Lincoln
McKeesport
Millvale
Monroeville
Pittsburgh
Pleasant Hills
Plum

Rankin
Sharpsburg
Springdale
Swissvale
Turtle Creek
Versailles
West Elizabeth
West Mifflin
White Oak
Wilkesburg
Wilmerding

Townships

Collier
Crescent
East Deer
Elizabeth
Fawn
Findlay
Forward
Frazier
Hampton
Harmar
Harrison

Indiana
McCandless
Moon
Mt. Lebanon
North Fayette
North Versailles
O' Hara
Penn Hills
Pine
Reserve
Richland

Ross
Scott
Shaler
South Fayette
South Park
Springdale
Upper St. Clair
Versailles
West Deer
Wilkins

ARMSTRONG COUNTYBoroughs

Apollo
Applewold
Atwood
Dayton

Ford City
Ford Cliff
Kittanning
Leechburg

Manorville
North Apollo
Rural Valley
West Kittanning

(continued)

DESCRIPTION OF TERRITORY

ARMSTRONG COUNTY (continued)

Townships

Bethel	Kittanning	South Buffalo
Boggs	Mahoning	Sugarcreek
Burrell	Manor	Valley
Cowanshannock	North Buffalo	Washington
East Franklin	Parks	Wayne
Gilpin	Plumcreek	West Franklin
Kiskiminetas	Rayburn	
	Redbank	
	South Bend	

BEAVER COUNTY

Cities & Boroughs

(C)

Alliquippa	Monaca	Shippingport
Beaver		
Industry	Ohioville	South Heights
Midland		

Townships

(C)

Brighton	Franklin	New Sewickley
Center	Hopewell	Potter
Chippewa	Independence	Raccoon
Darlington	Marion	South Beaver
		Vanport

BLAIR COUNTY

Cities and Boroughs

Altoona	Duncansville	Tyrone
Bellwood	Hollidaysburg	

Townships

Allegheny	Frankstown	Logan
Antis	Greenfield	Snyder
Blair		

(continued)

DESCRIPTION OF TERRITORY

BUTLER COUNTY

Boroughs

Callery
Evans City
Harmony
Mars

Portersville
Prospect
Saxonburg
Seven Fields

Slippery Rock
Valencia
Zellenople

Townships

Adams
Buffalo
Cherry
Clinton
Connoquenessing
Cranberry

Forward
Franklin
Jackson
Jefferson
Lancaster
Marion

Middlesex
Muddycreek
Slippery Rock
Winfield
Worth

CAMBRIA COUNTY

Cities and Boroughs

Brownstown
Cresson
Dale
Ebensburg
Ferndale

Franklin
Geistown
Johnstown
Lorain
Loretto

Nanty-Glo
Portage
Sankertown
Southmont
Westmont

Townships

(C)

Adams
Allegheny
Blacklick
Cambria
Conemaugh
Cresson
Croyle

East Taylor
Jackson
Lower Yoder
Middle Taylor
Munster
Portage

Richland
Stonycreek
Susquehanna
Upper Yoder
Washington
West Carroll
West Taylor

CLARION COUNTY

Townships

Clarion
Limestone

Monroe
Porter

Redbank

(continued)

DESCRIPTION OF TERRITORY

FAYETTE COUNTY

Boroughs

Belle Vernon

Fayette City

Point Marlon

Townships

(C)

Franklin
German
Luzerne

Menallen
North Union
Perry

Saltlick
Springhill
Stewart
Washington
Wharton

GREENE COUNTY

Townships

Aleppo
Center
Dunkard
Franklin
Freeport

Gilmore
Greene
Jackson
Morgan
Perry

Richhill
Springhill
Wayne
Whiteley

INDIANA COUNTY

Boroughs

(C)

Blairsville
Creekside

Homer City
Indiana

Saltsburg
Shelocta

Townships

Armstrong
Black Lick
Burrell
Center
Cherryhill

Conemaugh
East Mahoning
Grant
Rayne
South Mahoning

Washington
West Mahoning
West Wheatfield
White
Young

LAWRENCE COUNTY

Boroughs

Enon Valley

New Wilmington

Volant

(continued)

DESCRIPTION OF TERRITORYWASHINGTON COUNTYCities and Boroughs

(C)

Bealsville
Bentleyville
Burgettstown
CaliforniaCenterville
Deemston
DonoraFinleyville
Monongahela
New EagleTownships

(C)

Carroll
Cecil
Chartiers
Cross Creek
FallowfieldHanover
Jefferson
Monongahela
Mt. Pleasant
North Strabane
NottinghamPeters
Robinson
Somerset
Smith
Union
West Pike RunWESTMORELAND COUNTYCities and BoroughsAdamsburg
Arnold
Avonmore
Bolivar
Delmont
Derry
East Vandergrift
Export
Greensburg
Hunker
Hyde ParkIrwin
Jeannette
Latrobe
Ligonier
Lower Burrell
Manor
Monessen
Murrysville
New Alexandria
New FlorenceNew Kensington
North Belle Vernon
North Irwin
Oklahoma
South Greensburg
Southwest Greensburg
Vandergrift
West Leechburg
Youngstown
YoungwoodTownshipsAllegheny
Bell
Derry
Donegal
East Huntingdon
Fairfield
HempfieldLigonier
Loyalhanna
Mt. Pleasant
North Huntingdon
Penn
RostraverSt. Clair
Salem
South Huntingdon
Unity
Upper Burrell
Washington

The above-listed cities, boroughs, and townships in Pennsylvania in which the Company provides natural gas public utility service are not the only cities, boroughs, and townships in which the Company is entitled, either by charter or certificate, to provide such natural gas public utility service.

RULES AND REGULATIONS**16. RESPONSIBILITY FOR FIRE, EXPLOSIONS, AND FAILURE OF SUPPLY**

The Company shall not be responsible for any lines laid beyond the meter; shall not be held liable for any damage or loss to person or property resulting from explosions or fire or from use of gas in the works of the ratepayer; and shall not be liable for failure to furnish a sufficient supply of gas or for failure to transport the ratepayer's gas to the ratepayer for his purpose arising from any cause not the result of negligence of the Company.

17. PRIORITY OF SERVICE AND CURTAILMENT FOR RETAIL RATEPAYERS

This rule has been adopted pursuant to regulations of the Commission set forth at Pa. Code §§59.71 – 59.75 entitled 'Gas Emergency Plans'.

Discontinuance of Service and Curtailment

When the evidence available to the Company reasonably indicates that a ratepayer is using gas in violation of this rule or an order of the Commission, the Company will discontinue all service to such ratepayer unless the use causing such violation is discontinued within ten days after written notice from the Company. This provision shall not affect the Company's right or obligation to discontinue service under other provisions of this tariff, the rules and regulations of the Pennsylvania Commission, or for any other lawful right or reason. The Company will inform the Commission of any termination pursuant to this rule.

Priority of Service

The available gas supplies to the Company shall be allocated among its ratepayers in accordance with the priorities of use listed below. Ratepayers in higher priority will not be curtailed until all ratepayers falling into the lower classifications have been completely curtailed; where only partial curtailment of any one classification is required, the implementation of curtailment shall be prorated. The ability to curtail a Priority-One ratepayer is not affected by whether the ratepayer pays for standby service under Rate GS-SB. Following are the priority categories and subcategories listed in descending order. Small commercial and industrial ratepayers as described below are those ratepayers that use less than (C) 25,000 Mcf per year. Large commercial and industrial ratepayers as described below are those ratepayers that use 25,000 Mcf per year or more:

1. a. Residential.
1. b. Firm critical commercial essential human needs.
2. a. Firm small commercial requirements, excluding critical essential human needs requirements in category 1., and firm large commercial and industrial requirements for plant protection.
- 2.b. Firm small industrial requirements.
- 2.c. Firm large critical commercial and industrial requirements, excluding firm critical commercial essential human needs requirements in category 1 and excluding firm large commercial and industrial requirements for plant protection in category 2.
- 2.d. Firm large noncritical commercial and industrial requirements other than requirements for boiler fuel use.
- 2.e. Firm large noncritical commercial and industrial requirements for boiler fuel use.
- 2.f. Contractually interruptible use.

RULES AND REGULATIONS**18. SALES OF GAS FOR RESALE**

All gas sales to residential ratepayers are to the ultimate purchaser and are not to be resold for profit.

**SPECIAL RULES APPLICABLE TO ALTOONA
AND JOHNSTOWN AND VICINITY (Rules 19 and 20)****19. CONNECTION FOR SERVICE**

In the city of Altoona, Blair County, and the city of Johnstown, boroughs of Ferndale, Westmont, Lorain, Dale, Southmont, and townships of Lower Yoder, Upper Yoder, and Stonycreek, and vicinity in Cambria County, and not elsewhere, the following rule has been adopted and is applicable in place of Rule 4 above: The meter and all pipes, fittings, and stop cocks furnished by the Company on the premises shall remain the property of the Company which shall have the free right and privilege of ingress and egress at all reasonable times, to lay, maintain, inspect, operate, repair, and finally reclaim its property and for reading and change of meters.

20. LEAKS AND WASTE

In the city of Altoona, Blair County, and the city of Johnstown, boroughs of Ferndale, Westmont, Lorain, Dale, Southmont, and townships of Lower Yoder, Upper Yoder, and Stonycreek, and vicinity in Cambria County, and not elsewhere, the following rule has been adopted and is applicable in place of Rule 7 above: The ratepayer shall use all due care to prevent waste of gas. It is the responsibility of the ratepayer to exercise all due care in the detection of leaks and defects in the service pipes, meter, fittings, and stop cocks on the ratepayer's premises and in case of failure or deficiency of gas, leakage, excess pressure, or other dangerous developments incident to the handling of gas, the ratepayer agrees to give immediate notice thereof to the Company at its office and to take the necessary precaution to prevent explosion and fire, and the failure of the ratepayer to do so, should loss or injury follow, shall be evidence of the ratepayer's negligence and shall relieve the Company from liability for such loss or injury.

21. ORDER OF GAS DELIVERIES THROUGH THE METER FOR BILLING PURPOSES

For purposes of billing more than one type of service provided by the Company to a ratepayer through one meter, the following order of application of rates shall be used:

- a. Rate GS-T (C)
- b. Firm Retail or Standby
- c. Rate GER
- d. The order of Rate ST and Rate ST-SW volumes through the meter is at the ratepayer's discretion, except as noted in Rate ST-SW

22. OPERATIONAL FLOW ORDERS

To the extent the Company issues an operational flow order (OFO) pursuant to Rule 4 of its Supplier Tariff, a transportation ratepayer shall comply (or direct its NGS to comply) with the same OFO conditions, including the penalty provisions, outlined in the Company's Supplier Tariff Rule 4. The Company may waive the penalties applicable under the Company's Supplier Tariff Rule 4, for transportation ratepayers.

RULES AND REGULATIONS**29. GAS QUALITY**

Gas delivered into the Company's system should be free from oil, water, salt, gum, dust, and other foreign substances that might interfere with the marketability of the gas. Unless otherwise agreed to by the Company, the gas delivered shall contain not less than 967 Btu per cubic foot and shall not exceed 1,100 Btu per cubic foot (as determined by (C) calorimeter test @ 60 degrees Fahrenheit and saturated with water vapor). Gas accepted by the Company that contains less than 967 Btu per cubic foot will be enhanced to ensure that gas delivered by the Company to customers (C) shall meet Commission heating value requirements and the Company may charge for this.

30. Other Fees and Services

The following customer requested services will require a fee as defined below:

Temporary Customer Service Line Installation – If service to a premises would be discontinued due to a customer service line leak and gas service is required to serve essential human needs, the customer or occupant may request the installation of a temporary customer service line. If the Company is able to install such a line, at the occupant's or customer's request, the fee is \$300.

Remote Meter Reading Devices –A remote meter reading device and associated meter can be installed at a customer's premise upon request for the fee of \$80.

Split Load -- If operationally appropriate, a single metered multi-consumer premises can be converted to separate meters attached to a single manifold. This modification is by customer request and will be charged a fee of \$91.

Field Visit Fee – If the customer or their representative schedules a non-emergency field visit and fails to prepare for the Company's arrival, a fee of \$30 may be charged.

RATE RS
RESIDENTIAL SERVICE**AVAILABILITY**

This rate is available to residential ratepayers (other than those that the Company determines shall acquire service under Rate GS-SB) located throughout the territory described in the "Description of Territory" in this tariff and shall be applied to consumption for each month determined in accordance with Rule 10.

This rate will be used for provision of supplier of last resort service to residential ratepayers.

RATE TABLE

Customer Charge per meter per month	\$13.95	(I)
Delivery Charge per Mcf	\$3.6560	(I)

The currently effective gas cost charges under Rider B and all charges under other applicable tariff riders are (C) set forth on the Summary of Rates located on Page No. 3 of this tariff.

MINIMUM MONTHLY BILL

The minimum monthly bill per meter shall be the customer charge per ratepayer per month. In the event of an emergency curtailment in the delivery of gas by the Company to a ratepayer pursuant to Rule 17, or complete or partial suspension of operation by the ratepayer due to fire, flood, explosion, or other similar acts of God, the minimum monthly bill may be reduced in direct proportion to the ratio of the number of days of curtailed service or complete or substantial suspension of operation to the number of days in the billing period.

SURCHARGES

All applicable riders to this tariff.

LATE-PAYMENT CHARGE

A late-payment charge of 1.50 percent per month will be made for failure to make payment in full, for all charges billed by the Company, within five days after the due date shown on the bill. This charge is to be calculated on the overdue portion of the bill, excluding any unpaid late-payment charges.

RULES AND REGULATIONS

The Company's Rules and Regulations in effect from time to time, where not inconsistent with any specific provision hereof, are a part of this rate schedule.

WAIVER

The Company reserves the right to waive the customer charge per meter for additional meters. An example of when such waiver may occur is when the Company determines that such meters have been installed principally and primarily for the Company's convenience and not due to the ratepayer's load characteristics.

**RATE SGS
SMALL GENERAL SERVICE****AVAILABILITY**

This rate is available to commercial, industrial, and NGDC ratepayers consuming less than 1,000 Mcf annually (other (C) than those that the Company determines shall acquire service under Rate GS-SB or those that use natural gas as a motor vehicle fuel), located throughout the territory described in the "Description of Territory" in this tariff and shall be applied to consumption for each month determined in accordance with Rule 10.

This rate will be used for provision of supplier of last resort service to all commercial, industrial and NGDC ratepayers.

RATE TABLE

Customer Charge per meter per month:

For Commercial ratepayers with annual consumption less than 500 Mcf	\$14.88	(I)
For Industrial ratepayers with annual consumption less than 500 Mcf	\$20.00	(D)
For ratepayers with annual consumption equal to or greater than 500 Mcf but less than 1,000 Mcf	\$27.00	Comm (I) Ind (D)
Delivery Charge per Mcf – Commercial Ratepayers	\$2.6971	(I)
Delivery Charge per Mcf – Industrial Ratepayers	\$2.2655	(I)

The currently effective gas cost charges under Rider B and all charges under other applicable tariff riders are (C) set forth on the Summary of Rates on page No. 3 of this tariff.

MARKET BASED COMMODITY CHARGE ADJUSTMENT (CCA)

This adjustment will be applicable to Non-Priority One ratepayers that previously had been receiving transportation service from the Company for at least twelve consecutive months and transfers to service under this rate schedule. Once applied, the CCA will be applicable for twelve consecutive months of service under this rate schedule. The Gas Cost Adjustment Charge shall not be applicable if the CCA is being charged.

The CCA shall be determined monthly and shall equal the difference between the Company's city gate price and the currently effective commodity charge under this rate schedule. The CCA shall never be less than zero. The Company's city gate price shall be based on the first of the month Dominion Transmission Inc. Appalachia Index price as published in *Inside FERC's Gas Market Report* plus applicable Dominion Transmission, Inc. transportation charges and retainage.

RATE SGS
SMALL GENERAL SERVICE

MINIMUM MONTHLY BILL

The minimum monthly bill per meter shall be the customer charge per ratepayer per month. In the event of an emergency, curtailment in the delivery of gas by the Company to a ratepayer pursuant to Rule 17, or complete or partial suspension of operation by the ratepayer due to fire, flood, explosion, or other similar acts of God, the minimum monthly bill may be reduced in direct proportion to the ratio of the number of days of curtailed service or complete or substantial suspension of operation to the number of days in the billing period.

SURCHARGES

All applicable riders to this tariff

LATE-PAYMENT CHARGE

A late-payment charge of 1.50 percent per month for commercial ratepayers and 2.00 percent per month for industrial (C) ratepayers shall be applied for failure to make payment in full for all charges billed by the Company by the due date shown on the bill. This charge is to be calculated on the overdue portion of the bill, excluding any unpaid late-payment charges.

RULES AND REGULATIONS

The Company's Rules and Regulations in effect from time to time, where not inconsistent with any specific provision hereof, are a part of this rate schedule.

WAIVER

The Company reserves the right to waive the customer charge per meter for additional meters. An example of when such waiver may occur is when the Company determines that such meters have been installed principally and primarily for the Company's convenience and not due to the ratepayer's load characteristics.

**RATE MGS
MEDIUM GENERAL SERVICE**

(C)

AVAILABILITY

This rate is available to commercial, industrial, and NGDC ratepayers consuming between 1,000 and 24,999 Mcf (C) annually (other than those that the Company determines shall acquire service under Rate GS-SB or those that use natural gas as a motor vehicle fuel), located throughout the territory described in the "Description of Territory" in this tariff, and shall be applied to consumption for each month determined in accordance with Rule 10.

The Company shall determine the annual consumption of each MGS ratepayer in order to assess the appropriate (C) customer charge. This rate will be used for provision of supplier of last resort service to commercial, industrial, and NGDC ratepayers.

RATE TABLE**Customer Charges:**

For commercial and NGDC ratepayers with annual consumption equal to or greater than 1,000 Mcf but less than 2,500 Mcf, the charge per meter per month is	\$50.00	Comm (I) Ind (D)
For commercial ratepayers with annual consumption equal to or greater than 2,500 Mcf but less than 25,000 Mcf the charge, per per meter per month is	\$77.00	(I)
For industrial ratepayers with annual consumption equal to or greater than 1,000 Mcf but less than 2,500 Mcf, the charge, per ratepayer per month is	\$50.00	(D)
For industrial ratepayers with annual consumption equal to or greater than 2,500 Mcf but less than 25,000 Mcf, the charge per per ratepayer per month	\$77.00	(I)
Delivery Charge per Mcf – Commercial Ratepayers	\$2.5210	(D)
Delivery Charge per Mcf – Industrial Ratepayers	\$1.8549	(I)

The currently effective gas cost charges under Rider B and all charges under other applicable tariff riders are (C) set forth on the Summary of Rates located on Page No. 3 of this tariff.

MARKET BASED COMMODITY CHARGE ADJUSTMENT (CCA)

This adjustment will be applicable to Non-Priority One ratepayers that previously had been receiving transportation service from the Company for at least twelve consecutive months and transfers to service under this rate schedule. Once applied, the CCA will be applicable for twelve consecutive months of service under this rate schedule. The Gas Cost Adjustment Charge shall not be applicable if the CCA is being charged.

The CCA shall be determined monthly and shall equal the difference between the Company's city gate price and the currently effective commodity charge under this rate schedule. The CCA shall never be less than zero. The Company's city gate price shall be based on the first of the month Dominion Transmission Inc. Appalachia Index price as published in *Inside FERC's Gas Market Report* plus applicable Dominion Transmission, Inc. transportation charges and retainage.

ISSUED: February 28, 2012

EFFECTIVE:

RATE MGS
MEDIUM GENERAL SERVICE (C)

MINIMUM MONTHLY BILL

The minimum monthly bill per meter shall be the customer charge per ratepayer per month. In the event of an emergency curtailment in the delivery of gas by the Company to a ratepayer pursuant to Rule 17, or complete or partial suspension of operation by the ratepayer due to fire, flood, explosion, or other similar acts of God, the minimum monthly bill may be reduced in direct proportion to the ratio of the number of days of curtailed service or complete or substantial suspension of operation to the number of days in the billing period.

SURCHARGES

All applicable riders to this tariff.

LATE-PAYMENT CHARGE

A late-payment charge of 1.50 percent per month for commercial ratepayers and 2.00 percent per month for industrial (C) ratepayers shall be applied for failure to make payment in full for all charges billed by the Company by the due date shown on the bill. This charge is to be calculated on the overdue portion of the bill, excluding any unpaid late-payment charges.

RULES AND REGULATIONS

The Company's Rules and Regulations in effect from time to time, where not inconsistent with any specific provision hereof, are a part of this rate schedule.

WAIVER

The Company reserves the right to waive the ratepayer customer charge per meter for additional meters. An example of when this charge may be waived is if the Company determines that such meters have been installed principally and primarily for the Company's convenience and not due to the load characteristics of the ratepayer.

RATE LGS
LARGE GENERAL SERVICE

(C)

AVAILABILITY

This rate is available to commercial, industrial, and NGDC ratepayers consuming greater than 25,000 Mcf annually (other than those that the Company determines shall acquire service under Rate GS-SB or those that use natural gas as a motor vehicle fuel), located throughout the territory described in the "Description of Territory" in this tariff, and shall be applied to consumption for each month determined in accordance with Rule 10.

The Company shall determine the annual consumption of each LGS ratepayer in order to assess the appropriate customer charge. This rate will be used for provision of supplier of last resort service to commercial, industrial, and NGDC ratepayers.

RATE TABLE**Commercial Ratepayers: Customer Charge per meter per month:**

For ratepayers with annual consumption equal to or greater than 25,000 Mcf but less than 50,000 Mcf	\$443.00	
For ratepayers with annual consumption equal to or greater than 50,000 Mcf but less than 100,000 Mcf	\$545.00	(I)
For ratepayers with annual consumption equal to or greater than 100,000 Mcf but less than 200,000 Mcf	\$793.00	(I)
For ratepayers with annual consumption equal to or greater than 200,000 Mcf	\$1,215.00	(I)
<u>Delivery Charge per Mcf</u>	\$2.4909	(D)

Industrial Ratepayers: Customer Charge per ratepayer per month

For ratepayers with annual consumption equal to or greater than 25,000 Mcf but less than 50,000 Mcf	\$443.00	
For ratepayers with annual consumption equal to or greater than 50,000 Mcf but less than 100,000 Mcf	\$545.00	
For ratepayers with annual consumption equal to or greater than 100,000 Mcf by less than 200,000 Mcf	\$1,144.00	
For ratepayers with annual consumption equal to or greater than 200,000 Mcf	\$2,009.00	
<u>Delivery Charge per Mcf</u>	\$1.8549	(I)

The currently effective gas cost charges under Rider B and all charges under other applicable tariff riders are set forth on the Summary of Rates located on Page No. 3 of this tariff.

MARKET BASED COMMODITY CHARGE ADJUSTMENT (CCA)

This adjustment will be applicable to Non-Priority One ratepayers that previously had been receiving transportation service from the Company for at least twelve consecutive months and transfers to service under this rate schedule. Once applied, the CCA will be applicable for twelve consecutive months of service under this rate schedule. The Gas Cost Adjustment Charge shall not be applicable if the CCA is being charged.

The CCA shall be determined monthly and shall equal the difference between the Company's city gate price and the currently effective commodity charge under this rate schedule. The CCA shall never be less than zero. The Company's city gate price shall be based on the first of the month Dominion Transmission Inc. Appalachia Index price as published in *Inside FERC's Gas Market Report* plus applicable Dominion Transmission, Inc. transportation charges and retainage.

RATE LGS
LARGE GENERAL SERVICE

(C)

MINIMUM MONTHLY BILL

The minimum monthly bill per meter shall be the customer charge per ratepayer per month. In the event of an emergency curtailment in the delivery of gas by the Company to a ratepayer pursuant to Rule 17, or complete or partial suspension of operation by the ratepayer due to fire, flood, explosion, or other similar acts of God, the minimum monthly bill may be reduced in direct proportion to the ratio of the number of days of curtailed service or complete or substantial suspension of operation to the number of days in the billing period.

SURCHARGES

All applicable riders to this tariff.

LATE-PAYMENT CHARGE

A late-payment charge of 1.50 percent per month for commercial and NGDC ratepayers and 2.00 percent per month for industrial ratepayers shall be applied for failure to make payment in full for all charges billed by the Company by the due date shown on the bill. This charge is to be calculated on the overdue portion of the bill, excluding any unpaid late-payment charges.

RULES AND REGULATIONS

The Company's Rules and Regulations in effect from time to time, where not inconsistent with any specific provision hereof, are a part of this rate schedule.

WAIVER

The Company reserves the right to waive the ratepayer customer charge per meter for additional meters. An example of when this charge may be waived is if the Company determines that such meters have been installed principally and primarily for the Company's convenience and not due to the load characteristics of the ratepayer.

RATE GS-T
GENERAL SERVICE - TRANSPORTATION

AVAILABILITY

This service is available to provide for the delivery of transportation volumes to residential, commercial, (other than those that use natural gas as a motor vehicle fuel), industrial, and natural gas distribution company ratepayers regulated by the (C) Commission. Priority-one customers (as defined in Rule 17), must purchase standby service in accordance with the terms and conditions of GS-SB.

RULES AND DELIVERY TERMS

- (1) The entity to whom the Company delivers the transported gas shall be considered the ratepayer under this rate schedule. The ratepayer is responsible for paying the Company's bill unless the Company agrees to receive payment from a third party.
- (2) Any ratepayer consuming less than 500 Mcf per year who wishes to acquire transportation service may do so as long as the ratepayer agrees to collectively pool supplies for balancing purposes on the Company's System, in order to make provision of transportation service to these small consumers administratively feasible.
- (3) A single-entity ratepayer is a ratepayer with multiple meters and/or multiple locations within the Company's service territory which, in the sole determination of the Company, shall be recognized as one ratepayer for administrative purposes. Any retail or standby service shall be billed as if an equal amount of gas passed through each meter of the single-entity ratepayer each month. Only one bill will be issued each month to a single-entity ratepayer.
- (4) The ratepayer will pay for any investment costs required to receive the ratepayer's gas into the Company's system at agreed-upon transportation gas receipt points. The Company will own and maintain each natural gas connection's tapping tee or pipe and valve.
- (5) A Transportation Agreement, as prepared by the Company, must be executed by the ratepayer(s) with competitive alternatives to whom Rate GS-T is made available at less than maximum rate. This Agreement shall be for a minimum term of one year, unless the Company agrees otherwise. This Agreement may set forth the maximum daily volumes that may be transported and other negotiated conditions of service.
- (6) This service will be provided by the Company only if the ratepayer provides gas of reasonable quality to the Company. The volumes, pressures, and receipt points will be agreed upon by the parties in advance and set forth in the Transportation Agreement or in the Company's pooling agreement with the NGS providing gas supply service to the ratepayer.
- (7) Unless otherwise agreed, the ratepayer is responsible for all arrangements required to acquire and to deliver the ratepayer's gas to the receipt points set forth in the Transportation Agreement.
- (8) On those days when the transportation gas of an individual industrial ratepayer who uses at least 50,000 Mcf (C) annually is not received into the Company's system at its nominated level, or if the said transportation ratepayer has failed to arrange for deliveries to be made into the Company's system on its behalf, and the Company determines that it may not be able to satisfy all the demands of its firm retail and transportation ratepayers without exceeding its pipeline contract level, then the Company may declare an "upset day."

On an upset day, those ratepayers described in this subparagraph No. 8, whose transportation volumes are not received at all or at the nominated level into the Company's system shall be restricted to the following consumption levels:

- 1) Transportation gas volumes received by the Company on the ratepayer's behalf on that day;
- 2) Banked volumes from the ratepayer's most recent billing statement divided by the number of days in the month;
- 3) 3.5 percent of the gas volumes received by the Company, on the ratepayer's behalf that day, representing advanced gas;

RATE GS-T
GENERAL SERVICE - TRANSPORTATION

RULES AND DELIVERY TERMS (Continued)

(C)

- 4) Storage volumes from the ratepayer's most recent billing statement divided by the number of days in the month, if requested by the ratepayer; and
- 5) All standby volumes contracted for the month by the ratepayer.

Transportation ratepayers whose nominated daily volume are received in whole by the Company shall not be affected by the provisions in this subparagraph No. 8.

At least six hours prior to the beginning of an "upset day," the utility will provide notice to any one of three persons designated by the ratepayer. After contact is attempted by the Company with the three persons designated by the ratepayer, the Company will be deemed to have satisfied its notice obligations.

- (9) Unless otherwise agreed under paragraph (17) 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.
 - 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.
- (10) As soon as practical after the ratepayer learns of any disruption or interruption in its supply of gas, the ratepayer shall notify the Company.
- (11) 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.
- (12) The Company shall retain 8.6 percent of the total volume of gas received into its system on behalf of the (C) commercial ratepayer and 7.2 percent of the total volume of gas received into its system on behalf of the industrial ratepayer as gas used in Company operations and for unaccounted-for gas 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:

RATE GS-T
GENERAL SERVICE - TRANSPORTATION

RULES AND DELIVERY TERMS (Continued)

- 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.

- (13) 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.

(14) 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). 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 customer 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.

Positive Monthly Imbalance - If the ratepayer fails to use at least 96.5 percent of the volumes delivered to the Company on ratepayer's account in any month, then the Company may buy the gas which has remained in the bank longer than the banking period or in excess of the amount used and banked in the month from the ratepayer, (unless the ratepayer is eligible to store gas under Rate ST or Rate ST-SW conditions of availability and elects to store the gas.) The positive imbalance volume will be purchased by the Company at a price using the lowest 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 multiplied by the applicable Price Multiplier set forth below.

<u>Monthly Imbalance Percentage</u>	<u>Negative Imbalance Price Multiplier</u>	<u>Positive Imbalance Price Multiplier</u>
Over 3.5% up to and including 10%	1.1	0.9
Over 10%	1.2	0.8

RATE GS-T
GENERAL SERVICE - TRANSPORTATION

RULES AND DELIVERY TERMS (Continued)

A banking, balancing, and advancing (BB&A) charge will be assessed against each Mcf of transportation at \$0.1594 per Mcf for commercial ratepayers and \$0.0367 per Mcf for industrial ratepayers. This rate will be recalculated in each of the Company's annual 1307(f) gas cost proceedings.

The BB&A charge will not be assessed if (1) the ratepayer is already paying the standby charge under Rate Schedule GS-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.

- (15) Backup service is available to ratepayers under this rate schedule only under Rate GS-SB, unless the ratepayer qualifies for service under Rate CER or unless otherwise agreed under paragraph (17) below. (C)
- (16) The Company reserves the right, as a condition of service under this rate schedule, to require any ratepayer requesting service under this rate schedule to install and bear the costs of enhanced metering capability. The Company also reserves the right to require installation of such metering capability, at the ratepayer's expense, as a condition of continuation of service under this rate schedule.
- (17) When the ratepayer purchasing service under this rate is using natural gas for generating power or steam for use by third parties, ratepayer and the Company shall enter into a separate (operating) agreement by which the ratepayer and the Company will agree to, among other things, set limits on hourly or daily consumption; require provision of notice of ratepayer's specific plans concerning intent to consume natural gas, the volume that will be used, the time period of which such consumption will occur, and when usage will end; establish criteria for interruption of all or part of ratepayer's planned consumption, whether through transportation or retail service; establish penalties for failure of ratepayer to adhere to agreed-upon usage levels or to interrupt consumption as agreed upon by the parties; and agree upon the availability of retail service. In negotiating the rate for provision of transportation service under Rate GS-T with a ratepayer using natural gas to generate power, the parties may agree to establish fixed levels of minimum daily, monthly, or annual consumption for which ratepayer shall pay the negotiated rate regardless of actual consumption. (C)
- (18) The Company will from time to time make pipeline capacity available for release to transportation ratepayers. Each release transaction will be made in accordance with and subject to applicable pipeline tariff requirements and necessary regulatory requirements.

RATE GS-T
GENERAL SERVICE - TRANSPORTATION

RATE TABLE

Customer Charge - The Company shall determine the annual consumption of each General Service ratepayer in order to assess the appropriate customer charge.

\$13.95	Customer Charge per month per meter for all Residential ratepayers.	(I)
\$14.88	Customer Charge per month per meter for all Commercial or NGDC ratepayers consuming less than 500 Mcf annually.	(I)
\$20.00	Customer Charge per month per ratepayer for Industrial ratepayers consuming less than 500 Mcf annually.	(D)
\$27.00	Customer Charge per month per meter for Commercial or NGDC ratepayers with annual consumption equal to or greater than 500 Mcf but less than 1,000 Mcf.	(I)
\$27.00	Customer Charge per month per ratepayer for Industrial ratepayers with annual consumption equal to or greater than 500 Mcf but less than 1,000 Mcf.	(D)
\$50.00	Customer Charge per month per meter for Commercial or NGDC ratepayers with annual consumption equal to or greater than 1,000 Mcf but less than 2,500 Mcf.	(I)
\$50.00	Customer Charge per month per ratepayer for Industrial ratepayers with annual consumption equal to or greater than 1,000 Mcf but less than 2,500 Mcf annually.	(D)
\$77.00	Customer Charge per month per meter for Commercial Service - Large or NGDC ratepayers with annual consumption equal to or greater than 2,500 Mcf but less than 25,000 Mcf.	(I)
\$77.00	Customer Charge per month per ratepayer for Industrial ratepayers with annual consumption equal to or greater than 2,500 Mcf but less than 25,000 Mcf annually.	(I)
\$443.00	Customer Charge per month per meter for Commercial, or NGDC ratepayers with annual consumption equal to or greater than 25,000 Mcf but less than 50,000 Mcf.	
\$443.00	Customer Charge per month per ratepayer for Industrial ratepayers with annual consumption equal to or greater than 25,000 Mcf but less than 50,000 Mcf.	
\$545.00	Customer Charge per month per meter for Commercial or NGDC ratepayers with annual consumption equal to or greater than 50,000 but less than 100,000 Mcf	(I)
\$545.00	Customer Charge per month per ratepayer for Industrial ratepayers with annual consumption equal to or greater than 50,000 Mcf but less than 100,000 Mcf.	
\$793.00	Customer Charge per month per meter for Commercial or NGDC ratepayers with annual consumption equal to or greater than 100,000 Mcf but less than 200,000 Mcf.	(I)
\$1,144.00	Customer Charge per month per ratepayer for Industrial ratepayers with annual consumption equal to or greater than 100,000 Mcf but less than 200,000 Mcf.	
\$1,215.00	Customer Charge per month per meter for Commercial or NGDC ratepayers with annual consumption greater than 200,000 Mcf.	(I)
\$2,009.00	Customer Charge per month per ratepayer for Industrial ratepayers with annual consumption equal to or greater than 200,000 Mcf.	

RATE GS-T
GENERAL SERVICE - TRANSPORTATION

(Continued)

Delivery Charge, Per Mcf - the delivery charge will be negotiated by the Company and the ratepayer and expressed in the Transportation Agreement.

The following is the maximum charge per Mcf for transportation service:

For Residential Service Ratepayers	\$3.6560	(I)
For Small General Service Commercial and NGDC Ratepayers	\$2.6971	(I)
For Small General Service Industrial Ratepayers	\$2.2655	(I)
For Medium General Service Commercial and NGDC Ratepayers	\$2.5210	(D)
For Medium General Service Industrial Ratepayers	\$1.8549	(I)
For Large General Service Commercial and NGDC Ratepayers with annual consumption equal to or greater than 25,000 but less than 200,000	\$2.4909	(D)
For Large General Service Industrial Ratepayers with annual consumption equal or greater to 25,000 but less than 200,000	\$1.8549	(I)

The delivery charge will be assessed on all volumes at the time of delivery to the ratepayer, including current transportation, banked, advanced, and storage volumes withdrawn. A transportation standby charge will be applicable to all volumes transported under Rate Schedule GS-T for Priority One ratepayers (refer to Rate Schedule GS-SB).

The currently effective gas cost charges under Rider B and all charges under other applicable tariff riders are (C) set forth on the Summary of Rates located on Page No. 3 of this tariff.

LATE-PAYMENT CHARGE

A late-payment charge of 1.50 percent per month for residential ratepayers will be made for failure to make payment in full for all charges billed by the Company within five days after the due date shown on the bill. A late-payment charge of 2.00 percent per industrial ratepayers and 1.50 percent per month for commercial and NGDC ratepayers (C) shall be applied for failure to make payment in full for all charges billed by the Company by the due date shown on the bill. This charge is to be calculated on the overdue portion of the bill, excluding any unpaid late-payment charges. The overdue portion of the bill may include NGS supply charges purchased by the Company under the purchase of receivables provisions set forth in Rate SBS of the Company's Supplier Tariff.

RATE GS-SB
GENERAL SERVICE - STANDBY (C)

AVAILABILITY

This service is available to transportation service ratepayers served under Rate GS-T and/or ratepayers who need or use the Company as backup service to service from an alternate supplier.

RULES AND DELIVERY TERMS**Priority-One Transportation Ratepayers**

Priority One ratepayers must pay for standby service through a transportation standby charge applicable to all volumes transported under Rate Schedule GS-T. Backup service for Priority-One ratepayers shall be provided pursuant to the applicable retail rate schedules.

Non-Priority-One Transportation Ratepayers

The ratepayer may execute a Standby Contract for a specified monthly volume. The term of the Standby Contract will be a minimum period of not less than one year. Ratepayers that execute a Standby Contract will pay for standby service through a capacity charge applicable to contracted for monthly volumes and through a standby commodity charge applicable to all standby volumes actually purchased under Rate Schedule GS-SB.

Back-up Standby Service

If a ratepayer is using the Company as back-up service to service from an alternative supplier, the Company shall charge the ratepayer the standby service fees set forth in the rate table below. The Company reserves the right to determine when and the level to which a ratepayer is using the Company as a backup supplier. In situations where the alternative supply is from local well production and before the Company provides backup standby service under the terms of this rate schedule, the Company shall have the right to inspect the pipeline and related facilities of the ratepayer and require that the ratepayer install, at its own expense, any necessary equipment to protect the integrity and safe operation of the Company's system.

RATE TABLE**Capacity Charges Applicable under the Rate Schedule:**

RS Capacity Charge per Mcf	\$0.4695
SGS Commercial Capacity Charge per Mcf	\$0.4424
SGS Industrial Capacity Charge per MCF	\$0.4695
MGS Capacity Charge per Mcf	\$0.4695
LGS Capacity Charge per MCF	\$0.4695

Standby Charges for Priority One Transportation Ratepayers

For ratepayers that pay the capacity charge, the Company may release pipeline capacity, the terms of which will be pursuant to the capacity-release terms of the Company's Supplier tariff and this rate schedule.

Priority-One ratepayers who take service under this rate schedule, or their agents, must take assignment of a pro-rata or other agreed upon share of the pipeline and storage capacity and Pennsylvania produced gas supplies ("assigned capacity") that would otherwise be utilized by the Company to meet the ratepayer's service requirements. Assigned capacity shall be subject to recall pursuant to the conditions described in the Company's Supplier Tariff, in which case the Company will provide for the delivery of necessary gas supplies pursuant to the terms of this rate schedule. More specific terms with respect to capacity assignment requirements may be set forth in the Company's Supplier Tariff and in its contracts with Priority One NGSs. However, such additional terms with respect to capacity assignment requirements shall be subject to review in the Company's annual Section 1307(f) proceeding.

RATE GS-SB
GENERAL SERVICE - STANDBY (C)RATE TABLE (continued)Standby Charges For Non Priority One Ratepayers With a Standby Contract

Standby volumes delivered to the ratepayer will be billed at the applicable supplier of last resort rates, excluding the pipeline demand component that has been paid through the capacity charge up to the contracted for monthly volumes in the standby contract. Volumes consumed in excess of contracted for volumes will be billed using the imbalance fee formula shown in Rate GS-T, paragraph 13, plus applicable taxes.

Ratepayers Using The Company as a Back-up Supplier

Any ratepayer using the Company as back-up service to service from an alternative supplier shall be subject to the charges set forth below. The following charges shall be assessed in lieu of any other standby charges applicable under this rate schedule.

Monthly Capacity Charge – In order to recover demand related purchased gas costs incurred by the Company, the ratepayer shall be charged a monthly capacity charge equal to the ratepayer's projected annual natural gas usage divided by twelve and multiplied by the capacity charges set forth above in this Rate Table. The projected annual natural gas usage shall reflect the estimated volumes assuming that all of the ratepayer's natural gas consumption is served by the Company. The Company may waive this fee if the ratepayer is receiving gas supplies from a NGS and the ratepayer can demonstrate that its NGS has agreed to serve its peak day usage requirements. This charge will be assessed instead of the Capacity Charge applicable under other rate schedules.

Standby Customer Charge – In order to recover the fixed non-purchased gas charges incurred by the Company, the ratepayer shall be charged a standby customer charge on a monthly basis. The standby customer charge shall be the higher of the applicable charge set forth below or the ratepayer's Monthly Customer Charge otherwise applicable under other rate schedules.

\$ 34.00 per month per meter for all Residential ratepayers.

\$ 41.00 per month per meter for Commercial or NGDC ratepayers with usage less than 1,000 Mcf/yr

\$ 41.00 per ratepayer per month for Industrial ratepayers with usage less than 1,000 Mcf/yr.

\$ 72.00 per month per meter for Commercial or NGDC ratepayers with usage of 1,000 to 24,999 Mcf/yr

\$ 72.00 per ratepayer per month for Industrial ratepayers with usage of 1000 to 24,999 Mcf/yr,

For Commercial, Industrial or NGDC ratepayers with usage greater than 25,000 Mcf/Year, the appropriate (C) standby customer charge shall be the higher of \$146 or the ratepayer's Monthly Customer Charge otherwise applicable under other rate schedules.

SURCHARGES - All applicable riders to this tariff.

RATE GS-SB
GENERAL SERVICE - STANDBY

(Continued)

LATE-PAYMENT CHARGE

A late-payment charge of 1.50 percent per month for residential ratepayers will be made for failure to make payment in full for all charges billed by the Company within five days after the due date shown on the bill. A late-payment charge of 1.50 percent per month for commercial and NGDC ratepayers and 2.00 percent for industrial ratepayers will be made (C) for failure to make payment in full for all charges billed by the Company by the due date shown on the bill. This charge is to be calculated on the overdue portion of the bill, excluding any unpaid late-payment charges.

**RATE ST
STORAGE SERVICE****AVAILABILITY**

Storage/balancing service is available to transportation ratepayers under the following conditions:

- a. Rate ST is available for overdeliveries in excess of 3.5 percent, subject to a maximum volume limitation in storage at any one time that will be based on the ratepayer's average monthly usage and on monthly volumetric injection levels set forth below.
- b. Monthly limitations on scheduled injection levels into storage are as follows: (C)
 - April - 2 percent of the allocated storage capacity
 - May - 15 percent of the allocated storage capacity
 - June-September - 20 percent of the allocated storage capacity
 - October - 15 percent of the allocated storage capacity

In addition, injections during November through March may be restricted during any of the "Critical Day Planning" events listed in Paragraph 3 of the Rules and Regulations section of Peoples' Tariff S-2.

- c. Withdrawals from storage shall be limited to a maximum daily amount equal to 1/44 of the ratepayer's (C) allocated storage capacity. As of March 31, if the gas inventory balance in storage exceeds 40% of the allocated storage capacity, the excess amount will be automatically withdrawn in March.
- d. Storage of gas by a transportation ratepayer other than described in a. and b. above will be at the Company's sole discretion.

RULES AND DELIVERY TERMS**Deliveries Into and From Storage**

Deliveries to the Company in excess of the 3.5 percent banking level will be injected into storage unless the ratepayer requests otherwise by the 25th of the month. If the monthly injection causes inventory levels to exceed (C) the allocated storage capacity, then the Company may purchase these volumes under the buy-back provisions in paragraph 13 of Rate GS-T.

The Company shall withdraw the ratepayer's gas from storage to meet the ratepayer's needs in excess of gas advanced in accordance with the terms of Rates GS-T, unless the ratepayer notifies the Company by the 25th day of the month. (C) If the ratepayer does not have the required storage inventory balance to meet the withdrawal, then the ratepayer will be subject to the balancing provisions contained in Rate GS-T.

Request for storage under availability provision (d) above must be made by the 25th day of the month. The Company will notify the ratepayer of acceptance or rejection of this request within three days of the receipt of the request.

**RATE ST
STORAGE SERVICE****STORAGE CHARGE**

- \$ 0.0532 per Mcf at the time of delivery into storage (injection fee)
- \$ 0.0532 per Mcf at the time of withdrawal from storage (withdrawal fee)
- \$ 0.8436 per Mcf fee assessed on the maximum storage level attained in the storage year (storage fee) (C)

The injection fee for delivery into storage will be assessed in the month in which (a) the storage election is made or (C) (b) the Company grants a request for storage. The rate for storage of gas (storage fee) will also be assessed at that time and will be applied to the maximum storage level attained in a storage year (April 1 through March 31) and will be reassessed annually on April 1. The withdrawal fee for delivery of gas from storage will be assessed in the month the gas is withdrawn. At the time of withdrawal, the applicable transportation rate from GS-T will also be assessed.

LATE-PAYMENT CHARGE

A late-payment charge of 2.00 percent per month for industrial and NGDC ratepayers and 1.50 percent per month for commercial ratepayers shall be applied for failure to make payment in full by the due date shown on the bill. A late-payment charge of 1.50 percent per month for residential ratepayers will be made for failure to make payment in full within five days after the due date shown on the bill. This charge is to be calculated on the overdue portion of the bill, excluding any unpaid late-payment charges.

SURCHARGES

All applicable riders to this tariff.

RATE ST-SW
STORAGE SERVICE - SCHEDULED WITHDRAWAL

AVAILABILITY

Storage service is available to transportation ratepayers under the following conditions:

- a. Rate ST-SW is available for overdeliveries in excess of 3.5 percent, subject to a maximum volume limitation in storage at any one time, that will be based on the ratepayer's average monthly usage and on monthly volumetric injection levels set forth below.
- b. Monthly limitations on scheduled Injection levels into storage are as follows: (C)

April:	2 percent of the allocated storage capacity
May:	15 percent of the allocated storage capacity
June-September:	20 percent of the allocated storage capacity
October:	15 percent of the allocated storage capacity
November – March	Zero percent of the allocated storage capacity
- c. The ratepayer must withdraw all gas in storage under Rate ST-SW during a consecutive four-month period, beginning either November 1, December 1, or January 1, whichever date the ratepayer selects. One-quarter (1/4) of the gas in storage when scheduled withdrawal begins will be withdrawn each month. For withdrawals other than during the four-month period of scheduled withdrawals, the ratepayer must request withdrawal of gas stored under Rate ST-SW by the 25th of the month. If the ratepayer does not notify the Company that gas stored under Rate ST-SW should be withdrawn, and the ratepayer has not delivered sufficient quantities of gas during the month to meet that month's requirements, the Company will automatically withdraw any gas stored under Rate ST. If the ratepayer has no gas stored under Rate ST, the ratepayer will be subject to the balancing provisions of Rate GS-T. (C)
- d. Storage of gas by a transportation ratepayer other than described in a., b., and c. above will be at the Company's sole discretion.

RULES AND DELIVERY TERMS**Deliveries Into and From Storage**

If the ratepayer has service under Rate ST, deliveries to the Company in excess of the 3.5 percent banking level will be injected into storage under Rate ST unless the ratepayer requests that the gas be stored under Rate ST-SW by the 25th of the month. If the monthly injection causes inventory levels to exceed the allocated storage capacity, then the Company (C) may purchase these volumes under the balancing provisions in Rate GS-T.

Unless otherwise agreed to by the Company, the ratepayer's storage gas shall be withdrawn from storage in accordance with a Storage Withdrawal Schedule, consistent with the terms of paragraph c. above, provided to the Company by the ratepayer prior to October 15. If the ratepayer does not notify the Company by October 15 of its storage withdrawal schedule, then withdrawals will begin January 1.

STORAGE CHARGE

- \$ 0.0532 per Mcf at the time of delivery into storage (injection fee)
- \$ 0.0532 per Mcf at the time of withdrawal from storage (withdrawal fee)
- \$ 0.4065 per Mcf assessed on the maximum storage level attained in the storage year (storage fee) (C)

LATE-PAYMENT CHARGE

A late-payment charge of 2.00 percent per month for industrial and NGDC ratepayers and 1.50 percent per month for commercial ratepayers shall be applied for failure to make payment in full, for all charges billed by the Company, by the due date shown on the bill. A late-payment charge of 1.50 percent per month for residential ratepayers shall be applied for failure to make payment in full within five days after the due date shown on the bill. This charge is to be calculated on the overdue portion of the bill, excluding any unpaid late-payment charge.

SURCHARGES

All applicable riders to this tariff.

RIDER A
STATE TAX SURCHARGE

There shall be added to gas bills rendered by the utility for retail gas service a surcharge of (0.00%) percent applied to the maximum delivery charge under tariff rate schedules Rate RS, Rate SGS, Rate MGS, Rate LGS,, (C) Rate GS-T, and Rate NGPV to reflect changes and new taxes imposed by the General Assembly.

The utility will recompute this surcharge whenever any of the tax rates used in calculation of the surcharge are changed. Any recomputation of this surcharge will be submitted to the Commission within ten days after the occurrence of the event or date which occasions such computation. If the recomputed surcharge is less than the one then in effect, the utility will, and if the recomputed surcharge is more than the one then in effect, the utility may, accompany such recomputation with a tariff or supplement to reflect such recomputed surcharge, the effective date of which shall be ten days after filing.

RIDER B

RECOVERY OF PURCHASED GAS COSTS (1307(f) RATES)COMPUTATION OF PURCHASED GAS COSTS

The purchased gas cost rates for Residential, Commercial, and Industrial Service ratepayers shall be computed to the nearest one-hundredth cent (0.01¢) in accordance with the formula set forth below:

$$\begin{aligned} \text{Demand} &= \frac{\text{DC} - \text{BB\&A} - \text{DOU}}{\text{S} + \text{SBAC} + \text{SBC}} \\ \text{Commodity} &= \frac{\text{CC} - \text{R}}{\text{S} + \text{SBR}} \\ \text{Over/Under Collection} &= \frac{\text{E}}{\text{S} + \text{SBR} + \text{MR}} \end{aligned}$$

(For definitions of "DC", "CC", "E", "S", "SBC", "SBAC", "R", "BB&A", and "DOU" refer to Section II under this rider).

The purchased gas cost rates are as follows:

<u>RS, SGS (Industrial), MGS, LGS, NGPV</u>	<u>(C)</u>
Capacity Charge - Demand	\$0.4695 per Mcf
Gas Cost Adjustment Charge - (Over)/Under Collection	\$0.5970 per Mcf
Natural Gas Supply Charge - Commodity	\$4.0930 per Mcf
GS-SB Capacity Charge Priority One	\$0.4695 per Mcf
<u>SGS (commercial)</u>	<u>(C)</u>
Capacity Charge - Demand	\$0.4424 per Mcf
Gas Cost Adjustment Charge - (Over)/Under Collection	\$0.5970 per Mcf
Natural Gas Supply Charge - Commodity	\$4.0930 per Mcf
GS-SB Capacity Charge Priority One	\$0.4424 per Mcf

(continued)

RIDER C

TRANSITION COST RECOVERY MECHANISM

1. This Rider establishes a mechanism for the recovery of nongas transition costs from the Company's ratepayers, (C) except to the extent that a ratepayer uses transportation service under Rate GS-T for the delivery of gas transported solely on intrastate pipeline facilities. Nongas transition costs are defined as pipeline gas supply realignment costs and stranded costs.
2. For purposes of nongas transition costs recovery, the Company will assign its recoverable transition costs and any reconciliations of transition costs between two groups of ratepayers--those ratepayers whom the Company designates as "competitive" and those ratepayers whom the Company designates as "noncompetitive." For purposes of this recovery mechanism, competitive ratepayers shall include all ratepayers to whom the Company charges less than its maximum tariffed retail or transportation rates in order to gain or maintain the ratepayers' patronage in the face of competitive pressures. For purposes of this recovery mechanism, noncompetitive ratepayers shall include all of the Company's ratepayers who are not competitive.
3. The assignment of nongas transition cost responsibility to the Company's competitive ratepayers shall be equal to that portion of the revenues that those ratepayers contribute under the Company's program for the release of firm transportation pipeline capacity as set forth in this tariff, and that is designated, either through prearrangement or open bidding, as "transition costs." Notwithstanding the foregoing, the Company may charge a volumetric surcharge to competitive ratepayers. Any additional recovery from competitive ratepayers shall be credited against the nongas transition costs allocated to the Company's noncompetitive ratepayers. The assignment of transition cost responsibility to the Company's noncompetitive ratepayers shall be equal to the difference between the Company's total nongas transition cost liability and the amount of that liability that is allocated to competitive ratepayers.
4. A surcharge for the recovery of nongas transition costs from noncompetitive ratepayers will be recalculated every three months, with the recalculations to be effective on or around January 1, April 1, July 1, and October 1 of each year. The Company will file the January 1, April 1, and July 1 recalculations on one day's notice to the Commission, and these filings are referred to in this rider as the "quarterly recalculation," and will file the October 1 recalculation on thirty days' notice to the Commission.
5. The surcharge will be designed to recover (a) those nongas transition costs that have been billed to the Company by interstate pipelines and (b) those costs that have been approved by the Federal Energy Regulatory Commission to be billed to the Company during the 12-month period following the surcharge filing date.
6. At the time of each quarterly recalculation of the surcharge, the Company will reconcile its actual billed costs over the three-month period that ends one month prior to the filing of the recalculation against the costs that had been projected for that same period and will incorporate the reconciliation within its recalculations; however, no adjustment will be made to reflect variations in billed throughput during such periods. The Company will accompany its recalculation of the surcharge that will become effective on October 1, 1994, with a reconciliation of actual transition cost revenues recovered from the Company's ratepayers from the effective date of the surcharge through July 31, 1994, against the revenues projected to have been recovered over the same period, including adjustments to reflect volumetric variations. The Company will accompany its recalculations of the surcharges that will become effective on or around each October 1 after 1994 with a reconciliation of actual transition cost revenues recovered from its ratepayers over the 12 months ending July 31 of the particular year against the revenues projected to have been recovered over the same 12-month period.

RIDER D

Application of the Gas Cost Adjustment ChargeMigration from Supplier of Last Resort Service to Transportation Service

- Ratepayers who have been receiving Supplier of Last Resort Service from the Company for at least twelve consecutive months and transfer to transportation service, will be charged the gas cost adjustment charge under the Company's Supplier of Last Resort Service, for a period of twelve months. This charge will be applied regardless of the service that the customer is receiving during this twelve-month period.
- Ratepayers who have been receiving Supplier of Last Resort Service from the Company for less than twelve consecutive months (excluding new ratepayers) and transfer to transportation service will not be charged the gas cost adjustment.

Migration from Transportation Service to Supplier of Last Resort Service

- Ratepayers who have been receiving transportation service from the Company for at least twelve consecutive months and transfer to the Company's Supplier of Last Resort Service, will not be charged the gas cost adjustment charge for a period of twelve months. This charge will not be applied regardless of the service that the customer is receiving during this twelve-month period.
- Ratepayers who have been receiving transportation service for less than twelve consecutive months (excluding new ratepayers) and transfer to the Company's Supplier of Last Resort Service, will be charged the gas cost adjustment charge.

This rider will not be applicable to ratepayers under Rate SGS, Rate MGS, and Rate LGS (C) that are subject to the Commodity Charge Adjustment (CCA)

RIDER E

MERCHANT FUNCTION CHARGE (MFC)

The Merchant Function Charge (MFC) shall be added to the gas cost charges applicable under (C) rate schedules Rate RS, Rate SGS, Rate MGS,, LGS and GS-T. The gas costs charges include the Capacity Charge, Gas Cost Adjustment Charge and Commodity Charge.

The MFC shall be updated quarterly effective with each 1307(f) rate change. The write-off factor used to calculate the quarterly MCF shall only be determined in a base rate case filing.

For residential customers receiving service under Rate RS and Rate GS-T, the MFC shall equal the write-off (C) factor of 3.55% times the gas cost charges as set forth in Peoples' Rider B and Rider D. The current MFC applicable to Rate RS customers is:

Capacity Charge per Mcf	\$0.0169
Gas Cost Adjustment Charge per Mcf	\$0.0034
Commodity Charge per Mcf	<u>\$0.1309</u>
Total PTC- Commodity per Mcf	\$0.1512

For Small General Service customers receiving service under Rate SGS and Rate GS-T, (C) the MFC shall equal the write-off factor of 0.77% times the gas cost charges as set forth in Peoples' Rider B and Rider D. The current MFC applicable to Rate SGS ratepayers is:

Capacity Charge per Mcf – Industrial	\$0.0037
Capacity Charge per Mcf - Commercial	\$0.0035
Gas Cost Adjustment Charge per Mcf	\$0.0007
Commodity Charge per Mcf	<u>\$0.0284</u>
Total PTC – Commodity per Mcf	\$0.0326

For Medium and Large General Service customers receiving service under Rate MGS, LGS and Rate GS-T, the MFC shall equal the write-off factor of 0.77% times the gas cost charges as set forth in Peoples' Rider B and Rider D. The current MFC applicable to MGS and LGS ratepayers is:

Capacity Charge per Mcf	\$0.0037
Gas Cost Adjustment Charge per Mcf	\$0.0007
Commodity Charge per Mcf	<u>\$0.0284</u>
Total PTC—Commodity per Mcf	\$0.0328

**RIDER G
GAS PROCUREMENT CHARGE**

(C)

For bill presentment purposes, the Gas Procurement Charge (GPC) shall be added to the Commodity Gas Cost Charge applicable to sales rate schedules Rate RS, Rate SGS, Rate MGS, Rate LGS and any other applicable sales service rate schedule under this tariff.

Recoverable Costs

The GPC shall include gas procurement costs incurred by the Company solely on behalf of its sales service customers. The GPC shall exclude any costs recovered through Rider B - 1307(f) gas cost recovery mechanism. The GPC shall exclude any gas procurement costs incurred by the Company in support of transportation or shopping customers or programs.

Recalculation of the GPC

The costs to be included in the GPC shall be calculated in accordance with Commission regulations and shall be determined and updated in each base rate case filed by the Company. The GPC shall not be subject to reconciliation for any prior-period or over-or-under collections.

GPC Charge per Mcf \$0.0900/Mcf

RIDER H
RATEPAYER TRUST RATE CREDIT

The Ratepayer Trust was established on February 1, 2010 as part of the settlement of the transfer of the capital stock of Peoples to PNG Companies LLC. On that date, \$35 million was deposited into an Irrevocable Trust exclusively for the benefit of Peoples' ratepayers. The Trust will be flowed back to ratepayers as a distribution rate credit over three years.

The rate credit shall not be applied to any competitive customer receiving a discounted rate.

Calculation of the Distribution Rate Credit

The Year One rate credit will be effective on the effective date of new base rates established in Peoples' 2010 general rate proceeding

The balance of funds in the Trust, plus interest, net of taxes and Trust expenses, shall be divided by three to establish the amount to be returned to ratepayers in Year-One of the required three-year flow-back.

This amount would then be allocated to rate classes based on the amount of revenue increase assigned to each rate class as a proportion to the overall approved revenue increase approved by the Commission in Peoples' 2010 general rate proceeding. The distribution rate credit will be allocated to the residential, commercial large, and Industrial classes through both the monthly customer charge and the volumetric delivery charge. The distribution rate credit will be allocated to the commercial small class through the monthly customer charge only.

Of the total residential credit, \$1.50 will be applied to the monthly residential customer charge. The remainder of the annual credit assigned to the residential class will be distributed through the volumetric delivery charge. This volumetric rate will be determined by dividing the credit not assigned to the customer charge by the projected annual usage for the residential class as established in Peoples' 2010 rate case. The distribution credit for the SGS class will be determined by dividing (C) the annual rate credit assigned to the commercial small class by the total estimated annual number of non-competitive customers within that class as established in Peoples' 2010 rate case. The distribution credit for the MGS and LGS (C) classes will be determined by first dividing the total distribution credit allocated to the commercial large class by two in order to establish two portions. The first portion will be divided by the total estimated annual number of non-competitive customers within the class as established in Peoples' 2010 rate case to determine the monthly customer charge credit. The second portion will be divided by the projected annual usage for non-competitive commercial large customers as established in Peoples' 2010 rate case to determine the volumetric adjustment to the delivery charge.

The ratepayer credit for Year Two would become effective one year after new rates are established in Peoples' 2010 general rate proceeding. The Year Two ratepayer credit will be determined by first dividing by two the estimated balance available in the Trust at the end of the first year of distributions. Next, this amount would then be allocated to rate classes based on the amount of revenue increase assigned to each rate class as a proportion to the overall approved revenue increase approved by the Commission in Peoples' 2010 general rate proceeding. The Year Two allocation by class will be prepared in the same manner as described in the paragraph above. Beginning with the remaining balance after the Year Two distributions, this method would also be utilized to distribute the Year Three rate credit.

During the distribution of the ratepayer credit in Year Three, if Peoples determines that all of the available funds from the Trust will be distributed prior to the end of the Year Three distribution period, Peoples will discontinue distribution of the ratepayer credits. At the end of Year Three, the rate credits will terminate.

(Cont.)

RIDER H
RATEPAYER TRUST RATE CREDIT (Cont.)

Year One Rate Credit

Residential Ratepayers	(\$1.50) per Customer Charge
Residential Ratepayers	(\$0.1279) per MCF
Rate SGS	(\$1.12) per Customer Charge
Rate MGS	
≥1,000<2,500 Mcf / year	(\$20.40) per Customer Charge
≥2,500<25,000 Mcf / year	(\$31.41) per Customer Charge
MGS Ratepayers	(\$0.0956) per MCF
Rate LGS – Commercial	
≥25,000<50,000 Mcf / year	(\$280.75)
≥50,000<100,000 Mcf / year	(\$345.40)
≥100,000<200,000 Mcf / year	(\$502.57)
≥200,000 Mcf / year	\$0.00
Commercial Ratepayers	(\$0.0794) per MCF
Rate LGS – Industrial	
≥25,000<50,000 Mcf / year	(\$280.75)
≥50,000<100,000 Mcf / year	(\$345.40)
≥100,000<200,000 Mcf / year	(\$725.01)
≥200,000 Mcf / year	\$0.00
Industrial Ratepayers	(\$0.0794) per MCF

Any over or under ratepayer credit amounts remaining at the end of Year Three shall be flowed through to ratepayers in Peoples' next quarterly 1307(f) gas cost filing. Within 60 days of termination of the distribution of the ratepayer credit, Peoples shall file with the Commission and provide a copy to all parties to the sale proceeding settlement a final reconciliation of all ratepayer credit amounts.

APPENDIX “B”

PROFORMA
GAS -- PA PUC No. S-2

PEOPLES NATURAL GAS COMPANY LLC

**RATES AND RULES
GOVERNING THE
FURNISHING OF
SERVICE TO
NATURAL GAS
SUPPLIERS**

ISSUED: February 28, 2012
By: Morgan K. O'Brien
President
375 North Shore Drive, Suite 600
Pittsburgh, PA 15212

EFFECTIVE:

NOTICE

LIST OF CHANGES

Page	Page Description	Revision Description
Cover	Tariff Cover Page	
2	List of Changes	List of Changes.
7	Rules & Regulations #2	Additional language added to describe gas quality requirements.
13	Standards of Conduct	Existing Standards of Conduct language updated to reflect Final Rulemaking Order at Docket Nos. L-00030162 and M-00991249 F0004.
14	Standards of Conduct	Existing Standards of Conduct language updated to reflect Final Rulemaking Order at Docket Nos. L-00030162 and M-00991249 F0004.
16	Standards of Conduct	Existing Standards of Conduct language updated to reflect Final Rulemaking Order at Docket Nos. L-00030162 and M-00991249 F0004.
26	Rate P-1	Language added to Nomination of Pool-to-Pool Volumes section.
29	Rate P-1	Added language to reflect ability of pools to utilize pool-to-pool transfers.
30	Rate P-1	Clarifying language added to pool-to-pool transfer fee section. Change in pooling fee.
35A	Rate NP-1	Change in pooling fee.
39	Rate SBS	Modification to POR adder and discount percentages.

RULES AND REGULATIONS**1. Sources of Supply**

The Company agrees to receive, for the NGS's account, upstream pipeline transportation volumes, local gas volumes, storage volumes, Pool-to-Pool Volumes and Imbalance Trading Volumes.

In determining the volumes available for delivery to customers in the applicable month, the Company may retain an appropriate percentage, as set forth in the Company's Retail Tariff, as gas used in Company operations and unaccounted for gas from upstream pipeline transportation volumes and local gas volumes as they are received by the Company. For purposes of determining storage inventory volumes, the retainage percentage shall be applied to volumes at the time the volumes are nominated for injection into storage. Pool-to-Pool Volumes and Imbalance Trading Volumes shall be added to the adjusted volumes.

Suppliers will pay for any investment costs and any other agreed-upon fees relating to the delivery of gas into the Company's system. The Company will own and maintain each natural gas connection's tapping tee or pipe and valve.

2. Measurement and Quality of Gas**(C)**

All gas delivered shall be measured by meter. The term "mcf" as used in the Company's schedule of rates, shall mean 1,000 cubic feet of gas at no more than 8 ounces above an assumed atmospheric pressure of 14.4 pounds at whatever temperature the gas may be during the period of measurement. If gas is supplied from a low-pressure distribution system in which the pressure of the gas is regulated not to exceed 8 ounces, the measurement will be at whatever pressure the gas may be during the period of measurement. If gas is delivered from a high-pressure system, measurement will be corrected to a pressure base of 14.73 psia. If measurement is corrected for temperature, measurement will be corrected to 60°F.

Gas delivered into the Company's system should be free from oil, water, salt, gum, dust, and other foreign substances that might interfere with the marketability of the gas. Unless otherwise agreed to by the Company, the gas delivered shall contain not less than 967 Btu per cubic foot and shall not exceed 1,100 Btu per cubic foot (as determined by calorimeter test @ 60 degrees Fahrenheit and saturated with water vapor). Gas accepted by the Company that contains less than 967 Btu per cubic foot will be enhanced to ensure that gas delivered by the Company to customers shall meet Commission heating value requirements, and the Company may charge for this.

RULES AND REGULATIONS**9. Dispute Resolution Process**

The Company and each NGS will designate specific personnel for responding to complaints and disputes under this process.

The Company and the NGS shall use good faith and commercially reasonable efforts to informally and timely resolve all disputes that may develop between them. Failing such informal resolution, either party may initiate this Dispute Resolution Process by presenting a written Notice of Dispute that includes the names of the Parties and ratepayer(s), if any, involved and a brief description of the matters in dispute.

Within five (5) days of the Company's and/or the NGS's receipt of a Notice of Dispute, a designated senior representative of each of the Parties shall attempt to resolve the dispute on an informal basis.

In the event the designated representatives are unable to resolve the dispute by mutual agreement within thirty (30) days of said referral, the dispute shall be referred for mediation through the Commission's Office of Administrative Law Judge. A party may request mediation prior to that time if it appears that informal resolution is not productive.

If mediation is not successful, then the matter shall be converted to a formal proceeding before a Commission Administrative Law Judge.

Any party may file a complaint concerning the dispute with the Commission under relevant provisions of the Public Utility Code.

10. Standards of Conduct**(C)**

- a. The Company shall apply its tariffs in a nondiscriminatory manner to its affiliated NGS and any nonaffiliated NGS.
- b. The Company shall not apply a tariff provision in any manner that would give its affiliated NGS an unreasonable preference over other NGSs with regard to matters such as scheduling, balancing, transportation, storage, curtailment, capacity release and assignment, or nondelivery, and all other services provided to its affiliated NGS.
- c. Mandatory tariff provisions shall not be waived by the Company for any NGS absent prior approval of the Commission.
- d. If a tariff provision is not mandatory or provides for waivers, the Company shall grant the waivers without preference to its affiliated NGS or non-affiliated NGS.
- e. The Company shall maintain a chronological log of tariff provisions for which it has granted waivers. Entries shall include the name of the party receiving the waiver, the date and time of the request, the specific tariff provision waived and the reason for the waiver. The chronological log shall be open for public inspection during normal business hours and the Company shall (C) post the log on its website for a period of at least three (3) months.
- f. The Company shall process requests for distribution services promptly and in a nondiscriminatory fashion with respect to other requests received in the same or a similar period. The Company shall maintain a chronological log showing the processing of requests for transportation services. The chronological log shall be open for public inspection during normal business hours.

RULES AND REGULATIONS**10. Standards of Conduct (continued)**

(C)

- g. If the Company provides a distribution service discount, fee waiver or rebate to its favored ratepayers, or to the favored ratepayers of its affiliated NGS, the Company shall offer the same distribution service discount, fee waiver or rebate to other similarly situated ratepayers. Offers shall not be tied to any unrelated service, or incentive or offer on behalf of either the natural gas distribution company or its affiliated NGS. A chronological log shall be maintained showing the date, party, time and rationale for the action. The chronological log shall be open for public inspection during normal business hours.
- h. Subject to ratepayer privacy or confidentiality constraints, the Company shall not disclose, directly or indirectly, any ratepayer proprietary information to its affiliated NGS unless authorized by the ratepayer. To the extent that the Company does disclose ratepayer information without ratepayer authorization, it shall first seek the permission of the ratepayer consistent with the (C) Company's tariff, any contractual obligations with the ratepayer and Section 62.78 of the Pennsylvania Code, and if the ratepayer grants permission, the Company shall contemporaneously provide this same information to other similarly situated NGSs in a similar fashion so as not to selectively disclose, delay disclosure, or give itself or its affiliated NGS any advantage related to the disclosure. A chronological log shall be maintained showing the date, time and rationale for the disclosure. The chronological log shall be open for public inspection during normal business hours. This provision does not apply to the disclosure of customer (C) information made under a customer assistance program mandated by state law or regulation.
- i. The Company shall justly and reasonably allocate to its affiliated NGS the costs or expenses for general administration or support services provided to its affiliated NGS.
- j. The Company shall not condition or tie the provision of any product, service or price agreement by the Company (including release of interstate pipeline capacity) to the provision of any product or service by its affiliated NGS.
- k. The Company shall not give its affiliated NGS preference over a nonaffiliated NGS in the provision of goods and services including processing requests for information, complaints and responses to service interruptions. The Company shall provide comparable treatment in its provision of such goods and services without regard to a customer's chosen NGS.
- l. The Company and its affiliated NGS shall maintain separate books and records. Further, transactions between the Company and its affiliated NGS shall not involve cross-subsidies. Any shared facilities shall be fully and transparently allocated between the Company function and the affiliated NGS function. The Company accounts and records shall be maintained such that the costs incurred on behalf of an affiliated NGS may be clearly identified.
- m. The Company employees who have responsibility for operating the distribution system, including natural gas delivery or billing and metering, as well as those responsible for (C) marking and customer service, shall not be shared with an affiliated NGS, and their offices shall be physically separated from the office(s) used by those working for the affiliated NGS. Such Company employees may transfer to an affiliated NGS provided such transfer is not used as a means to circumvent these interim standards of conduct.

RULES AND REGULATIONS**10. Standards of Conduct (continued)****(C)**

- i. In the event a NGS alleges a violation of any of these Standards of Conduct provisions, the NGS must provide the Company with a written Notice of Dispute that includes the names of the Parties and ratepayer(s), if any, involved and a brief description of the matters in dispute.
- ii. Within five (5) days of the Company's and/or the NGS's receipt of a Notice of Dispute, a designated senior representative of each of the Parties shall attempt to resolve the dispute on an informal basis.
- iii. In the event the designated representatives are unable to resolve the dispute by mutual agreement within thirty (30) days of said referral, the dispute shall be referred for mediation through the Commission's Office of Administrative Law Judge. A party may request mediation prior to that time if it appears that informal resolution is not productive.
- iv. Any party may file a complaint concerning the dispute with the Commission under relevant provisions of the Public Utility Code.
- v. A complainant bears the burden of proof consistent with 66 Pa. C.S. Section 332 (relating to Public Utility Code) in regard to the allegations and the Commission may impose penalties for such violations pursuant to 66 Pa. C.S. Section 3301.
- s. The Company shall keep a chronological log of any complaints, excepting paragraph (i.), regarding discriminatory treatment of NGS. This chronological log shall include the date and nature of the complaint and the resolution of the complaint. The chronological log shall be open for inspection during normal business hours.

11. Confirmation of Ratepayer Enrollment

When the Company receives notice that a ratepayer has elected to switch NGSs or return to the Company's Supplier of Last Resort service, the Company shall initiate the confirmation procedure described herein. Such changes shall coincide with the start of customer's next billing cycle.

- a. The NGS must maintain either a mainframe computer or a personal computer that meets the processing capabilities required by the Company.
- b. The NGS shall notify the Company of new or deleted ratepayers via e-mail file in approved spreadsheet format. The NGS should notify the Company only of additions or deletions to its ratepayer list; existing ratepayers shall not be included.

RATE P-1
PRIORITY ONE POOLING SERVICE**2. Nomination Procedures (continued)**

The NGS shall not have a storage inventory level exceeding 15% of the NGS's on-system storage capacity at April 15. Any volumes remaining in on-system storage in excess of 15% as of that date will be purchased by the Company using the *Gas Daily* midpoint index price for gas delivered to Dominion Transmission, Inc.'s Appalachian South Point plus the firm transportation charges to transport and deliver the gas to the Company's system, adjusted for shrinkage, and the result total multiplied by 0.5.

Buyback Provisions:

In the event: 1) the NGS's Priority-One Pooling Agreement is terminated or canceled or 2) the NGS is no longer serving customers on whose behalf the storage capacity has been assigned and to the extent the Company in its sole judgment determines it operationally requires such storage capacity to serve the returning customers, the Company shall have the right, but not the obligation to purchase up to the remaining storage gas in both on-system storage and upstream pipeline storage inventories or up to the volumes in storage attributable to the NGS's load loss, respectively. The buyback rate shall be the lower of: 1) Storage Gas Transfer Price or 2) the midpoint index price for gas delivered to Dominion Transmission, Inc.'s ("DTI") Appalachian South Point as published on the effective date of the buyback plus firm transportation charges to bring the gas to the Company's system, including applicable fuel retainage.

To the extent this provision is invoked and the NGS's storage gas in inventory is below the minimum inventory levels required by these procedures and the Company is required to purchase additional gas supplies on the open market, the NGS agrees to pay the Company an amount equal to the deficiency in volumes from the required inventory levels multiplied by the difference between the price the Company paid and the buyback rate.

Nomination of Pool-to-Pool Volumes

All Pool-to-Pool Volumes received for the NGS's account shall be nominated to the Company in advance according to the procedures outlined in this Section.

A Priority-One Pool may transfer volumes to another Priority-One Pool or Non Priority-One Pool that balances on the same basis. Such transfers shall be used to resolve current daily imbalances (C) created by the NGS's inability to match Daily Available volumes with the Aggregate Daily Consumption Volume and shall not be used to resolve daily imbalances occurring for any prior day or days.

A Priority-One pool may also transfer storage inventory volumes to any Non-Priority One pool after the end of the calendar month during the four-day imbalance trading period.

Nominations are to be transmitted to the Company by the Company's Electronic Nominations System and are to be received by the Company by the dates and times specified in the Company's Calendar of Nominations, as amended from time to time, which is available on the Company's Electronic Nominations System.

Nominations must conform, in content and format, with the Company's specifications for Pool-to-Pool Volume nominations, which shall include, at a minimum: the NGS's name; the NGS's company contract number; requested daily Pool-to-Pool Volume; name and the Company contract number of the NGS from whom the NGS plans to receive supply, the name and telephone number of the NGS's nominations contact, and confirmation from the other NGS.

Subject to the limits of the Company's operating conditions and facilities, and the reasonableness of the NGS's nomination as determined solely by the Company, the Company will either confirm, in total or in part, or reject the NGS's Pool-to-Pool Volume nomination. Confirmed Pool-to-Pool Volumes will be posted on the Company's Electronic Nominations System. Nomination procedures provided for in this section shall be superseded by natural gas industry standards promulgated by FERC (i.e., GISB standards).

ISSUED: February 28, 2012**EFFECTIVE:**

RATE P-1
PRIORITY ONE POOLING SERVICE**5. Daily Gas Deliveries and Balancing**

The Pool Operator must acquire an adequate supply of natural gas (including any assigned volumes) of a quality acceptable to the Company, including allowances for any retention required by upstream pipelines and the Company, and arrange for the delivery of such gas supply to delivery points specified by the Company.

Any differences between the Aggregate Daily Consumption Volume and the Daily Available Volumes during periods in which no OFOs have been issued shall be subject to the following balancing charges:

Negative Daily Imbalance - A negative imbalance fee will be assessed on the shortfall of the Daily Available Volumes relative to the Aggregate Daily Consumption Volume. The negative imbalance will be sold by the Company at a price equal to the highest cost of gas for the day using the Gas Daily index price (converted to Mcf) for gas delivered to Dominion Transmission, Inc.'s Appalachian South Point 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.

Positive Daily Imbalance - A positive imbalance fee will be assessed on the Daily Available Volumes in excess of the Aggregate Daily Consumption Volume. The positive imbalance will be purchased by the Company at a price equal to the lowest cost of gas for the day using the Gas Daily index price (converted to Mcf) for gas delivered to Dominion Transmission, Inc.'s Appalachian South Point plus the firm transportation charges to bring the gas to the Company's system, adjusted for shrinkage on Dominion Transmission, Inc. and multiplied by the applicable Price Multiplier set forth below.

<u>Daily Imbalance Percentage</u>	<u>Negative Imbalance Price Multiplier</u>	<u>Positive Imbalance Price Multiplier</u>
0% up to and including 4%	1.0	1.0
Over 4% up to and including 10%	1.1	0.9
Over 10%	1.2	0.8

In the event Pool Operator fails to provide cumulative Daily Available Volumes plus pool-to-pool (C) transferred volumes equal to at least 75% of cumulative daily pool requirements over two or more consecutive months, the Company may, at its sole discretion in accordance with reasonable and standard industry practice, recall or otherwise withdraw any capacity rights assigned to the Pool Operator upon five (5) days written notice to the Pool Operator and terminate the Agreement upon ten (10) days written notice to Pool Operator.

In the event the Pool Operator fails to provide Daily Available Volumes plus pool-to-pool (C) transferred volumes equal to at least 50% of daily pool requirements for five or more days in each of two consecutive month the Company may, at its sole discretion in accordance with reasonable and standard industry practice, recall or otherwise withdraw any capacity rights assigned to the Pool Operator upon five (5) days written notice to the Pool Operator and terminate the Agreement upon ten (10) days written notice to Pool Operator.

ISSUED: February 28, 2012

EFFECTIVE:

RATE P-1
PRIORITY ONE POOLING SERVICE**6. Reconciliation of Monthly Volumes**

The difference between Calendar Month Pool Supply and Calendar Month Pool Sendout, as adjusted for any prior month billing corrections, shall be reconciled monthly. The difference shall be reconciled in the next calendar month following its determination (the "Adjustment Month") by adjusting the NGS's Daily Available Volume on each day in the Adjustment Month by an amount equal to the difference divided by the number of days in the Adjustment Month or by other methods as made available by the Company.

7. Reconciliation of Local Gas Volumes

No later than five days prior to the end of each month, the Pool Operator will provide the Company with its nomination of independently purchased local gas for the following month. The Company shall determine the reasonableness of the Pool Operator's nomination of independent purchases of local gas and will either confirm, in total or in part, or reject the Pool Operator's nomination within two business days after receipt of the nomination. For both local gas assigned to the Pool Operator by the Company and for Pool Operator's independent purchases of local production, confirmed local gas volume nominations will be credited to Pool Operator's account on the date specified in the Pool Operator's nomination. Once the Pool Operator and the Company agree on the local gas production nomination, the agreed upon volumes will be the confirmed volumes used for reconciling local gas nominations and actual production. When actual local gas volumes are known, any discrepancies between actual and confirmed local gas volumes will be reconciled in the first full calendar month following the determination of actual local gas volumes (the "Adjustment Month").

For both local gas assigned to the Pool Operator by the Company and for Pool Operator's independent purchases of local production, the volumetric discrepancy between the actual local gas volumes and the confirmed local gas volume nominations will be reconciled in the Adjustment Month by adjusting the Pool Operator's Daily Available Volume on each Day in the Adjustment Month by an amount equal to the volumetric discrepancy divided by the number of days in the Adjustment Month.

Local gas volumes supplied from a Local Gas Aggregation Pool are not subject to this reconciliation.

RATE TABLE

(C)

Pooling Fee:	\$0.0436 pooling charge per 1,000 cubic feet (mcf) for each mcf delivered (C) into a pool each month, subject to a minimum charge of \$400.00 per month, except that the pooling charge shall only be assessed to the pool which receives gas via a pool-to-pool transfer and shall not be assessed to the pool which supplies gas in a pool-to-pool transfer.
Pool-to-Pool Transfer Fee:	\$0.04 per 1,000 cubic feet (mcf) up to a maximum amount of \$100 per (C) transaction charged to the pool which supplies volumes of gas to another pool that balances on a daily basis. These fees shall also apply to the pool that transfers storage inventory volumes to a Non-Priority One pool after the end of the calendar month. Pool-to-Pool transfers may be nominated at any time during the calendar month.

RATE NON-PRIORITY ONE
NON-PRIORITY ONE POOLING SERVICE**5. Reconciliation of Local Gas Volumes**

No later than five days prior to the end of each month, the Pool Operator will provide the Company with its local gas nomination for the following month. The Company shall determine the reasonableness of the Pool Operator's local gas nomination and will either confirm, in total or in part, or reject the Pool Operator's local gas nomination within two business days after receipt of the nomination. Once the Pool Operator and the Company agree on the local gas production nomination, the agreed upon volumes will be the confirmed volumes used for reconciling local gas nominations and actual production. Confirmed local gas volume nominations will be credited to Pool Operator's account on the date specified in the Pool Operator's nomination. When actual local gas volumes are known, any discrepancies between actual and confirmed local gas volumes will be reconciled in the first full calendar month following the determination of actual local gas volumes (the "Adjustment Month").

The volumetric discrepancy between the actual produced local gas volumes and the nominated local gas volumes will be reconciled in the Adjustment Month by adjusting the Pool Operator's Monthly Available Volume in the Adjustment Month by an amount equal to the volumetric discrepancy.

Local gas volumes supplied from a Local Gas Aggregation Pool are not subject to this reconciliation.

RATE TABLE

Pooling Fee	\$0.0436 pooling charge per 1,000 cubic feet (mcf) for each mcf delivered into a (C) pool each month subject to a minimum charge of \$800.00 per month. Pool Operators that operate more than one Non-Priority One Pool will only be subject to a single minimum charge of \$800 per month, except that the pooling charge shall only be assessed to the pool which receives gas via a pool-to-pool transfer and shall not be assessed to the pool which supplies gas in a pool-to-pool transfer and/or an imbalance trade.
Pool-to-Pool Transfer Fee:	\$0.04 per 1,000 cubic feet (mcf) up to a maximum amount of \$100 per transaction assessed to the pool which supplies volumes of gas to another pool balancing on the same basis, either daily or monthly. Pool-to-Pool Transfers occurring during a calendar month may be nominated at any time during the calendar month but no later than by 5:00 p.m. on the second business day of the following calendar month.
Imbalance Trading Fee:	\$0.04 per 1,000 cubic feet (mcf) up to a maximum of \$100 per transaction charged to the pool which supplies volumes of gas to another Non-Priority One pool or Priority-One pool that balances on the same basis. These fees shall also apply to the pool that transfers storage inventory volumes to a Priority-One pool after the end of the calendar month. Imbalance trades must be nominated by 5:00 p.m. on the fourth full business day after the Company provides actual consumption volumes to the Pool Operator.

RATE SBS
SUPPLIER BILLING SERVICE**4. Purchase of Receivables**

NGSs that receive service under this rate schedule may elect to have the Company purchase its accounts receivables. The NGS's option to participate or not participate in the Purchase of Receivables (POR) program is limited to once per year. If an existing NGS elects to participate in the POR program, the Company will not purchase accounts receivable balances that existed prior to the NGS's election to participate in the POR program.

Purchase of Receivables Option**(C)**

The following operating rules will apply to any NGS electing to participate in the POR program:

1. The POR program is only available to NGSs that operate a P-1 or NP-1 pool. The Company shall purchase receivables for all customers in a participating pool. All customers served from a P-1 pool are eligible to have their receivables purchased by the Company. If a NP-1 pool opts to participate in the POR program, the Company shall purchase receivables for only residential and small business customers (as defined in § 62.72 of the Commission's Regulations). NGSs serving NP-1 customers and participating in the POR program must operate a separate NP-1 pool for residential and small business customers (POR pool) and a separate NP-1 pool for all other customers;
2. The NGS must include all of its accounts receivable related to commodity sales in its P-1 pool or its NP-1 POR pool.
3. Only receivables associated with basic gas supply will be eligible for purchase by the Company. Basic gas supply does not include a non-gas supply product, carbon-neutral products not tied to the actual provision of natural gas to customers or security deposits assessed by a natural gas supplier. For residential accounts, basic gas supply shall also not include early contract cancellation fees or late fees;
4. In order to participate in the POR program, the NGS must use consolidated billing services under this rate schedule. Should the NGSs participating in the POR program, wish to offer products that are bundled with non-basic services, or where the Company's billing service cannot accommodate the NGS's charge for basic supply, the NGS may issue a separate bill for such service or product for that customer. NGS separately billed items will not be included in the POR program;
5. The Company will purchase NGS receivables at a discount rate equal to the write-off factor (C) used to derive the Merchant Function Charge. The discount rate for residential customer receivables is 3.55%. The discount rate for commercial and industrial customer receivables is 0.77%. The discount rate applicable to each POR pool (Pool Discount Rate) shall be established by the Company and shall be based on the weighted average of the class specific accounts receivables and the class specific discount rates stated above. The Company shall have the right to review and adjust the Pool Discount Rate on a monthly basis to reflect the actual mix of customers served by the pool;
6. An administrative adder of 0.0417% will also be applicable to purchased receivables. (C) The administrative adder will be eliminated once actual costs of establishing the POR program are recovered;
7. The Company shall terminate for the full amount of purchased receivables and require full payment for reconnection in accordance with the service termination provisions of Chapter 14 of the PA Public Utility Code and Chapter 56 of the Commission's regulations;
8. The Company shall inform all eligible customers by separate bill insert of the policy for termination of service and that service may be terminated for failure to pay NGS supply charges. Further, the enrollment letter sent to customers selecting a NGS shall state that service may be terminated for failure to pay NGS supply charges;
9. The NGS must confirm to the Company that their customer terms and conditions are appropriately revised to reflect their collection rights;

APPENDIX “C”

Summary

<u>All Schedules</u>	<u>Revenue Present Rates</u> (1)	<u>Increase</u> (2)	<u>Revenue Settlement Rates</u> (3=1+2)	<u>Gas Cost</u>	<u>Margin</u>
Gas Sales Revenue					
1 Residential	\$ 217,168,443	\$ 10,315,358	\$ 227,483,801	\$ 98,168,190	\$ 129,315,611
2 Small General Service	\$ 29,088,367	\$ 1,695,286	\$ 30,783,653	\$ 16,276,894	\$ 14,506,759
3 Medium General Service	\$ 15,548,407	\$ 246,383	\$ 15,794,790	\$ 9,373,404	\$ 6,421,386
4 Large General Service	\$ -	\$ -	\$ -		\$ -
5 Total Gas Sales Revenues	\$ 261,805,217	\$ 12,257,027	\$ 274,062,244	\$ 123,818,488	\$ 150,243,756
Other Operating Revenues					
6 Forfeited Discounts	\$ 2,179,390	\$ -	\$ 2,179,390	\$ -	\$ 2,179,390
7 Miscellaneous Service Revenues	\$ 1,491,190		\$ 1,491,190		\$ 1,491,190
Transportation:					
8 Residential	\$ 43,356,161	\$ 3,327,608	\$ 46,683,769		\$ 46,683,769
9 Small General Service	\$ 4,985,224	\$ 437,976	\$ 5,423,200		\$ 5,423,200
10 Medium General Service	\$ 16,656,244	\$ 89,742	\$ 16,745,987		\$ 16,745,987
11 Large General Service I	\$ 10,867,653	\$ (9,314)	\$ 10,858,339		\$ 10,858,339
12 Large General Service II	\$ 5,848,796	\$ 9,264	\$ 5,858,060		\$ 5,858,060
13 Storage Revenues	\$ 907,440		\$ 907,440		\$ 907,440
14 Other Gas Revenues	\$ 11,008,669	\$ (712,320)	\$ 10,296,349		\$ 10,296,349
15 Total Other Operating Revenues	\$ 97,300,767	\$ 3,142,956	\$ 100,443,723	\$ -	\$ 100,443,723
16 Rate Design Variance		\$ 17	\$ 17		
17 TOTAL	\$ 359,105,984	\$ 15,400,000	\$ 374,505,984	\$ 123,818,488	\$ 250,687,496

Summary By Class

18 Residential	\$ 260,524,604	\$ 13,642,966	\$ 274,167,570	\$ 98,168,190	\$ 129,315,611
19 Small General Service	\$ 34,073,590	\$ 2,133,262	\$ 36,206,852	\$ 16,276,894	\$ 14,506,759
20 Medium General Service	\$ 32,204,652	\$ 336,125	\$ 32,540,777	\$ 9,373,404	\$ 6,421,386
21 Large General Service	\$ 16,716,449	\$ (50)	\$ 16,716,399	\$ -	\$ 16,716,399

Peoples Natural Gas Company, LLC
Settlement Proof of Revenues

	Settlement Billing Units (1)	Present Base Rates (2)	STAS (3)	Merchant Function Charge (4)	Universal Service Charge (5)	Gas Costs (6)	Total Present Base (7=2+3+4+5+6)	Total Present Revenue (8=7*1)	Base Rate Increase (9)	Universal Service Increase (10)	Merchant Function Charge (11)	Gas Procurement Charge (12)	Total Unit Rate Increase (13=9+10+11+12)	Total Non Gas Increase (14=13*1)	Total Revenue (15=13+14)	
Residential services																
Rate Schedules RS, CAP & GS-I																
Retail																
1 Number of Service Charges	2,709,731	\$ 13.75					\$ 37,258,801	\$ 0.20	\$ 0.20	\$	\$	\$	\$ 0.20	\$	\$ 37,800,747	
4 Usage	20,732,736	\$ 3.2837	\$ (0.0079)	\$ 0.1325	\$ 0.2841	\$ 4,2576	\$ 165,239,906	\$ 0.3723	\$ 0.0104	\$ (0.0013)	\$ 0.0900	\$	\$ 0.4714	\$ 9,773,412	\$ 175,013,318	
5 CAP Customers Revenue Contribution	<u>2,324,430</u>						<u>14,669,736</u>								<u>\$ 14,669,736</u>	
6 Total Retail	23,057,166						\$ 217,168,443							\$	\$ 10,315,358	\$ 227,483,801
Transportation																
7 Number of Customers	1,030,128						\$ 14,164,260	\$ 0.20	\$	\$	\$	\$	\$ 0.20	\$	\$ 206,026	\$ 14,370,286
8 Usage in MCF	8,161,001	\$ 3.2837	\$ (0.0079)	\$ 0.0171	\$ 0.2841		\$ 29,191,901	\$ 0.3723	\$ 0.0104	\$ (0.0002)	\$	\$	\$ 0.3825	\$ 3,121,583	\$ 32,313,483	
9 Total Transportation	<u>8,161,001</u>						<u>43,356,161</u>							\$	\$ 3,327,608	\$ 46,683,769
10 TOTAL RESIDENTIAL	31,218,167						<u>\$ 260,524,604</u>							\$	\$ 13,642,966	\$ 274,167,570

NOTES

- 1 STAS will be rolled into proposed base rates and reset to zero.
- 2 Present rates include gas procurement costs. Proposed delivery rates have gas procurement costs unbundled and shown as a separate rider for retail customers only. Therefore, there are no gas procurement costs in proposed delivery rates.
- 3 Gas costs and associated merchant function charges relate to Peoples' proposed October 1, 2012 annual gas costs.

Small General Service – Retail Sales

	Settlement Billing Units (1)	Present Rates (2)	STAS (3)	Merchant Function Charge (4)	Gas Costs (5)	Total Present Rate (6=2+3+4+5)	Total Present Revenue (7=6*1)	Base Rate Increase (8)	Merchant Function Charge (9)	Gas Procurement Charge (10)	Total Unit Rate Increase (11=8+9+10)	Total Non Gas Increase (12=11*1)	Total Revenue (13=11+12)
<u>Rate Schedule SGS- Commercial</u>													
Number of Service Charges													
1	0-499 Mcf/Year	211,765 \$	13.75				\$ 2,911,765	\$ 1.13	\$	\$	\$ 1.13	\$ 239,294	\$ 3,151,060
2	500-999.9 Mcf/Year	19,497 \$	24.00				\$ 467,938	\$ 3.00	\$	\$	\$ 3.00	\$ 58,492	\$ 526,430
3	Number of Standby Service Charges	24 \$	41.00				\$ 984	\$	\$	\$	\$	\$	\$ 984
							\$ 3,380,688					\$ 297,786	\$ 3,678,474
4	Usage	3,844,201 \$	2.4242 \$	(0.0058) \$	4.2300 \$	6.6797 \$	25,678,109	\$ 0.2729	\$ 0.0013	\$ 0.0900	\$ 0.3642	\$ 1,400,058	\$ 27,078,167
5	Total SGS Commercial Retail	3,844,201					\$ 29,058,797					\$ 1,697,844	\$ 30,756,641
<u>Rate Schedule SGS- Industrial</u>													
Number of Service Charges													
6	0-499 Mcf/Year	60 \$	69.00				\$ 4,140	\$ (49.00)	\$	\$	\$ (49.00)	\$ (2,940)	\$ 1,200
7	500-999.9 Mcf/Year	36 \$	69.00				\$ 2,484	\$ (42.00)	\$	\$	\$ (42.00)	\$ (1,512)	\$ 972
							\$ 6,624					\$ (4,452)	\$ 2,172
8	Usage	3,740 \$	1.8505 \$	(0.0044) \$	4.2576 \$	6.1352 \$	22,946	\$ 0.4150	\$ 0.0013	\$ 0.09	\$ 0.5063	\$ 1,894	\$ 24,839
9	Total SGS Industrial Retail	3,740					\$ 29,570					\$ (2,558)	\$ 27,011
10	Total SGS Retail	3,847,941					\$ 29,088,367					\$ 1,695,286	\$ 30,783,653

Notes

- 1 STAS will be rolled into proposed base rates and reset to zero.
- 2 Present rates include gas procurement costs. Proposed delivery rates have gas procurement costs unbundled and shown as a separate rider for retail customers only. Therefore, there are no gas procurement costs in proposed delivery rates.
- 3 Gas costs and associated merchant function charges relate to Peoples' proposed October 1, 2012 annual gas costs

Small General Service -- Transportation Service

	Settlement Billing Units (1)	Present Rates (2)	STAS (3)	Merchant Function Charge (4)	Total Present Rate (5=2+3+4)	Total Present Revenue (6=5*1)	Base Rate Increase (7)	Merchant Function Charge (8)	Total Unit Rate Increase (9=7+8)	Total Non Gas Increase (10=9*1)	Total Revenue (11=9+10)
Rate Schedule GS-T -- Commercial											
Number of Service Charges											
1	0-499 Mcf/Year	55,898 \$	13.75			\$ 768,600	\$ 1.13			\$ 63,165 \$	831,765
2	500-999.9 Mcf/Year	13,966 \$	24.00			\$ 335,180	\$ 3.00			\$ 41,897 \$	377,077
						\$ 1,103,780				\$ 105,062 \$	1,208,842
3	Transport at Maximum Rates (P1)	207,150 \$	2.4242 \$	(0.0058) \$	0.0033 \$	501,655 \$	0.2729 \$	0.0002 \$	0.2731 \$	56,573 \$	558,228
4	Transport at Maximum Rates (NP1)	1,029,857 \$	2.4242 \$	(0.0058)	\$ 2,4184 \$	2,490,606 \$	0.2729 \$	\$ -	0.2729 \$	281,048 \$	2,771,654
5	Transport at Negotiated Rates	572,951 \$	1.5233		\$ 1,5233 \$	872,776 \$	\$ -	\$ -	\$ -	\$ -	872,776
						\$ 3,865,038				\$ 337,621 \$	4,202,658
6	Total SGS- Commercial Transport	1,809,958				\$ 4,968,817				\$ 442,683 \$	5,411,500
Rate Schedule GS-T -- Industrial											
Number of Service Charges											
7	0-499 Mcf/Year	84 \$	69.00			\$ 5,796	\$ (49.00)			\$ (4,116) \$	1,680
8	500-999.9 Mcf/Year	48 \$	69.00			\$ 3,312	\$ (42.00)			\$ (2,016) \$	1,296
						\$ 9,108				\$ (6,132) \$	2,976
9	Transport at Maximum Rates	3,433 \$	1.8505 \$	(0.0044)	\$ 1,8461 \$	6,338 \$	0.4150 \$		0.4150 \$	1,425 \$	7,762
10	Transport at Negotiated Rates	749 \$	1.2830		\$ 1,2830 \$	961 \$	\$ -		\$ -	\$ -	961
						\$ 7,299				\$ 1,425 \$	8,723
11	Total SGS Industrial Transport	4,182				\$ 16,407				\$ (4,707) \$	11,699
12	Total SGS Transport	1,814,140				\$ 4,985,224				\$ 437,976 \$	5,423,200

Notes

- 1 STAS will be rolled into proposed base rates and reset to zero.
- 2 Present rates include gas procurement costs. Proposed delivery rates have gas procurement costs unbundled and shown as a separate rider for retail customers only. Therefore, there are no gas procurement costs in proposed delivery rates.
- 3 Gas costs and associated merchant function charges relate to Peoples' proposed October 1, 2012 annual gas costs.

Medium General Service – Retail Sales

	Settlement Billing Units (1)	Present Rates (2)	STAS (3)	Merchant Function Charge (4)	Gas Costs (5)	Total Present Rate (6=2+3+4+5)	Total Present Revenue (7=6*1)	Base Rate Increase (8)	Merchant Function Charge (9)	Gas Procurement Charge (10)	Total Unit Rate Increase (11=8+9+10)	Total Non Gas Increase (12=-11*1)	Total Revenue (13=11+12)
Rate Schedule MGS- Commercial													
Number of Service Charges													
1	9,818	\$ 45.00				\$ 441,832	\$ 441,832	\$ 5.00		\$ 5.00	\$ 5.00	\$ 49,092	\$ 490,924
2	2,413	\$ 69.00				166,520	166,520	8.00		8.00	8.00	19,807	185,827
						608,352	608,352					68,999	676,751
3	2,078,104	\$ 2.5322	(0.0061)	0.0315	4.2576	6.8152	14,162,694	(0.0112)	0.0013	0.0900	0.0801	166,456	14,329,151
4	2,078,104						14,771,047					234,855	15,005,902
Rate Schedule MGS- Industrial													
Number of Service Charges													
5	96	\$ 69.00				6,624	6,624	(19.00)			(19.00)	(1,824)	4,800
6	192	\$ 69.00				13,248	13,248	8.00			8.00	1,536	14,784
						19,872	19,872					(288)	19,584
7	123,466	\$ 1.8505	(0.0044)	0.0315	4.2576	6.1352	757,489	0.0044	0.0013	0.09	0.0957	11,816	769,304
8	123,466						777,361					11,528	788,888
9	2,201,570						15,548,407					246,383	15,794,790

Notes

- 1 STAS will be rolled into proposed base rates and reset to zero.
- 2 Present rates include gas procurement costs. Proposed delivery rates have gas procurement costs unbundled and shown as a separate rider for retail customers only. Therefore, there are no gas procurement costs in proposed delivery rates.
- 3 Gas costs and associated merchant function charges relate to Peoples' proposed October 1, 2012 annual gas costs.

Medium General Service – Transportation Service

	Settlement Billing Units (1)	Present Rates (2)	STAS (3)	Merchant Function Charge (4)	Total Present Rate (5=2+3+4)	Total Present Revenue (6=5*1)	Base Rate Increase (7)	Merchant Function Charge (8)	Total Unit Rate Increase (9=7+8)	Total Non Gas Increase (10=9*1)	Total Revenue (11=9+10)
Rate Schedule GS-T – Commercial											
Number of Service Charges											
1	1,000-2,499 Mcf/Year	45.00			2,5296	\$ 559,427	\$ 5.00		\$ 5.00	\$ 62,159	\$ 621,585
2	2,500-24,999.9 Mcf/Year	69.00			2,5261	\$ 636,615	\$ 8.00		\$ 8.00	\$ 73,810	\$ 710,425
						\$ 1,196,042				\$ 135,969	\$ 1,332,011
3 Transport at Maximum Rates (P1)											
	173,178	2.5322	(0.0061)	0.0035	2.5296	\$ 438,071	(0.0112)	0.0002	(0.0110)	(1,905)	\$ 436,166
4 Transport at Maximum Rates (NP1)											
	4,672,794	2.5322	(0.0061)		2,5261	\$ 11,803,945	(0.0112)		(0.0112)	(52,335)	\$ 11,751,610
5 Transport at Negotiated Rates											
	1,555,354	1.2180			1.2180	\$ 1,894,381	-		-	-	\$ 1,894,381
						\$ 14,136,397				(54,240)	\$ 14,082,156
6	Total MGS - Commercial Transport					\$ 15,332,439				\$ 81,729	\$ 15,414,167
Rate Schedule GS-T – Industrial											
Number of Service Charges											
7	1,000-2,499 Mcf/Year	69.00			1.8461	\$ 4,140	(19.00)		(19.00)	(1,140)	\$ 3,000
8	2,500-24,999.9 Mcf/Year	69.00			0.8098	\$ 55,476	8.00		8.00	6,432	\$ 61,908
						\$ 59,616				\$ 5,292	\$ 64,908
9 Transport at Maximum Rates											
	618,572	1.8505	(0.0044)		1.8461	\$ 1,141,946	0.0044		0.0044	2,722	\$ 1,144,667
10 Transport at Negotiated Rates											
	150,956	0.8098			0.8098	\$ 122,244	-		-	-	\$ 122,244
						\$ 1,264,190				\$ 2,722	\$ 1,266,912
11	Total MGS - Industrial Transport					\$ 1,323,806				\$ 8,014	\$ 1,331,820
12	Total MGS Transport					\$ 16,656,244				\$ 89,742	\$ 16,745,987

Notes

- 1 STAS will be rolled into proposed base rates and reset to zero.
- 2 Present rates include gas procurement costs. Proposed delivery rates have gas procurement costs unbundled and shown as a separate rider for retail customers only. Therefore, there are no gas procurement costs in proposed delivery rates.
- 3 Gas costs and associated merchant function charges relate to Peoples' proposed October 1, 2012 annual gas costs.

Large General Service I – Transportation Service

	Settlement Billing Units (1)	Present Rates (2)	STAS (3)	Merchant Function Charge (4)	Total Present Rate (5=2+3+4)	Total Present Revenue (6=5*1)	Base Rate Increase (7)	Merchant Function Charge (8)	Total Unit Rate Increase (9=7+8)	Total Non Gas Increase (10=9*1)	Total Revenue (11=9+10)
Rate Schedule GS-I – Commercial											
Number of Service Charges											
1	25,000 - 49,999 Mcf/Year	268 \$	443.00			\$ 118,815	\$ -			\$ -	\$ 118,815
2	50,000-99,999.9 Mcf/Year	144 \$	443.00			\$ 63,792	\$ 102.00			\$ 14,688	\$ 78,480
3	100,000 -200,000 Mcf/Year	72 \$	443.00			\$ 31,896	\$ 350.00			\$ 25,200	\$ 57,096
						\$ 214,503				\$ 39,888	\$ 254,391
4	Transport at Maximum Rates (P1)	71,923 \$	2.5322 \$	0.0035 \$	2.5296 \$	\$ 181,936	\$ (0.0413) \$	0.0002 \$	(0.0411) \$	(2,956) \$	\$ 178,980
5	Transport at Maximum Rates (NP1)	1,289,052 \$	2.5322 \$	(0.0061)	2.5261 \$	\$ 3,256,274	\$ (0.0413)		(0.0413) \$	(53,238) \$	\$ 3,203,036
6	Transport at Negotiated Rates	1,089,437 \$	1.1479 \$		1.1479 \$	\$ 1,250,565	\$ -			\$ -	\$ 1,250,565
7	Total LGS I- Commercial Transport	2,450,412				\$ 4,688,775				\$ (56,194) \$	\$ 4,632,582
Rate Schedule GS-I – Industrial											
Number of Service Charges											
8	25,000 - 49,999 Mcf/Year	336 \$	443.00			\$ 148,848	\$ -			\$ -	\$ 148,848
9	50,000-99,999.9 Mcf/Year	240 \$	545.00			\$ 130,800	\$ -			\$ -	\$ 130,800
10	100,000 -200,000 Mcf/Year	216 \$	1,144.00			\$ 247,104	\$ -			\$ -	\$ 247,104
						\$ 526,752				\$ -	\$ 526,752
11	Transport at Maximum Rates	1,589,026 \$	1.8505 \$	(0.0044)	1.8461 \$	\$ 2,939,501	\$ 0.0044		0.0044 \$	6,992 \$	\$ 2,946,493
12	Transport at Negotiated Rates	3,250,983 \$	0.7703 \$		0.7703 \$	\$ 2,504,122	\$ -			\$ -	\$ 2,504,122
						\$ 5,437,623				\$ 6,992 \$	\$ 5,444,615
13	Total LGS I - Industrial Transport	4,840,009				\$ 5,964,375				\$ 6,992 \$	\$ 5,971,367
14	Total Large General Service Transport	7,290,421				\$ 10,867,653				\$ (9,314) \$	\$ 10,858,339

Notes

- 1 STAS will be rolled into proposed base rates and reset to zero.
- 2 Present rates include gas procurement costs. Proposed delivery rates have gas procurement costs unbundled and shown as a separate rider for retail customers only. Therefore, there are no gas procurement costs in proposed delivery rates.
- 3 Gas costs and associated merchant function charges relate to Peoples' proposed October 1, 2012 annual gas costs.

Peoples Natural Gas Company, LLC
Settlement Proof of Revenues

Large General Service II -- Transportation Service

	Settlement Billing Units (1)	Present Rates (2)	Total Present Revenue (3=1*2)	Base Rate Increase (4)	Total		
					Non Gas Increase (5=4*1)	Revenue (6=3+5)	
<u>Rate Schedule GS-T -- Commercial</u>							
Number of Service Charges							
1	>200,000 Mcf/Year	12 \$	443.00 \$	5,316 \$	772.00 \$	9,264 \$	14,580
2	Transport at Negotiated Rates	266,000 \$	0.7400 \$	196,840 \$	- \$	- \$	196,840
3	Total LGS II- Commercial Transport	266,000	\$	202,156	\$	9,264 \$	211,420
<u>Rate Schedule GS-T -- Industrial</u>							
Number of Service Charges							
4	>200,000 Mcf/Year	228 \$	2,009.00 \$	458,052 \$	- \$	- \$	458,052
5	Transport at Negotiated Rates	13,595,479 \$	0.3816 \$	5,188,588 \$	- \$	- \$	5,188,588
6	Total LGS II - Industrial Transport	13,595,479	\$	5,646,640	\$	- \$	5,646,640
7	Total LGS II Transport	13,861,479	\$	<u>5,848,796</u>	\$	<u>9,264 \$</u>	<u>5,858,060</u>

Notes

Present rates include gas procurement costs. Proposed delivery rates have gas procurement costs unbundled and shown as a separate rider for retail customers only. Therefore, there are no gas procurement costs in proposed delivery rates.

APPENDIX “D”

Settlement Rates	Present	Settlement	Settlement	MFC	Change to	Total	Universal Service	Change to	Total	Gas
	Base Rate (1)	Increase Base Rate (2)	Base Rate (3=1+2)	Rider E (4)	MFC Rider E (5)	MFC Rider E (6=4+5)	Rider F (7)	Univ. Service Rider F (8)	Univ. Service Rider F (9=7+8)	Procurement Rider G (10)
Residential Retail Service										
Customer Charge	\$13.75	\$0.20	\$13.95							
Usage charge	\$ 3.2837	\$ 0.3723	\$ 3.6560	\$ 0.1525	\$ (0.0013)	\$ 0.1512	\$ 0.2841	\$ 0.0104	\$ 0.2945	\$ 0.0900
Residential Transportation Service										
Customer Charge	\$13.75	\$0.20	\$13.95							
Usage charge	\$ 3.2837	\$ 0.3723	\$ 3.6560	\$ 0.0171	\$ (0.0002)	\$ 0.0169	\$ 0.2841	\$ 0.0104	\$ 0.2945	
Small General Service										
<u>Commercial</u>										
Customer Charge 0 - 499 Mcf/Yr	\$ 13.75	\$ 1.13	\$14.88							
Customer Charge 500 - 999 Mcf/Yr	\$ 24.00	\$ 3.00	\$27.00							
Commercial Usage Charge	\$ 2.4242	\$ 0.2729	\$ 2.6971	\$ 0.0313	\$ 0.0013	\$ 0.0326	\$ -			\$ 0.0900
<u>Industrial</u>										
Customer Charge 0 - 499 Mcf/Yr	\$ 69.00	\$ (49.00)	\$20.00							
Customer Charge 500 - 999 Mcf/Yr	\$ 69.00	\$ (42.00)	\$27.00							
Industrial Usage Charge	\$ 1.8505	\$ 0.4150	\$ 2.2655	\$ 0.0315	\$ 0.0013	\$ 0.0328	\$ -			\$ 0.0900
Small General Service Transportation										
<u>Commercial</u>										
Customer Charge 0 - 499 Mcf/Yr	\$ 13.75	\$ 1.13	\$14.88							
Customer Charge 500 - 999 Mcf/Yr	\$ 24.00	\$ 3.00	\$27.00							
Commercial Usage Charge	\$ 2.4242	\$ 0.2729	\$ 2.6971	\$ -			\$ -			
<u>Industrial</u>										
Customer Charge 0 - 499 Mcf/Yr	\$ 69.00	\$ (49.00)	\$20.00							
Customer Charge 500 - 999 Mcf/Yr	\$ 69.00	\$ (42.00)	\$27.00							
Industrial Usage Charge	\$ 1.8505	\$ 0.4150	\$ 2.2655	\$ -			\$ -			
Medium General Service										
<u>Commercial</u>										
Customer Charge 1,000 - 2,499 Mcf/Yr	\$ 45.00	\$ 5.00	\$50.00							
Customer Charge 2,500 - 24,999 Mcf/Yr	\$ 69.00	\$ 8.00	\$77.00							
Commercial Usage Charge	\$ 2.5322	\$ (0.0112)	\$ 2.5210	\$ 0.0315	\$ 0.0013	\$ 0.0328	\$ -			\$ 0.0900
<u>Industrial</u>										
Customer Charge 1,000 - 2,499 Mcf/Yr	\$ 69.00	\$ (19.00)	\$50.00							
Customer Charge 2,500 - 24,999 Mcf/Yr	\$ 69.00	\$ 8.00	\$77.00							
Industrial Usage Charge	\$ 1.8505	\$ 0.0044	\$ 1.8549	\$ 0.0315	\$ 0.0013	\$ 0.0328	\$ -			\$ 0.0900
Medium General Service Transportation										
<u>Commercial</u>										
Customer Charge 1,000 - 2,499 Mcf/Yr	\$ 45.00	\$ 5.00	\$50.00							
Customer Charge 2,500 - 24,999 Mcf/Yr	\$ 69.00	\$ 8.00	\$77.00							
Commercial Usage Charge	\$ 2.5322	\$ (0.0112)	\$ 2.5210	\$ -			\$ -			
<u>Industrial</u>										
Customer Charge 1,000 - 2,499 Mcf/Yr	\$ 69.00	\$ (19.00)	\$50.00							
Customer Charge 2,500 - 24,999 Mcf/Yr	\$ 69.00	\$ 8.00	\$77.00							
Industrial Usage Charge	\$ 1.8505	\$ 0.0044	\$ 1.8549	\$ -			\$ -			
Large General Service Transportation										
<u>Commercial</u>										
Customer Charge 25,000 - 49,999 Mcf/Yr	\$ 443.00	\$ -	\$443.00							
Customer Charge 50,000 - 99,999 Mcf/Yr	\$ 443.00	\$ 102.00	\$545.00							
Customer Charge 100,000 - 200,000 Mcf/Yr	\$ 443.00	\$ 350.00	\$793.00							
Customer Charge Over 200,000 Mcf/Yr	\$ 443.00	\$ 772.00	\$1,215.00							
Commercial Usage Charge	\$ 2.5322	\$ (0.0413)	\$ 2.4909	\$ -			\$ -			
<u>Industrial</u>										
Customer Charge 25,000 - 49,999 Mcf/Yr	\$ 443.00	\$ -	\$443.00							
Customer Charge 50,000 - 99,999 Mcf/Yr	\$ 545.00	\$ -	\$545.00							
Customer Charge 100,000 - 200,000 Mcf/Yr	\$ 1,144.00	\$ -	\$1,144.00							
Customer Charge Over 200,000 Mcf/Yr	\$ 2,009.00	\$ -	\$2,009.00							
Industrial Usage Charge	\$ 1.8505	\$ 0.0044	\$ 1.8549	\$ -			\$ -			

Notes

The MFC rate in Column 4 is based on the proposed October 1, 2012 gas cost rates.

The change in MFC, shown in Column 5 reflect the new MFC percentages.

The change in Rider F reflects the increase in recoverable costs under this rider as presented in the settlement.

Rider A, STAS, will be reset to zero.

**Ratepayer Trust – Rate Credit
Revised Calculation of Ratepayer Trust Credits
Based on New Rate Classes**

	2010 Rate Case Settlement				Ratepayer Credit Effective October 2012			
	Per Unit Distribution Ratepayer Credit (1)	Annual Billing Units <u>1/</u> (2)	Reallocated Ratepayer Credit (3=1*2)	Revised % New Classes (4)	Reallocated Year 2 Ratepayer Credit (5)	Per Unit Distribution Ratepayer Credit (6)	FTY Annual Billing Units (7)	Total Distribution Ratepayer Credit (8=6*7)
Residential								
Customer Charge	(\$1.50)	3,942,377	(\$5,913,566)			(\$1.50)	3,946,475	(\$5,919,713)
Delivery Charge	(\$0.1197)	29,905,715	(\$3,579,737)			(\$0.1279)	31,218,167	(\$3,992,740)
Total Distribution Residential			(\$9,493,302)	81.37%	(\$9,912,452)			(\$9,912,452)
Small General Service								
Comm. Customer Charge 0 - 499 Mcf/Yr	(\$1.04)	266,127	(\$277,140)			(\$1.12)	267,663	(\$299,266)
Comm. Customer Charge 500 - 999 Mcf/Yr	(\$1.04)	31,542	(\$32,847)			(\$1.12)	32,131	(\$35,925)
IS Customer Charge 0-499 Mcf/Yr.	(\$49.45)	228	(\$11,275)			(\$1.12)	144	(\$161)
IS Customer Charge 500 - 999 Mcf/Yr						(\$1.12)	84	(\$94)
Total Distribution Small General Service			(\$321,262)	2.75%	(\$335,446)			(\$335,446)
Medium General Service								
Comm. Customer Charge 1,000 - 2,499 Mcf/Yr	(\$18.65)	23,046	(\$429,808)			(\$20.40)	21,326	(\$434,955)
Comm. Customer Charge 2,500 - 24,999 Mcf/Yr	(\$28.60)	8,589	(\$245,645)			(\$31.41)	8,533	(\$268,014)
IS Customer Charge 1,000 - 2,499 Mcf/Yr						(\$20.40)	66	(\$1,346)
IS Customer Charge 2,500 - 24,999 Mcf/Yr	(\$49.45)	912	(\$45,098)			(\$31.41)	906	(\$28,457)
Commercial Usage	(\$0.0872)	7,081,412	(\$617,273)			(\$0.0956)	6,924,076	(\$661,844)
Industrial Usage	(\$0.0878)	748,998	(\$65,748)			(\$0.0956)	742,038	(\$70,928)
Total Distribution Medium General Service			(\$1,403,573)	12.03%	(\$1,465,544)			(\$1,465,544)
Large General Service								
Comm. Customer Charge 25,000 Mcf/Yr or Greater	(\$179.46)	283	(\$50,787)			(\$280.75)	252	(\$70,750)
Comm. Customer Charge 50,000 to 99,999 Mcf/Yr	(\$179.46)	0	\$0			(\$345.40)	72	(\$24,869)
Comm. Customer Charge 100,000 to 200,000 Mcf/Yr	(\$179.46)	0	\$0			(\$502.57)	36	(\$18,092)
Comm. Customer Charge Over 200,000 Mcf/Yr	(\$179.46)	0	\$0			\$0.00	0	\$0
IS Customer Charge 25,000 - 49,999 Mcf/Yr	(\$310.30)	120	(\$37,236)			(\$280.75)	156	(\$43,797)
IS Customer Charge 50,000 - 99,999 Mcf/Yr	(\$390.56)	72	(\$28,120)			(\$345.40)	96	(\$33,158)
IS Customer Charge 100,000 - 200,000 Mcf/Yr	(\$819.82)	60	(\$49,189)			(\$725.01)	60	(\$43,501)
IS Customer Charge Over 200,000 Mcf/Yr	(\$1,439.69)	24	(\$34,553)			\$0.00	0	\$0
Commercial Usage	(\$0.0872)	1,249,661	(\$108,931)			(\$0.0794)	1,360,975	(\$108,032)
Industrial Usage	(\$0.0878)	1,591,621	(\$139,715)			(\$0.0794)	1,589,026	(\$126,135)
Total Distribution Large General Service			(\$448,531)	3.84%	(\$468,334)			(\$468,334)
Total Distribution of Ratepayer Trust			(\$11,666,667)	100.00%	(\$12,181,776)			(\$12,181,776)

The annual billing units from the 2010 Rate Case Settlement that were used to derive the rate credits were moved to the new rate classes. The residential class remains unchanged. The customer counts and volumes for commercial and industrial customers were reassigned to the proposed new rate classes based on usage.

APPENDIX “E”

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,	:	Docket Nos. R-2012-2285985
Office of Small Business Advocate,	:	C-2012-2295218
Office of Consumer Advocate,	:	C-2012-2292047
Pennsylvania State University,	:	C-2012-2298317
Snyder Brothers, Inc. <i>et al.</i> ,	:	C-2012-2302859
D. Killmeyer,	:	C-2012-2295700
Raymond Anderson,	:	C-2012-2298575
Steven J. Swencki,	:	C-2012-2299156
James Weber, and	:	C-2012-2300419
Severo Miglioretti,	:	C-2012-2302827
	:	
Complainants	:	
	:	
v.	:	
	:	
Peoples Natural Gas Company LLC,	:	
	:	
Respondent	:	

**STATEMENT OF PEOPLES NATURAL GAS COMPANY LLC
IN SUPPORT OF THE JOINT PETITION FOR
APPROVAL OF SETTLEMENT OF ALL ISSUES**

TO ADMINISTRATIVE LAW JUDGE MARY D. LONG:

I. INTRODUCTION

Peoples Natural Gas Company LLC (“Peoples” or the “Company”) hereby files this Statement in Support of the Joint Petition for Settlement of All Issues (“Settlement”) entered into by Peoples, the Bureau of Investigation & Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), Dominion Retail, Inc. and Interstate Gas Supply, Inc. (“Dominion/IGS”), EQT Energy, LLC d/b/a Equitable Energy (“EQT”), Pennsylvania Independent Oil and Gas Association (“PIOGA”), Community Action Association of

Pennsylvania (“CAAP”), Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), Snyder Brothers, Inc., Buffalo Valley Ltd., Snyder Armclar Gas Company LP and S & D Energy (collectively, “Snyder Brothers”) and The Pennsylvania State University (“Penn State”), all parties to the above-captioned proceeding (hereinafter, collectively “Joint Petitioners”), in the above-captioned proceeding.¹ Peoples respectfully requests that Administrative Law Judge Mary D. Long (the “ALJ”) recommend approval of, and the Commission approve, the Settlement including the terms and conditions thereof, without modification.

The Settlement, if approved, will resolve all of the issues raised by the Joint Petitioners in this proceeding, including revenue requirement, revenue allocation, low income customer programs, and certain other rate design, operational and tariff issues. The Settlement is in the best interest of Peoples, its customers, and the Joint Petitioners and is otherwise in the public interest. Accordingly, it should be approved.

As an initial matter, the fact that the Settlement is unopposed in this major base rate proceeding is, in and of itself, strong evidence that the Settlement is reasonable and in the public interest -- particularly given the diverse interests of the parties and the active role that they have taken in this proceeding. Moreover, the Settlement was achieved only after a comprehensive investigation of Peoples’ claims and operations. In addition to informal discovery, Peoples responded to hundreds of formal discovery requests (many of which had multiple subparts). The active parties filed four rounds of testimony and accompanying exhibits, including Peoples’ direct testimony, other parties’ direct testimony, rebuttal testimony, and surrebuttal testimony.

¹ The Retail Energy Supply Association (“RESA”), an intervenor in this proceeding, has indicated that it does not object to the Settlement. Snyder Brothers joins in the Settlement to support Paragraph 41 and has indicated that it does not oppose the other terms in the Settlement.

Moreover, the active parties participated in numerous settlement discussions and formal negotiations, which ultimately led to the Settlement.

Finally, the active parties in this proceeding, and their counsel and experts, have considerable experience in rate proceedings. Their knowledge, experience, and ability to evaluate the strengths and weaknesses of their litigation positions provided a strong base upon which to build a consensus on the settled issues.

The Settlement reflects a carefully balanced compromise of the interests of the Joint Petitioners to this proceeding. For these reasons, and the reasons set forth below, the Settlement is just and reasonable and should be approved.

II. COMMISSION POLICY FAVORS SETTLEMENT

Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. Settlements lessen the time and expense that the parties must expend litigating a case and, at the same time, conserve precious administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. *See* 52 Pa. Code § 69.401. In order to accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm'n v. York Water Co.*, Docket No. R-00049165 (Order entered Oct. 4, 2004); *Pa. Pub. Util. Comm'n v. C.S. Water and Sewer Assocs.*, 74 Pa. P.U.C. 767 (1991).

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

The Settlement reflects a carefully balanced compromise of the interests of all the Joint Petitioners. The fact that parties with such diverse interests, including Peoples, I&E, OCA, OSBA, and representatives of natural gas suppliers and producers and large customers, have

reached agreement on a broad array of issues in this proceeding clearly demonstrates that the Settlement is in the public interest and should be approved.

A. REVENUE REQUIREMENT

1. The Revenue Increase Supports Peoples' Continued Actions To Improve Service To Customers

As explained by Morgan K. O'Brien, Peoples' President and Chief Executive Officer, the Company has undertaken major initiatives to provide better and safer service to its customers as part of its ongoing transition from ownership of Peoples by Dominion Resources to ownership by SteelRiver Infrastructure Fund NA ("SteelRiver"). (Peoples Statement No. 1, pp. 6-8.) A critical component of these efforts is the Company's Smart Modernization Plan -- a comprehensive infrastructure replacement program that targets the removal and replacement of all cast iron mains by the end of 2012 and unprotected bare steel pipelines and associated services over 20 years. (Peoples Statement No. 2, p. 11.) Peoples aggressive action to replace all cast iron mains is a direct and immediate response to recent catastrophic incidents involving cast iron mains experienced by other companies. No other company in Pennsylvania with cast iron mains has taken such decisive action by replacing all such facilities in such a short time frame. (Peoples Statement No. 1, p. 9; Peoples Statement No. 2, pp. 10-15.) The Company will replace the 44 miles of cast iron pipeline on its system by the end of October 2012. (Peoples Statement No. 2, pp. 13-14; Peoples Statement No. 1-R, p. 3.)

The Company also explained that it plans to replace all of its unprotected bare and coated steel pipe over a 20 year period. (Peoples Statement No. 2, p. 12.) As explained by Mr. Johnston, over 25% of Peoples' pipeline system is pre-1955 vintage, with more than 30% of the distribution pipeline unprotected bare steel. (*Id.*) Before the Smart Modernization Plan and using historical, average rates of pipeline replacement employed by prior ownership of Peoples,

it would have taken Peoples 67 years to remove all of the unprotected steel. (Peoples Statement No. 2, p. 12.) By implementing its Smart Modernization Plan, Peoples will eliminate unprotected steel from Peoples' system in 1/3 of the time it would have otherwise been removed. (*Id.*)

To carry out its aggressive infrastructure replacement program, Peoples began hiring both salaried and bargaining unit positions in 2011 to support the 2012 cast iron replacement program. (Peoples Statement No. 2, p. 13.) The Company's hiring will result in an additional 245 Pennsylvania jobs for Peoples and its contractors.

The aggressive replacement of aging infrastructure and related increase in investment is the primary driver of Peoples' increased revenue requirement and the increase in rates agreed to in the Settlement. In addition to the Smart Modernization Plan, the Company previously completed a number of other initiatives, including:

- Replacement of 70 legacy information systems, at a cost of approximately \$54 million, resulting in state of the art customer information and billing and SCADA (gas control) systems, as well as the addition of 200 Pennsylvania jobs. (Peoples Statement No. 1, pp. 6-7).
- Creation of a new in-house Customer Service Center, where Peoples had no such center in Pennsylvania before, resulting in improved customer service metrics. (Peoples Statement No. 1, pp. 11-12; Peoples Statement No. 1-R, p. 3.)

The combination of these activities since the change in ownership of Peoples on February 1, 2010, has improved the safety and reliability of service to customers and improved customer service and satisfaction. (Peoples Statement No. 1, pp. 9-10.) Peoples' improved quality of customer service is evidenced by the fact that it successfully met or exceeded all of the objective targets for measuring the quality of Peoples' customer service that were contained in the settlement agreement approved by the Commission in the acquisition of Peoples by SteelRiver at

Docket No. A-2008-2063737 and the additional criteria set forth in the management audit at Docket No. D-2009-2149012. (Peoples Statement No. 1, p. 10.)

In a further effort to improve customer services and increase efficiency, Peoples and Peoples TWP LLC (“Peoples TWP”), which was acquired by SteelRiver on May 24, 2011, initiated and completed a study of the benefits of using a service company to provide services to Peoples and Peoples TWP and applied for and obtained, as of June 2012, approval of this structure. The Service Company will produce long term benefits for customers of Peoples and Peoples TWP. Peoples Statement No. 1, p. 13, *Re: Affiliated Interest Agreement between Peoples Natural Gas Company LLC and Peoples Service Company LLC*, Docket No. G-2012-2290014 (Secretarial Letter Issued June 6, 2012), by providing more efficiency and expertise to both companies.

This proceeding and the Settlement rates reflect the first phase of consolidation of management and back office functions, other than information technology, at Peoples Service Company LLC (“PSC”). In her testimony, Ms. Petrichevich describes the significant operational changes affecting Peoples in the future test year and reflected in the proposed future test year expenses resulting from the conversion to a service company structure for provision of various administrative and management service. (Peoples Statement No. 11, pp 4-5.) However, as explained by Ms. Petrichevich, the restructuring of the Company to form a service company will ultimately produce savings for ratepayers through the elimination of some outsourced work and by more efficient use of internal resources that will be transferred to PSC. (Peoples Statement No. 11-R, p. 5.)

Overall, the increases resulting from the Settlement are reasonable in light of the costs incurred by Peoples. As explained by Mr. O’Brien, Peoples has made significant investment and

commitments to enhance service to its customers. It is expected that the increase in annual operating revenues will provide a fair return on these investments and provide a financial profile that will enable Peoples to raise capital efficiently to fund additional projects needed to continue to improve and maintain a high quality of service and reinforce its aging infrastructure. (Peoples Statement No. 1, pp. 6-12.)

In this proceeding, Peoples, I&E, and OCA presented testimony on Peoples' overall revenue requirement. The Settlement revenue increase of \$15.4 million reflects a reasonable compromise of Joint Petitioners' positions in this proceeding. The amount of the increase falls within the range of outcomes bounded by Peoples' proposed increase and the revenue requirements contained in the direct testimonies of I&E and OCA. Peoples notes that in its rebuttal testimony, it took issue with many of the proposed adjustments advanced by I&E and OCA. Peoples, and we believe the other Joint Petitioners, while supporting their required revenue requirement for litigation purposes, recognized that the Commission likely would have accepted certain adjustments proposed by Joint Petitioners, but would not have accepted all of the adjustments.

Under the Settlement, with only a few select exceptions further explained below, the settlement revenue requirement is a "black box" amount. Under a "black box" settlement, parties do not specifically identify revenues and expenses that are allowed or disallowed. Peoples believes that "black box" settlements facilitate agreements as parties are not required to identify specific determinations of each matter at issue.

Given the entire Settlement, Peoples believes that the revenue requirement is reasonable and will provide the Company with the additional revenues that are necessary to provide reliable service to customers. In addition, Peoples believes that the Settlement appropriately balances the

need of the Company to have an opportunity to earn a reasonable rate of return with its customers' need for reasonable rates.

2. Settlement Rates

The Settlement provides for a distribution revenue increase of \$15.4 million annually based upon the level of operations for the twelve months ended October 31, 2012, as compared to Peoples' original request of \$28.4 million. The Settlement rates have been designed using the sales and transportation volumes contained in Appendix C. The \$15.4 million increase, although less than that requested by the Company, will provide Peoples the opportunity to earn a reasonable return on its investments and to develop a financial profile that will allow the Company to raise capital necessary to continue to provide safe and reliable service to its customers.

Under the Settlement rates, the total bill of an average Peoples' Residential customer using 92 Mcf per year will increase from \$79.60 per month to \$83.41 per month, or \$3.81 (4.8%), compared to the \$7.14 per month (9.0%) increase originally proposed by Peoples. The Residential customer charge will increase from \$13.75 to \$13.95 per month, in lieu of the \$20.00 customer charge originally proposed.

Under the Settlement rates, the total bill of an average Peoples' Commercial customer using 289 Mcf per year will increase from \$195.47 per month to \$203.27 per month, or \$7.80 (4.0%), compared to the \$17.50 per month (9.0%) increase originally proposed by Peoples.

Under the Settlement rates, the total bill of an average Peoples' Industrial (non-discount contract) customer using 3,948 Mcf per year will increase from \$2,308.04 per month to \$2,318.95 per month, or \$10.91 (0.5%), compared to the \$31.62 per month (1.4%) increase originally proposed by Peoples.

There are various categories of commercial and industrial customers based on annual usage levels. The applicable customer charges for such categories resulting from the Settlement are set forth in **Appendix D** of the Settlement. **Appendix D** also shows the reduction in Settlement rates for each class to reflect the continuation of ratepayer credits agreed to in the acquisition of Peoples by SteelRiver approved at Docket No. A-2008-2063737.

B. PENNSYLVANIA PRODUCTION ENHANCEMENT SERVICES

Peoples' Production Enhancement Services ("PES") Program encompasses a series of agreements entered into by Peoples with Pennsylvania natural gas producers that were designed to enhance the flow and improve the quality of locally produced natural gas on Peoples' system. (Peoples Statement No. 14, p. 39.)

Under the Settlement, the PES revenues in excess of incremental costs to provide production enhancement and dehydration (\$7.6 million) will continue to be shared between the Company and its customers. Peoples will retain and use \$3.8 million of the \$7.6 million of PES revenue for services in excess of costs to provide production enhancement services to invest as incremental annual expenditures to reduce lost and unaccounted for gas ("L&UFG") on Peoples' gathering facilities or for gathering system upgrades used to deliver local gas to Peoples and its customers ("Gathering Expenditures"). The remaining \$3.8 million of PES revenues in excess of costs is reflected as a reduction to the cost of service used to arrive at the Settlement rates agreed to in this Settlement. (Settlement ¶ 25.) This benefits customers who pay the cost of the gathering system that is used to deliver local gas to Peoples' distribution system and its customers. Customers also benefit by receiving lower cost local gas and from Peoples' investments to reduce L&UFG on the gathering system.

The Company will make the Gathering Expenditures commencing December 1, 2012 and continuing for a three-year period or until the effective date of rates in Peoples' next base rate

case filing, whichever is sooner. Peoples will report in each 1307(f) filing commencing with the filing made on April 1, 2013, and continuing until all Gathering Expenditures have been made, the planned use of and the amount of Gathering Expenditures associated with L&UFG to be made during the projected 1307(f) period and the benefits to be derived therefrom. (Settlement ¶ 26.)

The Settlement continues the treatment of PES program revenues adopted in Peoples' last rate case and will continue to produce significant cost savings to ratepayers while maintaining a successful PES program. The customer portion of the shared revenues will be a credit to ratepayers that is over and above the revenues also credited to cover the embedded costs of the program. The Settlement will continue to benefit customers by reducing lost volumes on the gathering system and obligating Peoples to use PES revenues to enable Peoples to make further investments. (Peoples Statement No. 14, pp. 40-42.)

C. POST EMPLOYMENT AND POST RETIREMENT BENEFITS

The Settlement includes key provisions concerning accounting for Peoples' ongoing post-retirement benefits. Peoples was granted approval in Docket No. R-00943252 to recover FAS 112 (post-employment benefit costs) on a pay-go basis. Under the terms of the Settlement, Peoples will continue to recover these costs in rates consistent with that prior Commission order. (Settlement ¶ 27). In addition, the Settlement Rates include recovery of pension expense of \$616,470 based upon a projected total pension cost of \$739,527, with the difference being capitalized to plant accounts. Peoples commits to make pension contributions to its pension trusts at least equal to the pension cost of \$739,527 for each calendar year commencing January 1, 2013, during which rates set in this proceeding remain in effect, as long as the expense component of the contribution is tax deductible. (Settlement ¶ 28.) This provision provides that contributions used to set rates are deposited in pension trusts for payment of future benefits.

Further, commencing with the effective date of the Settlement Rates, Peoples will capitalize any PSC labor and related overheads associated with time worked by PSC employees on Peoples' capital projects. All other PSC labor charges and overheads to Peoples will be recorded by Peoples as expenses. (Settlement ¶ 29.)

D. CLASS REVENUE REQUIREMENTS / RATE DESIGN

1. Revenue Allocation

As in many base rate cases, the revenue allocation issues were among the most contentious issues in this proceeding. The Joint Petitioners proposed a variety of class cost of service studies and cost allocation methodologies. Moreover, even to the extent that certain of the Joint Petitioners agreed on the basic overall methodology, i.e. the Design Day demand allocation versus the Peak & Average methodology, these Joint Petitioners still disagreed on how to allocate certain other costs to the different rate classes, as well as how much movement toward cost of service in allocating the rate increase to the classes was appropriate. Despite the fact that the Joint Petitioners were not able to agree on a class "cost of service," they were able to agree to a revenue allocation that is within the range of revenue allocations proposed by the Joint Petitioners in this proceeding, and Peoples believes that this revenue allocation meets the "cost of service" standards adopted by the Courts and the Commission.

All parties supported their respective cost of service studies for litigation purposes. However, the parties were willing to compromise in order to achieve a settlement of the revenue allocation issues. Therefore, the revenue allocation set forth in the Settlement is not based upon a specific agreed to formulaic approach. Moreover, the Settlement rates are not based upon any specific cost of service study results. Instead, the Settlement reflects a compromise of various parties' revenue allocation and rate design proposals.

2. Redesign of Class Rate Schedules

The Settlement Rates implement Peoples' proposed redesign of the class rate schedules grouping commercial and industrial customers by volumetric usage. (Settlement ¶ 30.) As detailed in the testimony of Joseph A. Gregorini, Peoples proposed to establish new volume based rate classes for the Company's commercial and industrial ratepayers. (Peoples Statement No. 14, p. 6.) Specifically, Peoples proposed to maintain the existing residential rate class and establish three new volume-based general service rate classes for the Company's commercial and industrial classes. Approval of the Settlement will adopt the Company's proposed general service rate classes: Small General Service (less than 1,000 Mcf/year), Medium General Service (1,000 Mcf/year to 24,999 Mcf/year); and Large General Service (greater than 25,000 Mcf/year). (Peoples Statement No. 14, p. 7.)

These new general service rate classes will provide for a more accurate apportionment of cost responsibility since customers with similar annual usage levels will be assigned to the same rate class. (*Id.*) For cost allocation purposes, the Company assigned costs of service of plant and associated expenses for its low pressure gas distribution system differently compared to the treatment of the plant and associated expenses for its regulated pressure gas distribution system. (Peoples Statement No. 13, pp. 23-24.) Specifically, the plant and associated expenses for Peoples' regulated pressure distribution mains were assigned to all rate classes, while the plant and associated expenses for its low pressure distribution mains were assigned only to the Residential Service, Small General Service and Medium General Service rate classes. (*Id.*) This approach properly reflects the fact that customers in the Company's proposed Large General Service rate class (primarily industrial customers) do not require Peoples' low pressure distribution system to receive gas utility service. (Peoples Statement No. 13, p. 24.) Indeed, due to the nature of the gas loads and higher gas delivery pressure requirements, industrial customers

are not connected to Peoples' low pressure gas distribution system, nor can they be back fed from such facilities. (*Id.*) Approval of the Company's proposed volume based rate classes and mains assignment actually used to serve customers substantially eliminates concerns over cross-class subsidies created by flexed rate discounts to Large General Service customers that are competitively situated as the resulting costs to the Large General Service class will be closer to the flexed levels of charges.²

3. Settlement Rates

The changes in monthly customer charges and distribution rates by class included in the Settlement Rates and proof of revenues showing the class revenue increases at Settlement Rates, which are designed to produce the \$15.4 million increase in revenues, are as set forth in Appendix C. Under the Settlement, the Large General Service customer class will not be assigned a revenue increase and the Medium General Service customer class will receive only a limited increase. Appendix D provides the Settlement Rates including the allocation of the remaining ratepayer credits from the Peoples' Acquisition Settlement at Docket No. A-2008-2063737, to the redesigned class rate schedules. (Settlement ¶ 31.)

4. Customer Charges

As detailed by Mr. Gregorini, Peoples proposes to maintain the monthly customer charge structure that currently exists for its sales and transportation ratepayers. (Peoples Statement No. 14, p. 10.) The residential monthly customer charge proposed by the Company was based upon the minimum charge analysis performed by Mr. Feingold and set forth in Peoples Exhibit RAF-2. (*Id.*) Based upon this analysis and the Commission's guidelines established in *Pennsylvania Public Utility Commission v. Aqua Pennsylvania, Inc.* (formerly *Pennsylvania Suburban Water*

² Peoples' proposed decreases in tariff rates for the Large General Service class (Statement No. 14, p. 8). The Settlement provides for no change in tariff rates, but most of the usage by Large General Service customers is subject to flexed rates below the tariff rates.

Company), Docket No. R-00038805 (Order entered August 5, 2004), the Company proposed a residential monthly customer charge of \$20.00. (Peoples Statement No. 14, p. 11.) In addition, Mr. Gregorini noted that the proposed increase in the residential customer charge was appropriate to recover costs that do not change with usage and would provide more even annual revenues for the Company and reduce winter bills for customers when consumption changes are greatest. (*Id.*)

OCA witness Mierzwa proposed that the Company's existing monthly customer charge level of \$13.75 be maintained. (OCA Statement No. 3, p. 36.) I&E witness Kubas recommended that the residential monthly customer charge be increased from \$13.75 to \$14.40 per month. (I&E Statement No. 3, p. 21.) The Settlement resolves the residential customer charge issue by increasing the charge to \$13.95 per month.

Peoples' new Small General Service rate class contains commercial and industrial customers that use less than 1,000 Mcf/year. (Peoples Statement No. 14, p. 11.) As explained by Mr. Gregorini, under Peoples' existing rate schedules, commercial customers that consume less than 500 Mcf/year pay a monthly customer charge of \$13.75, commercial customers that consume between 500 Mcf/year and 999.9 Mcf/year pay a monthly customer charge of \$24, and industrial customers that consume less than 1,000 Mcf/year pay a monthly customer charge of \$69. (Peoples Statement No. 14, pp. 11-12.) Based upon the Company's proposed volume based rate classes, Peoples proposed to maintain two customer charges for this class with the first (\$20.00) being applicable to commercial and industrial ratepayers that use less than 500 Mcf per year and the second (\$27.00) applicable to commercial and industrial ratepayers that use 500 Mcf per year or more. (Peoples Statement No. 14, p. 12.)

OSBA witness Brian Kalcic generally agreed with the Company that maintaining separate delivery charges is reasonable given the existing differences in delivery charges for small commercial and small industrial ratepayers. (OSBA Statement No. 1, p. 8.) However, Mr. Kalcic noted that in the future all SGS customers should pay the same delivery rate. Therefore, to begin the process of rate consolidation, he recommended that Peoples' SGS delivery charges be set so that the existing difference in delivery charges be reduced by 25%. (OSBA Statement No. 1, p. 9.) I&E witness Kubas recommended that the monthly customer charge for Rate SGS customers using less than 500 Mcf/year be increased from \$13.75 to \$15.50 and the monthly customer charge for Rate SGS customers with annual usage of 500 Mcf to 999.9 be kept at the present level of \$24. (I&E Statement No. 3, p. 24.)

In rebuttal, the Company noted its agreement with OSBA witness Kalcic's proposal to reduce the existing difference in delivery charges by 25% for commercial and industrial customers served under Rate SGS. (Peoples Statement No. 14-R, p. 15.) The Settlement provides that the monthly customer charge for Rate SGS commercial customers using less than 500 Mcf/year be increased from \$13.75 to \$14.88. The monthly customer charge for Rate SGS industrial customers using less than 500 Mcf/year will be reduced from \$69.00 to \$20.00. The monthly customer charge for all Rate SGS customers with annual usage of 500 Mcf to 999 Mcf will be set at \$27.00. This reflects a reasonable compromise of the Joint Petitioner's positions and makes progress toward the goal of moving delivery rates for the commercial and industrial customers served in the SGS rate class closer together.

For Rate MGS Peoples proposed a \$50.00 customer charge for MGS ratepayers with annual usage of 1,000 Mcf to 2,499.9 Mcf (a \$5 increase from \$45) and a \$77 customer charge for MGS ratepayers with annual usage of 2,500 Mcf to 24,999.9 Mcf (an \$8 increase from \$69).

(Peoples Statement No. 14, pp. 13-14.) For commercial ratepayers within the LGS rate class, the Company proposed charges of \$443.00, \$545.00, and \$793.00 respectively for the annual usage tiers of 25,000 Mcf to 49,999 Mcf, 50,000 Mcf to 99,999 Mcf, and 100,000 Mcf to 199,999 and proposed that the customer charge for commercial ratepayers using 200,000 Mcf per year or greater be set at \$1,226. (Peoples Statement No. 15-16.)

I&E witness Mr. Kubas agreed with the Company's proposed monthly customer charge for Rate MGS. (I&E Statement No. 3, pp. 25-26.) However, consistent with the compromise reached to consolidate the delivery rates for Rate SGS commercial and industrial customers, the Settlement modifies the Company's proposed monthly customer charge for Rate MGS industrial customers. Specifically, the Settlement provides for the monthly customer charges for Rate MGS commercial ratepayers with annual usage of 1,000 Mcf to 2,499.9 Mcf to increase from \$45 to \$50; and annual usage of 2,500 Mcf to 24,999.9 Mcf to increase from \$69 to \$77. However, to move toward consolidating the delivery rates for Rate MGS commercial and industrial customers, the Settlement provides for the following Rate MGS industrial ratepayer monthly customer charges: annual usage of 1,000 Mcf to 2,499.9 Mcf to decrease from \$69 to \$50; and annual usage of 2,500 Mcf to 24,999.9 Mcf to increase from \$69 to \$77.

Peoples proposed to create a four level customer charge structure for Rate LGS. (Peoples Statement No. 14, p. 15.) As explained by Mr. Gregorini, currently all commercial customers that consume 25,000 Mcf per year or more pay a customer charge of \$443 per month. While under Peoples' existing rate schedules, industrial customers that consume between 25,000 Mcf/year and 49,999.9 Mcf/year pay a monthly customer charge of \$443, industrial customers that consume between 50,000 Mcf/year and 99,999.9 Mcf/year pay a monthly customer charge of \$545, industrial customers that consume between 100,000 Mcf/year and 199,999.9 Mcf/year

pay a monthly customer charge of \$1,144 and industrial customers that consume 200,000Mcf/year or more pay a monthly customer charge of \$2,009. (*Id.*) As Rate LGS was assigned a rate decrease, the Company proposed that the existing customer charges paid by all industrial customers within this class remain unchanged.

For the commercial customers in Rate LGS, the Company proposed that commercial customers that consume between 25,000 Mcf/year and 49,999.9 Mcf/year remain unchanged at \$443/month and match the industrial customer charge for the same usage level. (Peoples Statement No. 14, p. 16.) However, the Company proposed that the monthly customer charge for commercial customers that consume between 50,000 Mcf/year and 99,999.9 Mcf/year increase to \$545/month to match the industrial customer charge for the same usage level. In addition, the Company proposed that the customer charge for commercial customers that consume between 100,000 Mcf/year and 199,999.9 Mcf/year increase from \$443/month to \$793/month and that commercial customers in Rate LGS that consume 200,000Mcf/year or more increase from \$443/month to \$1,226/month. These increases represented the mid-point between these customers current charge level of \$443 per month and the proposed industrial customer charge for the same usage level. (*Id.*)

Again, consistent with the intent to consolidate the delivery rates for commercial and industrial customers, the Settlement adopts the Company's proposed monthly customer charge for Rate LGS industrial customers and largely adopts the Company's proposed monthly customer charge for Rate LGS commercial customers.

The Settlement monthly customer charges reflect a reasonable compromise of the Joint Petitioners in this proceeding. (Appendix C.) Further, the proposed monthly customer charges fall within the range of outcomes proposed by the Joint Petitioners and are supported by the

range of results from the customer charge analyses performed and presented by Peoples' witness Russell Feingold at 53.53 IV. B.9 (rate case volume IV) and Peoples Exhibit RAF-2.

Peoples submits that the Settlement reflects an acceptable compromise of the competing litigation positions parties relative to revenue allocation and rate design.

E. PRICE TO COMPARE INCLUDING GAS PROCUREMENT CHARGE AND PURCHASE OF RECEIVABLES PROGRAM

Peoples proposed, as part of this case, to modify its rate structure and tariff to comply with the Commission's June 23, 2011 Revised Final Rulemaking Order establishing regulations designed to encourage natural gas supply competition in retail markets.³ (Peoples Statement No. 14, pp. 25-34.) The Commission's final regulations address the duties, rights and obligations of natural gas distribution companies ("NGDCs") relating to: (1) Price to Compare ("PTC"), (2) Purchase of Receivables ("POR") programs, and (3) release, assignment or transfer of capacity. (Peoples Statement No. 14, p. 29.) Peoples proposed and the Settlement provides for the Company to establish a PTC consisting of natural gas supply charges (a Commodity Charge and a Gas Cost Adjustment Charge ("GCA")), a Merchant Function Charge ("MFC") and a Gas Procurement Charge ("GPC") (Rider G). (Settlement ¶ 32.) Peoples did not propose to include the Capacity Charge in the PTC because this charge is assessed by Peoples to both non-shopping and shopping residential customers under Peoples' Energy Choice program. (Peoples Statement No. 14, p. 31.)

The Settlement provides for the adoption of Peoples' proposal to modify its rate structure and tariff to comply with the Commission's June 23, 2011 Revised Final Rulemaking Order. Specifically, the Settlement Rates set forth the portion of the revenue requirement to be recovered via the MFC in Rider E and the GPC in Rider G. The GPC is set at \$0.09 per Mcf,

³ *Natural Gas Distribution Companies and Promotion of Competitive Retail Markets*, Docket No. L-2008-2069114 (Revised Final Rulemaking Order entered in June 23, 2011.) ("Revised Final Rulemaking Order").

which represents a compromise between the positions of parties. (OCA Statement No. 3, pp. 45-46; Schedule JDM-4.) (Settlement ¶ 33.) In addition, Peoples' proposal to revise and update its POR discount rate and MFC to match the current write-off factor used to derive the Company's bad debt revenue requirement and to revise and update the administrative rider designed to recover incremental POR implementation costs is implemented in the Settlement Rates. (Settlement ¶ 34.) Lastly, the Settlement provides that any shortfall in recovery of the uncollectible expenses and administrative costs of the POR program will not be recovered from sales customers. (Settlement ¶ 35.)

Peoples submits that the Settlement is consistent with the Commission's Revised Final Rulemaking Order, is in the public interest and should be approved without modification.

F. CAP PROGRAM

Under the terms of the Settlement, the Joint Petitioners agree to continue to defer Peoples' use of the CAP Plus method contained in the settlement approved by the Commission in Peoples' last base rate proceeding at Docket No. R-2010-2201702, but which has been deferred pending approval of Peoples 2011' Universal Service Plan filing. (Settlement ¶ 36.)

Under CAP Plus, low income housing energy assistance program ("LIHEAP") receipts for customers participating in CAP from previous LIHEAP season are divided by the total amount of customers currently in CAP to arrive at the CAP Plus amount which will be added to CAP payment plans on equal monthly basis. (Peoples Statement No. 5, p. 4.) The CAP Plus mechanism was developed in response to the Pennsylvania Department of Public Welfare's ("DPW") change in policy that required the application of LIHEAP grants to recipient's "asked-to-pay" amount. (Peoples Statement No. 5, p. 4.)

Peoples filed an amendment to its Universal Service Plan on May 31, 2011, at Docket No. M-2011-2245355, to implement CAP Plus, which has not been approved. Although the

Commission reaffirmed the use of CAP Plus in Pennsylvania,⁴ the need to use CAP Plus in Pennsylvania is now in question as a result of the DPW release of its draft State 2012/2013 LIHEAP plan. Peoples utilizes a Percentage of Income Payment Plan (“PIPP”) in its CAP. (Peoples Statement No. 14-R, p. 25.) As explained by Mr. Gregorini, the guidelines in DPW’s draft State LIHEAP plan for PIPP-type CAP programs may result in significant modifications to the current method of posting LIHEAP grants for CAP accounts. (*Id.*) Specifically, LIHEAP cash grants could be used to pay CAP shortfalls and arrearages. It is expected that the State LIHEAP plan will be approved on or before October 1, 2012. Therefore, the Joint Petitioners have agreed to support continuation of deferral of Peoples’ CAP Plus plan and will meet following finalization of the State LIHEAP plan to determine whether an alternative to CAP Plus should be implemented. (Settlement ¶ 36) Peoples reserves the right to propose amendments to its CAP if no agreement is achieved. Any billing system modifications required to affect this change will be expensed and recovered through the Universal Service Rider - Rider F.

G. NON-CAP UNIVERSAL SERVICE COST RECOVERY

In this proceeding, Peoples proposed to increase the funding for its Emergency Furnace and Line Repair Program from \$200,000 to \$500,000. (Peoples Statement No. 5, pp. 7-9.) The need for the increase in funding was based upon the level of applications received and expectation that funding level for the program will be exhausted prior to the end of the year. (Peoples Statement No. 5, p. 7). In addition, CAAP witness Susan Moore proposed that Peoples increase the Company’s current low income usage reduction program (“LIURP”) budget above the program’s current \$1 million budget. (CAAP Statement No. 1, pp. 4-6.)

⁴ *Pennsylvania Public Utility Commission v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2010-2215623, (Order entered March 15, 2012).

Under the Settlement, Peoples' funding level of the Emergency Furnace and Line Repair Program will be increased from \$200,000 to \$400,000 annually and Peoples' annual LIURP funding to increase from \$1.0 million to \$1.1 million. (Settlement ¶ 37.) The \$200,000 increase for the furnace repair program and \$100,000 increase in LIURP funding are included in the \$15.4 million increase and will be recovered by increases in charges under Rider F. (*Id.*) Further, pursuant to the Settlement, Peoples will attempt to apply 25% of annual LIURP funding to eligible customers not participating in CAP. Among the methods to be used will be to refer to LIURP those eligible non-CAP participating customers who are LIHEAP recipients or who contact Peoples for payment agreements. Any unexpended LIURP funds will be carried over to the following year. Peoples will continue to partner with Community Based Organizations in its service territory in administering its universal service programs.

LIHEAP and LIURP cannot meet all of the needs of the low-income community because, even with these programs, there is still a need for additional low income weatherization and emergency furnace and line repairs. The approval of funding increases for these two programs will provide important weatherization and emergency furnace and line repair benefits to low income customers that may not otherwise be available and is in the public interest.

The Company's proposal to increase the funding level of the Community Partnership for Weatherization Program to \$100,000 annually will not be implemented. The Company will maintain the current annual funding level of \$50,000 for the Community Partnership for Weatherization Program. (Settlement ¶ 38.)

H. POOLING FEES

Peoples charges a pooling fee on volumes transferred into an end user pool. Peoples provides pooling services under Rate P-1 and Rate NP-1 of its supplier tariff. (Peoples Statement No. 14, p. 21.) These services enable suppliers to aggregate their supplies in order to

satisfy the aggregate requirements of their customers. (*Id.*) Peoples proposed and the Settlement approves reducing the pooling fees under Rate P-1 and Rate NP-1 from \$0.08/Mcf to \$0.0436/Mcf. (Peoples Statement No. 14, p. 22; Settlement ¶ 39.) In addition, Peoples proposed to eliminate the Rate P-1 tariff condition that prevents the assessment of the pooling fee on residential volumes. (*Id.*) This proposal is also contained in the Settlement. (*Id.*)

These changes proposed to Rate P-1 and Rate NP-1 address the Commission's desire to eliminate potential cross subsidies that may exist between shopping and non-shopping customers. Specifically, reducing the existing pooling service rates will result in the recovery of the total aggregate revenue requirement associated with the services provided by Peoples to natural gas suppliers. (Peoples Statement No. 14, p. 24.) Further, the Settlement approves the Company's proposal that the pooling fee be applicable to all volumes served by supplier pools and that residential volumes no longer be exempted from the pooling fees. These modifications are also responsive to the concerns raised by Commissioner Cawley in the Company's 2010 rate case proceeding. *See Statement of Commissioner Cawley, R-2010-2201702* (June 9, 2011).

I. ST AND ST-SW STORAGE RATES

Peoples Rate ST is a storage service available to non-priority one transportation customers and their suppliers and it is used by customers and suppliers to balance monthly supplies with usage, to meet peak day or peak month requirements and to take advantage of the natural gas price differential that exists between winter and summer periods. (Peoples Statement No. 14, p. 21.) Rate ST-SW requires customers and suppliers to schedule their withdrawals evenly over a four-month time frame during the winter and does not allow storage withdrawals to increase or decrease with changes in usage. (*Id.*)

To address the Commission's desire to eliminate potential cross subsidies that may exist between shopping and non-shopping customers, the Company proposes and the settlement

establishes that the pricing for storage services be designed to recover, from natural gas suppliers, the total aggregate revenue requirement associated with these services. (Peoples Statement No. 14, p. 24.) The Settlement also approves certain modifications to the terms and conditions for Rates ST and ST-SW storage service. These modifications are set forth in Appendix A and represent an agreement between the Company and natural gas suppliers regarding storage injection and withdrawal limitations under Rates ST and ST-SW.

J. GAS QUALITY LANGUAGE⁵

In this proceeding, Peoples proposed to include in its Supplier Tariff specific gas quality provisions applicable to suppliers' delivery of gas to the Peoples system. (Peoples Statement No. 14, p. 46.) The Company's proposal was opposed by PIOGA.⁶ (PIOGA Statement No. 1, pp. 4-11; PIOGA Statement No. 2, pp. 4-5). In response to PIOGA's opposition, Peoples agreed in its rebuttal testimony to remove the specific tariff provisions concerning gas quality standards. (Peoples Statement No. 14-R, p. 22.) The Settlement adopts the removal of the proposed gas quality language appearing after the second full paragraph of Section 2 ("Measurement and Quality of Gas") on First Revised Page 7 of Supplement No. 6 to Tariff Gas - PA PUC No. S-2 ("Supplier Tariff") and adopts the proposed revisions with respect to Btu content in the second full paragraph of Section 2 on First Revised Page 7 of the Supplier Tariff. These changes are reflected in Appendix B. (Settlement ¶ 41.)

⁵ On July 12, 2012, Peoples and Snyder Brothers filed a Joint Petition for Settlement ("Snyder Brothers Settlement") resolving in full Snyder Brothers' Formal Complaint in this proceeding. The Snyder Brothers Settlement anticipated that a comprehensive settlement of the rate case may be reached and provided for incorporation of the substantive terms of the Snyder Brothers Settlement. The Gas Quality section of the Settlement accordingly incorporates the substantive terms of the Snyder Brothers Settlement. Therefore, the Settlement supersedes the prior agreement as evidenced by the joint letter filed by Peoples and Snyder Brothers contemporaneously with this Settlement, withdrawing the Snyder Brothers Settlement.

⁶ Snyder Brothers had served direct testimony and exhibits in accordance with the procedural schedule for this case. As a result of the Snyder Brothers Settlement, the direct testimony and exhibits were not submitted into the evidentiary record.

K. MISCELLANEOUS TARIFF PROVISIONS

Except as otherwise set forth in the Settlement, the Settlement adopts the revisions contained in Tariff Gas - PA PUC No. 45 and the Supplier Tariff, as contained in Appendices A and B, respectively. (Settlement ¶ 43.)

L. ACQUISITION REPORTING REQUIREMENT

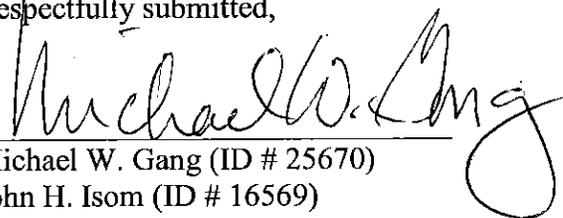
Peoples' Acquisition Settlement at Docket No. 2008-2063737 requires the Company to file reports every 120 days detailing the steps taken and progress made with regard to each commitment contained in the settlement. (Peoples Statement No. 1, pp. 47-48.) The Company has continued to comply with this reporting requirement and has demonstrated that it has taken all steps required and has made substantial progress in fulfilling the Acquisition Settlement commitments. (*Id.*) In this proceeding, the Company requested that this reporting requirement be discontinued. Under the Settlement, the parties agree not to oppose a petition filed by Peoples requesting removal of the requirement to file reports every 120 days concerning progress toward achieving commitments made in the Acquisition Settlement at Docket No. A-2008-2063737, as currently required under Paragraph 6 of the Commission's Order entered November 19, 2009 at such docket. However, the Settlement provides that annual reports will continue to be filed for the remainder of the five-year, post-acquisition period, as required by Paragraph 35 of the approved Acquisition Settlement at such docket. (Settlement ¶ 44.)

IV. CONCLUSION

Through cooperative efforts and the open exchange of information, the Joint Petitioners have arrived at a Settlement that resolves all issues in this proceeding in a fair and equitable manner. The Settlement is the result of detailed examination of Peoples' finances and operations through hundreds of discovery responses, multiple rounds of testimony and accompanying

exhibits, and extensive settlement negotiations. A fair and reasonable compromise has been achieved in this case, as is evident by the fact that all active parties, including Peoples, I&E, OCA, OSBA, and representatives of natural gas suppliers, local gas producers and large customers, all have agreed to or not opposed the resolution of a broad array of issues in this proceeding. The Settlement supports Peoples' continuing efforts to improve customer service and system reliability and safety. Peoples fully supports this Settlement and respectfully requests that the Honorable Administrative Law Judge Mary D. Long recommend approval of, and the Pennsylvania Public Utility Commission approve, the Settlement in its entirety, without modification and in an expeditious manner.

Respectfully submitted,



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Of Counsel:

Post & Schell, P.C.

Date: August 8, 2012

Attorneys for Peoples Natural Gas Company LLC

APPENDIX “F”

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's analysis of Peoples' base rate filing, acceptance of this proposed Settlement is in the public interest and I&E recommends that the Administrative Law Judge and the Commission approve the Settlement in its entirety.

2. On February 28, 2012, Peoples filed Retail Tariff Gas – Pa. P.U.C. No. 45 and Supplement No. 6 to Supplier Tariff Gas – PA PUC No. S-2 (collectively “Tariffs”), reflecting an increase in annual gas distribution revenues of \$28.4 million. By Order entered April 26, 2012, the Commission instituted a formal investigation to determine the lawfulness, justness and reasonableness of Peoples' existing and proposed rates, rules and regulations. The Tariffs were suspended by operation of law until November 28, 2012, unless permitted by Commission Order to become effective at an earlier date.

3. Administrative Law Judge Mary D. Long was assigned to this proceeding for purposes of conducting hearings and issuing a Recommended Decision.

4. I&E entered its Notice of Appearance in this proceeding on February 29, 2012.

5. A prehearing conference was held on May 8, 2012, which established a schedule for the submission of testimony, evidentiary hearings and public input hearings.

6. Public Input Hearings were held on June 18, 2012 at 2:00 p.m. in Glenshaw, PA and 6:00 p.m. in Monroeville, PA.

7. Discovery, both formal and informal, was undertaken during this proceeding.

8. In accordance with the procedural schedule established at the Prehearing Conference, I&E submitted the following testimony:

I&E Statement No. 1 and Exhibit No. 1- Direct Testimony and Exhibit of Emily Sears

I&E Statement No. 2 and Exhibit No. 2- Direct Testimony and Exhibit of Christine Wilson

I&E Statement No. 3 and Exhibit No. 3- Direct Testimony and Exhibit (Proprietary and Non-Proprietary versions) of Joseph Kubas

I&E Statement No. 4 and Exhibit No. 4- Direct Testimony and Exhibit of Ethan H. Cline

I&E Statement No. 5 and Exhibit No. 5- Direct Testimony and Exhibit of Amanda Gordon

I&E Statement No. R-5- Rebuttal Testimony of Amanda Gordon

I&E Statement No. 1-SR and Exhibit No. 1-SR- Surrebuttal Testimony and Exhibit of Emily Sears

I&E Statement No. 2-SR- Surrebuttal Testimony of Christine Wilson

I&E Statement No. 3-SR and Exhibit No. 3-SR- Surrebuttal Testimony and Exhibit (Proprietary and Non-Proprietary versions) of Joseph Kubas

I&E Statement No. 4-SR - Surrebuttal Testimony of Ethan H. Cline

I&E Statement No. 5-SR - Surrebuttal Testimony of Amanda Gordon

9. In accordance with Commission policy favoring settlements, 52 Pa. Code § 5.231, I&E participated in settlement discussions with other parties to the proceeding. Following several rounds of discovery and extensive settlement negotiations, the parties reached a full and complete settlement of all issues.

TERMS AND CONDITIONS OF SETTLEMENT

10. I&E submits that the Settlement represents a balance of the interests of the Company and its customers. Accordingly, for the specific reasons articulated below and the full scope of benefits addressed in the Settlement Agreement, I&E maintains that the proposed Settlement is in the public interest and requests that it be approved by the ALJ and the Commission without modification:

a. *Revenue Requirement* (Joint Petition ¶ 24):

The proposed Settlement permits the Company to establish rates that produce annual increased operating revenues of \$15.4 million. This proposed increase is in lieu of Peoples' requested increase of approximately \$28.4 million. As such, the Settlement revenue represents a \$13 million decrease from the Company's filed request.

I&E analyzed the ratemaking claims contained in the Company's filing including, but not limited to, operating and maintenance expenses, competitive discounts, rate base, and the cost of common equity. Upon completion of this review, I&E maintains that the proposed \$15.4 million increase will result in just and reasonable rates as mandated by the Public Utility Code. The Settlement is "black box" in nature, therefore, expenses, cost of capital and return on equity are not specifically agreed upon. Nonetheless, the parties discussed and negotiated in this agreement the merits of contested issues. Line by line identification and the ultimate resolution of the disputed issues is not necessary as I&E represents that the Settlement maintains the proper balance of the interests of all parties. Ratepayers will continue to receive safe and reliable service at reasonable rates while allowing sufficient additional revenues to meet Peoples' operating expenses and

provide a reasonable rate of return. Furthermore, the agreed upon Settlement rates significantly moderates the increase initially proposed by Peoples. Accordingly, the proposed rate increase is in the public interest.

b. *Rate Design* (Joint Petition ¶ 30- 31):

Paragraph 30 of the Joint Petition indicates that the Settlement implements Peoples' redesign of class rate schedules by grouping commercial and industrial customers by volumetric usage. The Company states that the new rate classes will provide a better grouping of customers with similar usage into homogeneous groups for cost allocation and rate design purposes. Peoples St. No. 14, p. 7. I&E supported this proposal because customers with similar usage will be grouped together. I&E St. No. 3, p. 21-23. The type of customer will no longer be relevant because only volumes will determine the classification of the Company's customers.

I&E maintains that the distribution of revenue among the customer classes, as shown in Appendix C, is in the public interest. Rate structure and rate design was the subject of extensive testimony and settlement discussions in this proceeding. All parties agree that the allocation of the proposed increase to the Company's customer classes is just, reasonable and non-discriminatory.

In particular, I&E affirms that the implementation of a tariff customer charge of \$13.95 per month for residential customers is in the public interest. Joint Petition, Appendix C. The Company proposed to increase the present \$13.75 per month residential customer charge to \$20.00 per month. Peoples Volume III-A, pp. 50-51. I&E conducted a customer cost analysis to determine the appropriate customer charges for the

various classes and meter sizes. I&E's customer cost analysis showed that the Company incurs \$14.42 per month in direct and allowable indirect customer costs to provide service to residential customers; therefore, I&E recommended a residential customer charge no higher than \$14.40. I&E St. No. 3, pp. 14-21. Based on this analysis, I&E maintained that there is no cost basis for increasing the present customer charge to \$20.00 as requested by the Company. The proposed \$13.95 customer charge is in keeping with I&E's recommendation as it is reflective of the direct and permissible indirect costs incurred to serve customers. Further, as shown in Appendix D, the billed customer charges will reflect reduced rates pursuant to the acquisition proceeding at Docket No. A-2008-2063737. A credit of \$1.50 will be applied to the monthly Residential customer charge, resulting in a net customer charge of \$12.45 for the duration of the credit period. Therefore, approval of the customer charge is in the public interest and should be accepted by the Commission.

c. *Non-CAP Universal Service Cost Recovery* (Joint Petition ¶ 37, 38):

Pursuant to the Settlement, the Emergency Furnace and Line Repair Program funding will be increased by \$200,000 and Low Income Usage Reduction program ("LIURP") funding will be increased by \$100,000. The proposed \$15.4 million increase includes the \$300,000 increase to these universal service programs. In addition, the Community Partnership for Weatherization Program funding will not be increased and will remain at its current annual funding level of \$50,000.

The Emergency Furnace and Line Repair Program was implemented in June 2011 with an initial funding level of \$200,000, which Peoples proposed to increase to \$500,000 in this proceeding. I&E opposed increasing the Emergency Furnace and Line Repair Program funding by \$300,000. I&E St. No. 5, pp. 4-5. Only partial year data was available for this program; therefore, I&E recommended that the pilot funding level of \$200,000 not be increased until the program has been demonstrated to be effective. Peoples asserts that the initial response to the program has been strong and that it easily spent the money available to it in 2011. Peoples St. No. 5-R, p. 5. The Company contends that flexibility is important, especially in this early stage of the program, in order to establish funding at an appropriate level. Peoples St. No. 5-R, p. 6. Finally, Peoples maintains that Columbia has a similar program with an annual budget of \$500,000, which is reflective of the need in Peoples' service territory. Peoples St. No. 5-R, p. 6. Accordingly, the \$200,000 increase to the Emergency Furnace and Line Repair Program reflects a compromise that is in the public interest because it balances the needs of this new program and manages the costs borne by residential ratepayers.

Peoples annual LIURP funding is currently \$1.0 million and it will increase to \$1.1 million under the settlement. Community Action Association of Pennsylvania ("CAAP") proposed that Peoples increase its funding levels to \$1.3 million in 2013, \$1.4 million in 2014 and \$1.5 million in 2015. CAAP St. No. 1, p. 9. I&E opposed CAAP's proposed funding mechanism because Peoples did not clearly demonstrate the effectiveness of the LIURP program as annual average CAP usage has not consistently decreased over the past seven years and because Peoples did not use all of the annual

LIURP funding available in 2011. I&E St. R-5, pp. 2-3. Accordingly, I&E maintains that the \$100,000 LIURP increase contained in the Settlement, in lieu of the \$500,000 increase proposed by CAAP over the next three years, is in the public interest because it allows the Company to continue to provide energy reduction services to its low income customers while at the same time moderates the amount recovered from ratepayers.

Finally, Paragraph 38 of the Settlement provides that the Community Partnership for Weatherization Program will remain at its current annual funding level of \$50,000. The Company proposed to increase the annual funding for this program to \$100,000. I&E recommended that the current funding level not be increased for the following reasons: Peoples does not require its community partners to share the financial burden of the program, the program is entirely funded by Peoples non-low-income residential customers and serves non-Peoples customers of any income level, and because the Company did not present metrics showing the effectiveness of the program. I&E St. No. 5, pp. 5-6. In rebuttal testimony, Peoples withdrew its request to increase funding for this program in order to focus its efforts on identifying projects and partnerships that will have the greatest impact on Peoples' ratepayers, such as the Emergency Furnace and Line Repair Program. Peoples St. No. 5-R, pp. 6-7. Accordingly, for the above stated reasons, maintaining the Community Partnership for Weatherization Program funding at \$50,000 is in the public interest.

d. I&E represents that all other issues raised in testimony have been satisfactorily resolved through discovery and discussions with the Company and are

incorporated in the Settlement. The very nature of a settlement requires compromise on the part of all parties. This particular agreement exemplifies this principle. The balance of the issues have been carefully discussed and negotiated in this agreement. Line by line identification of the ultimate resolution of the disputed issues is not necessary as I&E represents that the Settlement maintains the proper balance of the interests of all parties. I&E is satisfied that no further action is necessary and considers its investigation of this rate filing complete.

11. Based upon I&E's analysis of the filing, acceptance of this proposed Settlement is in the public interest. 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.

12. I&E further submits that the acceptance of the foregoing settlement will negate the need for an evidentiary hearing, the preparation of Main and Reply Briefs, the preparation of Exceptions and Reply Exceptions, and the filing of possible appeals.

13. The Settlement is conditioned upon the Commission's approval of all terms 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.

14. 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 other parties to the instant proceeding.

15. If the ALJs recommend that the Commission adopt the Settlement as proposed, I&E agrees to waive the filing of Exceptions. However, I&E has not waived its right 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 ALJs in their Recommended Decision. I&E also reserves 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 Joint Settlement as being in the public interest and respectfully requests that Administrative Law Judge Mary D. Long recommend, and the Commission approve, the terms and conditions contained in the foregoing Joint Petition for Approval of Settlement of All Issues.

Respectfully submitted,



Allison C. Kaster
Attorney I.D. #93176

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Post Office Box 3265
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(717) 787-1976

Dated: August 3, 2012

APPENDIX “G”

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission, et al. :
 :
 v. : Docket No. R-2012-2285985
 :
 Peoples Natural Gas Company, LLC :

STATEMENT OF THE
OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF
JOINT PETITION FOR SETTLEMENT OF ALL ISSUES

The Office of Consumer Advocate (OCA), one of the signatories to the Joint Petition for Approval of Settlement of All Issues (Settlement), respectfully requests that terms and conditions of the Settlement be approved by the Administrative Law Judge (ALJ) and the Pennsylvania Public Utility Commission (Commission). The Settlement resolves all issues regarding the request for an increase in distribution revenues by Peoples Natural Gas Company, LLC (Peoples or the Company). It is the position of the OCA that the proposed Settlement is in the public interest and in the interests of the customers of Peoples.

I. Introduction

On February 28, 2012, Peoples filed Retail Tariff Gas- Pa. P.U.C. No. 45, Supplement No. 6 to Supplier Tariff Gas- Pa. P.U.C. No. S-2 (Tariff). In its filing, the Company proposed to increase rates to produce additional annual operating revenues of \$28.4 million, or an overall increase of 7.5% in total annual revenues. On a distribution revenue only basis, and excluding

gas costs, the Company's filing proposed a 12.3% increase. For residential customers, the Company proposed an overall increase in rates of approximately 9.0%, and excluding gas costs, Peoples' filing sought an approximate 16.4% increase in residential distribution rates.

For the typical residential customer using 92 Mcf per year, the average customer bill will increase from \$79.60 per month to \$83.41 per month, or by \$3.81, a 4.8% increase on a total bill basis, compared to the \$7.14 per month, or 9.0%, increase originally proposed by Peoples.

On February 29, 2012, the Bureau of Enforcement and Investigation (I&E) filed its Notice of Appearance. On March 7, 2012, the OCA filed its Notice of Appearance, Formal Complaint and Public Statement. On March 19, 2012, the Office of Small Business Advocate (OSBA) filed a Notice of Appearance, Formal Complaint and Public Statement. On April 5, 2012, Penn State University (Penn State) filed a Formal Complaint. Formal Complaints were filed by five consumers: Daniel Killmeyer, Raymond Anderson, Steven J. Swencki, James Weber, and Severo Miglioretti. Petitions to Intervene were filed by EQT Energy, LLC, d/ba/ Equitable Energy (EQT), Dominion Retail, Inc. and Interstate Gas Supply, Inc. (Dominion/IGS), Pennsylvania Independent Oil and Gas Association (PIOGA), Retail Energy Supply Association (RESA), Community Action Association of Pennsylvania (CAAP), Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA), and Snyder Brothers, Inc., Buffalo Valley Ltd., Snyder Armclar Gas Company LP and S&D Energy (collectively Snyder Brothers).

By Order entered April 26, 2012, the Commission initiated an investigation of the Company's proposed rate increase and suspended the filing until November 28, 2012. The matter was assigned to the Office of Administrative Law Judge and further assigned to Administrative Law Judge Mary D. Long.

A prehearing conference was held on May 8, 2012 before Administrative Law Judge Mary D. Long. At the prehearing conference, a procedural schedule for the case was adopted, as were modified discovery rules providing for shorter response times to discovery requests than are prescribed by the Commission's regulations, and the Petitions to Intervene were addressed.

On May 24, 2012, a Public Input Hearing Notice was issued which scheduled two public input hearings in Peoples' service territory for June 18, 2012. The first public input hearing was held at 2 p.m. in Glenshaw, Pennsylvania on June 18, 2012, and the second public input hearing was held at 6:00 p.m. on the same day.

Throughout the proceeding, the OCA engaged in formal and informal discovery designed to thoroughly investigate all aspects of the Company's proposed rate increase. On May 30, 2012, the OCA submitted the Direct Testimonies of Thomas S. Catlin (OCA Statement No. 1), Matthew I. Kahal (OCA Statement No. 2), Jerome D. Mierzwa (OCA Statement No. 3), and Roger D. Colton (OCA Statement No. 4). On June 25, 2012, the OCA submitted the Rebuttal Testimonies of Jerome D. Mierzwa (OCA Statement No. 3-R) and Roger D. Colton (OCA Statement No. 4-R). On July 13, 2012, the OCA submitted the Surrebuttal Testimonies of Thomas S. Catlin (OCA Statement No. 1-S), Matthew I. Kahal (OCA Statement No. 2-S), Jerome D. Mierzwa (OCA Statement No. 3-S), and Roger D. Colton (OCA Statement No. 4-S).

Prior to the date set for hearings, on July 17, 2012, the parties reached a settlement agreement in principle and requested that the procedural schedule be suspended. ALJ Long granted the request to suspend the procedural schedule.

On July 25, 2012, the parties filed a Joint Stipulation for Admission of Evidence for the admission of stipulated testimony and exhibits into the record. On July 26, 2012, ALJ Long issued an Order Granting Joint Stipulation for Admission of Evidence.

On July 25, 2012, Peoples also filed a Motion for a Protective Order. On July 25, 2012, ALJ issued a Protective Order in the matter.

As noted above, and discussed further below, the OCA submits that the proposed Settlement is in the public interest and in the interest of customers of Peoples. The OCA submits that the Settlement should be approved. The OCA will discuss several of the key provisions of the Settlement that are of particular importance to the OCA, and which are set forth below.

II. Settlement

A. Revenues (Settlement at ¶¶ 24-29)

1. Revenue Requirement (Settlement at ¶ 24)

The proposed Settlement provides for an overall distribution base rate increase of \$15.4 million. Settlement at ¶ 24. The revenue increase contained in the Settlement is approximately \$13 million less than the \$28.4 million rate increase originally requested by Peoples. The Settlement provides for an approximate overall revenue increase of 4.3% as compared to the Company's original request of a 7.5% increase in overall revenues. On a distribution only basis, excluding gas costs, the revenue increase is 6.5% as compared to the 12.3% originally requested distribution increase.

For residential customers, the Company's filing proposed an increase in distribution rates of approximately 16.4%. Under the Settlement, residential customers will pay an increase of \$13,642,966 in distribution base rates, or approximately 8.4%, thus sharing in the lowered revenue requirement agreed to by the parties. Settlement at ¶ 30, App. C.

For the typical residential customer using 92 Mcf per year, the average customer bill will increase from \$79.60 per month to \$83.41 per month, or by \$3.81, a 4.8% increase, compared to the \$7.14 per month, or 9.0%, increase originally proposed by Peoples.

Based on the OCA's analysis of the Company's filing and the discovery responses received, the rate increase under the proposed Settlement represents a result that would be within the range of likely outcomes in the event of full litigation of the case. The increase is appropriate and, when accompanied by other important provisions contained in the Settlement, yields a result that is just and reasonable.

2. Pennsylvania Producer Enhancement Services (PA PES) (Settlement at ¶¶25-26)

Peoples' Pennsylvania Producer Enhancement Services Program (PA PES) is a program designed to make more locally-produced Pennsylvania gas available for distribution to Peoples' customers. It represents a series of agreements that Peoples has entered into with many of the natural gas producers on its system. Under the PA PES, Peoples will invest in and operate certain facilities to increase the volume of local gas supplies. OCA St. 3 at 40. Local gas producers pay Peoples a per-unit Mcf fee to compensate Peoples for its investment in bringing their local gas to market. The PA PES program resulted in revenues of approximately \$7.6 million. OCA St. 3 at 40; Settlement at ¶ 25. Peoples proposed to share these revenues 50/50 with ratepayers, net of costs. OCA St. 3 at 40-41; Settlement at ¶ 25. In his Direct Testimony, OCA witness Mierzwa recommended that the Commission reduce Peoples' cost of service claim by \$3.8 million thereby reducing Peoples' revenue deficiency by \$3.8 million to eliminate the share of these revenues retained by Peoples. This would effectively return all of the PA PES revenues to ratepayers. OCA St. 3 at 41. The OCA recommended this adjustment arguing that unless Peoples is willing to share revenue shortfalls when the value of service rates are less than

the cost of service, it should not be entitled to share in revenues when the value of service revenues exceeds the cost of service. Id. at 41.

Settlement Paragraph 25 resolves this issue. Settlement at ¶ 25. Settlement Paragraph 25 provides that Peoples will retain \$3.8 million of the approximate \$7.6 million in PA PES revenue discussed above to reduce lost and unaccounted for gas on the gathering system. Id. Settlement Paragraph 25 provides that these expenditures will be made for a three year period, which will commence on December 1, 2012, or until the effective date of rates in Peoples' next base rate case filing, whichever is sooner. Id. at ¶ 26. In each of its 1307(f) filings, Peoples will report on the expenditures made commencing with the filing made on April 1, 2013. Peoples will report on the amount of Gathering Expenditures associated with the reduction to lost and unaccounted for gas and the benefits derived. Id. at ¶ 26. The remaining \$3.8 million of PES revenues in excess of costs is reflected as a reduction to the cost of service used to arrive at the \$15.4 million Settlement rates agreed to in this Settlement.

This is a reasonable resolution to this issue -- it provides value to ratepayers through reduced lost and unaccounted for gas expense and it reduces Peoples' overall cost of service. This condition supports approval of the Settlement as being in the public interest.

B. Rate Structure (Settlement at ¶¶ 30-31, Settlement at App. C, D)

1. Revenue Allocation (Settlement at ¶ 31, Settlement at App. C, D)

In its filing, the Company proposed a revenue allocation that included an increase in residential rates of \$27,191,000 in distribution rates, or approximately 16.4%. OCA St. No. 3 at 30. Under the Settlement, residential customers will pay an increase of \$13,642,966 in distribution base rates, or approximately 8.4%, thus sharing in the lowered revenue requirement agreed to by the parties. Settlement at ¶ 30, App. C.

In this proceeding, the Company provided a cost of service study, and OCA witness Jerome D. Mierzwa presented an alternative study that addressed issues with the Company's study. Mr. Mierzwa also presented an alternative revenue allocation. OCA St. 3 at 6-33, Sch. JDM-1. I&E witness Joseph Kubas OSBA witness Brian Kalcic also presented their respective testimony on the Company's cost of service study and alternative revenue allocation proposals. Based on the OCA's review of the cost of service studies presented in this proceeding and the varying revenue allocation proposals presented by the other parties, the OCA views the Settlement to be within the range of reasonable outcomes from the full litigation of this case. The agreed-upon allocation of the rate increase is included in the Proof of Revenues attached to the Settlement. The Settlement revenue allocation will move all customer classes towards the system average rate of return. The OCA notes that the revenue allocation to residential customers under the Settlement represents an approximate \$13.5 million decrease from the Company's originally proposed revenue increase for residential customers.

2. Rate Design (Settlement at ¶ 31)

OCA witnesses Jerome D. Mierzwa and Roger D. Colton recommended that the Commission reject Peoples' proposed \$20 residential customer charge, a \$6.25 increase over the Company's current customer charge. OCA St. No. 3 at 33-36; OCA St. No. 4 at 3-11. OCA witness Mierzwa recommended that the customer charge be maintained at \$13.75 based on his customer cost analysis, and I&E witness Kubas recommended that the customer charge be increased to \$14.40 per month. OCA St. 3 at 36; I&E St. 3 at 21. The Settlement provides that the residential customer charge will increase by \$0.20 from \$13.75 to \$13.95. Settlement at App. D. The commodity charges will be increased to recover the necessary revenue increase from the residential class.

The OCA submits that eliminating most of the customer charge increase and recovering the remaining revenue through commodity charges will significantly benefit residential customers. OCA witness Mierzwa testified that the Company's proposed \$20.00 residential customer charge included costs which are not customer costs, was out of line with other Pennsylvania Natural Gas Distribution Company customer charges, and was not consistent with the principles of gradualism. OCA St. 3 at 33-34. In addition, reflecting an appropriate portion of the rate increase in the variable charges can provide necessary signals to customers regarding conservation, a benefit that is not realized through fixed customer charges. *Id.* at 35-36. The lower customer charge will also address the concerns raised by OCA witness Roger Colton. Mr. Colton testified that the proposal to increase the customer charge to \$20.00 would have a disproportionate adverse impact on low-use and low-income customers. OCA St. 4 at 3-11.

In addition, the Settlement will continue to account for the remainder of the rate credit trust established at Docket No. A-2008-2063737, the SteelRiver Infrastructure Fund North America acquisition of Peoples from Dominion (SteelRiver Settlement). Settlement at ¶ 31, App. D, page 2 of 2. The SteelRiver Settlement provided that the trust credit would last for approximately three years from its inception, or as long as the trust contains funds. The trust will also provide a volumetric discount of approximately \$0.1279/Mcf for the same approximate time period. Settlement at ¶ 31, App. D, page 2 of 2.

The OCA submits that the residential rate design established through the Settlement is reasonable and is consistent with sound ratemaking principles. These rate design changes result in a customer charge that is below the charge originally proposed, and the charges are within the range of the likely outcomes in the event of full litigation of the case.

C. Price to Compare (PTC) (Settlement at ¶¶ 32-35)

The PTC includes three components that are collected through the Rider G: (1) a Natural Gas Supply Charge; (2) Gas Procurement Charge; and (3) Merchant Function Charge (MFC). Settlement at ¶ 32. Peoples proposed a \$0.936/Mcf GPC rate in its filing. OCA St. 3 at 45. OCA witness Mierzwa testified regarding his concerns about the inclusion of IT system capital costs in the calculation of the GPC and recommended a revised GPC of \$8.85/Mcf. OCA St. 3 at 45-46. The Settlement provides that the GPC will equal \$0.09/Mcf. Settlement at ¶ 33.

The OCA submits that the agreed-upon \$0.09/Mcf GPC is reasonable, below the charge originally proposed, and is within the range of the likely outcomes in the event of full litigation of the case.

D. Universal Service (Settlement at ¶¶ 37-38)

The Settlement provides that Peoples will increase the level of funding for the Emergency Furnace and Line Repair Program from \$200,000 to \$400,000 annually. The Settlement also provides that Peoples will increase its Low Income Usage Reduction Program budget from \$1.0 million to \$1.1 million. Settlement at ¶ 37. Peoples will also attempt to apply 25% of the LIURP budget to eligible customers not participating in the Customer Assistance Program (CAP). *Id.* Both of these programs are included in the \$15.4 million increase and will be recovered through increases in charges under Rider F. Settlement at ¶ 37.

The OCA submits that increases to the budgets of these two programs will provide a benefit to low-income customers and to all residential customers. The increase to the budget for the Low Income Usage Reduction Program (LIURP) will assist more low-income customers in reducing their overall usage, promote the goal of conservation, and lower low-income customer bills. The Emergency Furnace and Line Repair Program will assist customers with emergency

repair and replacement, and in particular, customers who otherwise would fall into the gap of emergency assistance. Peoples witness Sadie Kroeck testified that often these customers will resort to unsafe devices. Peoples St. No. 5 at 7. The OCA submits that the Emergency Furnace and Line Repair program will provide a benefit to low-income customers by assisting them with maintaining service during the winter heating season and ensuring that they are not resorting to otherwise unsafe heating sources.

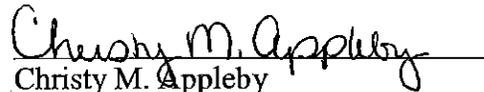
The OCA submits that the proposed increases in the budgets for the LIURP and the Emergency Furnace and Line Repair Program are reasonable, in the public interest and should be approved.

III. Conclusion

The terms and conditions of the Settlement provide an overall distribution base rate increase of \$15.4 million. The revenue allocation contained in the Settlement represents a compromise among the positions of the parties in this proceeding and will move all classes towards the system average returns. The OCA submits that the reduction in the proposed revenue increase, the revenue allocation, and the customer charge, along with all of the other terms and conditions of the Settlement described above, represent a fair and reasonable settlement of this proceeding.

WHEREFORE, for the foregoing reasons, the Office of Consumer Advocate submits that the proposed Settlement is in the public interest.

Respectfully submitted,



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DATE: August 3, 2012

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APPENDIX “H”

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
	:	
v.	:	DOCKET NO. R-2012-2285985
	:	
PEOPLES NATURAL GAS COMPANY LLC	:	

**STATEMENT OF THE OFFICE OF SMALL BUSINESS ADVOCATE
IN SUPPORT OF THE JOINT PETITION FOR SETTLEMENT**

I. INTRODUCTION

The Small Business Advocate is authorized and directed to represent the interests of small business consumers in proceedings before the Pennsylvania Public Utility Commission (“Commission”) under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. In order to discharge this statutory duty, the Office of Small Business Advocate (“OSBA”) is participating as a party to this proceeding to ensure that the interests of small commercial and industrial (“Small C&I”) customers of Peoples Natural Gas Company LLC (“Peoples” or the “Company”) are adequately represented and protected.

II. PROCEDURAL BACKGROUND

On February 28, 2012, Peoples filed Retail Tariff Gas – PA PUC No. 45 and Supplement No. 6 to Supplier Tariff Gas – PA PUC No. S-2 (“Tariffs”). The proposed Tariffs (as originally filed), if approved by the Commission, would increase the Company’s annual revenues by \$28.4 million, or 7.5% in total annual operating revenues, and would result in a return on equity of 11.25%.

The OSBA filed a Complaint on March 19, 2012, alleging that Peoples' proposed rates, rate design, and cost and revenue allocation are unjust, unreasonable, and unlawfully discriminatory in violation of, *inter alia*, Sections 1301 and 1304 of the Public Utility Code, 66 Pa. C.S. §§ 1301 and 1304, and contrary to appropriate public policy and sound ratemaking considerations, and may not be supported by the materials filed by Peoples.

Complaints against the proposed Tariffs were also filed by the Office of Consumer Advocate ("OCA") on March 7, 2012 and Snyder Brothers, Inc., Buffalo Valley Ltd., Snyder Armelar Gas Company LP and S & D Energy (collectively, "Snyder Brothers") on May 4, 2012.

On February 29, 2012, the Commission's Bureau of Investigation & Enforcement ("I&E") filed a Notice of Appearance.

Petitions to Intervene were filed by EQT Energy, LLC d/b/a Equitable Energy ("Equitable ") on March 8, 2012, Dominion Retail, Inc. and Interstate Gas Supply, Inc. ("Dominion/IGS") on March 19, 2012, Pennsylvania Independent Oil and Gas Association ("PIOGA") on April 5, 2012, The Pennsylvania State University ("Penn State") on April 5, 2012, Retail Energy Supply Association ("RESA") on April 25, 2012, the Community Action Association of Pennsylvania ("CAAP") on May 3, 2012, and Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA") on May 7, 2012.

By Order entered April 26, 2012, the proposed Tariffs were suspended by operation of law until November 28, 2012. The Commission ordered an investigation into

the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in the proposed Tariffs, as well as the Company's existing rates, rules, and regulations.

A Prehearing Conference was held on May 8, 2011, before Administrative Law Judge ("ALJ") Mary D. Long, at which time the parties agreed to a procedural schedule and discovery modifications. Extensive discovery was conducted by the parties.

The OSBA filed the Direct, Rebuttal, and Surrebuttal Testimony of Brian Kalcic on May 30, 2012, June 25, 2012, and July 13, 2012, respectively. These were marked as OSBA Statement No. 1, the Direct Testimony and Exhibits of Brian Kalcic; OSBA Statement No. 2, the Rebuttal Testimony of Brian Kalcic; and OSBA Statement No. 3, the Surrebuttal Testimony and Exhibits of Brian Kalcic.

The parties successfully negotiated a settlement in principle of all issues and advised the ALJ of such settlement on July 17, 2012. At the request of the parties, ALJ Long cancelled the evidentiary hearings scheduled for July 18, 19, and 20, 2012.

The parties filed a Joint Stipulation of Evidence on July 25, 2012, stipulating to the authenticity of prepared testimony and exhibits and requesting that they be admitted into the record, which request was granted by order entered July 26, 2012.

The OSBA actively participated in the negotiations that led to the proposed settlement, and is a signatory to the Joint Petition for Approval of Settlement of All Issues ("Joint Petition"). The OSBA submits this statement in support of the Joint Petition.

III. STATEMENT IN SUPPORT OF THE JOINT PETITION

The Joint Petition sets forth a comprehensive list of issues that were resolved through the negotiation process. The following issues were of significance to the OSBA when it concluded that the Joint Petition was in the best interests of the Company's Small C&I customers.

A. **Revenue Requirement**

The Company proposed an ROE of 11.25%.¹ OSBA witness Mr. Kalcic testified that this requested ROE is inconsistent with the Commission's award of 10.4% in the most recently litigated natural gas base rate proceeding, *i.e.*, the PPL Gas Utilities Corporation base rate case at Docket No. R-00061398 ("PPL Gas Order").² Mr. Kalcic further testified that approximately 10 months after the Commission issued the PPL Gas Order, the United States economy entered into a steep recession from which it has yet to fully recover. Additionally, capital markets experienced a financial crisis that only continued to intensify.³ The result is that both interest rates and overall equity returns are lower today than when the Commission issued the PPL Gas Order. Therefore, Mr. Kalcic recommended that the ROE in this proceeding be limited to no greater than the 10.4% ROE awarded in the PPL Gas Order.⁴ Reducing the ROE from 11.25% to 10.4% would reduce Peoples' requested rate increase by \$5.8 million.⁵

¹ Peoples Statement No. 9, Direct Testimony of Paul R. Moul at 2.

² OSBA Statement No. 1, Direct Testimony of Brian Kalcic at 12; *Pa. PUC v. PPL Gas Utilities Corp.*, Docket No. R-00061398, Order entered February 8, 2007 at 108.

³ OSBA Statement No. 1 at 13.

⁴ *Id.*

⁵ *Id.*

Approval of the foregoing recommendation by Mr. Kalcic would lower the Company's revised requested rate increase (on rebuttal) from \$26.9 million to \$21.1 million.⁶ The Joint Petition proposes to increase Peoples' revenues by \$15.4 million. The rate increase provided for in the Joint Petition is approximately \$5.7 million below the cap of the increase derived from Mr. Kalcic's recommendation regarding the ROE. Therefore, the OSBA concludes that a rate increase of \$15.4 million is reasonable.

B. Revenue Allocation

Peoples' proposed a change to its current rate structure for non-residential customers based on annual usage levels. All commercial and industrial ("C&I") customers using less than 1,000 Mcf annually would take service under the Small General Service ("Rate SGS") rate schedule. All C&I customers that use 1,000 to 24,999 Mcf per year would take service under the Medium General Service ("Rate MGS") rate schedule. Finally, all C&I customers using over 25,000 Mcf annually would take service under the Large General Service ("Rate LGS") rate schedule.

No party, including the OSBA, objected to this change. The OSBA agreed with the Company's reasoning that the new rate classes would facilitate a more accurate apportionment of cost responsibility since the classes would reflect more homogeneous customer groups. Peoples also represented that such grouping of customers by usage level would help to minimize certain intra-class subsidies that may arise within classes that exhibit large variations in customer usage levels, a goal that the OSBA shares.

⁶ OSBA Statement No. 3 at 4.

Using the new rate structure, the Company performed both a Peak and Peak & Average (“P&A”) cost-of-service study (“COSS”).⁷ Peoples then averaged the individual cost-based increases (or decreases) assigned to each class in the two COSSs to assign class revenue responsibility.⁸ The Company’s intent was to move each rate class to full cost of service.⁹

In response to an interrogatory propounded by the OSBA, the Company identified an error that caused both the Peak and P&A cost-based increases to be misstated.¹⁰ Therefore, the Company’s proposed increases would not move all rate classes to full costs of service as claimed.¹¹

Mr. Kalcic rejected Peoples’ proposed class revenue allocation and recommended that the Commission instead adopt the OSBA’s proposed revenue allocation. Mr. Kalcic’s recommended class revenue allocation was derived via three steps. First, he assigned each rate class its corrected cost-based increase (using the Company’s combined COSS approach).¹² Second, Mr. Kalcic adjusted those increases so that: (a) no class would receive an overall increase greater than 1.5 times the system average and (b) no class would receive a base rate decrease in this case.¹³ He disagreed with the Company’s initial proposal to assign decreases to the MGS and LGS classes because it would

⁷ Peoples Statement No. 14, Direct Testimony of Joseph A. Gergorini at 7-10.

⁸ *Id.*

⁹ Peoples Exhibit JAG-3, page 2 of 2.

¹⁰ OSBA-I-8, attached as exhibit to OSBA Statement No. 1.

¹¹ OSBA Statement No. 1 at 5.

¹² *Id.* at 6.

¹³ *Id.*

exacerbate the required increases to the remaining classes, *i.e.*, Residential and SGS.¹⁴ Mr. Kalcic's recommendations resulted in approximately \$1.1 million of combined rate relief for the Residential and SGS classes. Third, Mr. Kalcic allocated the \$1.1 million of rate relief to the Residential and SGS classes in proportion to their total cost of service at proposed rates (using the Company's combined COSS results).¹⁵

OCA witness Jerome D. Mierzwa also recommended an alternative class revenue allocation. Mr. Mierzwa performed a COSS using only the P&A methodology. Mr. Kalcic testified that the P&A methodology used by Mr. Mierzwa is inappropriate because it double-counts the average portion of peak demand, and assigns a greater than proportional amount of costs to those rate classes with load factors in excess of the system average and a lower than proportional amount of costs to those rate classes with load factors below the system average.¹⁶ Mr. Kalcic recommended that the Commission reject the OCA's proposed revenue allocation because it is based on the OCA's P&A COSS.¹⁷

In its rebuttal testimony, Peoples revised its proposed revenue allocation to reflect the Company's revised request for a base rate increase of \$26.9 million. The Company's revised revenue allocation also eliminated the rate decreases that otherwise would have applied to the MGS and LGS rate classes and assigned a corresponding rate decrease to the Residential and SGS classes in proportion to each class's blended cost-based increase. Although the Company's revised revenue allocation adopted the OSBA's position that no

¹⁴ OSBA Statement No. 1 at 5.

¹⁵ OSBA Statement No. 1 at 6.

¹⁶ OSBA Statement No. 2, Rebuttal Testimony of Brian Kalcic at 2.

¹⁷ *Id.* at 4.

class should receive a base rate decrease in this proceeding, Mr. Kalcic rejected the Company's revised revenue allocation because it failed to provide a reasonable limit on customer rate impacts, and therefore was contrary to the ratemaking principle of gradualism. Peoples' proposal would result in a rate increase for the SGS class in excess of two times the system average increase in revenue.¹⁸

In surrebuttal testimony, the OSBA revised its recommended revenue allocation, limiting the SGS increase to 1.5 times the system average and recovering the resulting revenue shortfall proportionately from those classes receiving less than the system average increase, *i.e.*, MGS and LGS.¹⁹

Below is Table 1S taken from Mr. Kalcic's surrebuttal testimony, which shows the revenue allocations proposed by Peoples, the OSBA, and the OCA at the Company's revised rate request of \$27.6 million (exclusive of a decrease in pooling fees of \$700,000).²⁰

Table 1S

Summary of the Parties' Proposed Revenue Allocations,
Based on Peoples' Revised Rate Revenue Request of \$27.6 Million
(\$000)

<i>Class</i>	<i>Peoples</i>	<i>OSBA</i>	<i>OCA</i>
Residential	\$23,024	\$23,024	\$17,122
SGS	\$4,572	\$3,413	\$3,493
MGS	\$0	\$665	\$1,882
LGS	<u>\$0</u>	<u>\$494</u>	<u>\$5,099</u>
Total	\$27,596	\$27,596	\$27,596

Source: Schedules BK-1S, BK-2S, and Table 6, on page 32
of OCA Statement No. 3 (scaled back to \$27.6 million).

¹⁸ OSBA Statement No. 3 at 2.

¹⁹ *Id.*

²⁰ *Id.* at 3.

The following table scales back the revenue allocation proposals in Table 1S above to the settlement rate revenue increase of \$16.1 million (exclusive of a decrease in pooling fees of \$700,000, for a total settlement increase of \$15.4 million) and compares them to the settlement revenue allocation.

Comparison of the Parties' Revenue Allocation Proposals
at \$16.1 million Base Rate Settlement Increase
(\$000)

<i>Class</i>	<i>Settlement</i>	<i>Peoples</i>	<i>OSBA</i>	<i>OCA</i>
Residential	\$13,643	\$13,443	\$13,443	\$9,997
SGS	\$2,133	\$2,669	\$1,993	\$2,039
MGS	\$336	\$0	\$338	\$1,099
LGS	\$0	\$0	\$288	\$2,977
Total	\$16,112	\$16,112	\$16,112	\$16,112

Source: Joint Petition at Appendix C, page 1 of 8,
and Table 1S (scaled back to \$16.1 million).

The OSBA believes that the settlement revenue allocation proposed in the Joint Petition is reasonable for both SGS and MGS customers. The \$2,133,000 increase for SGS customers is only slightly higher than the \$1,993,000 increase recommended by the OSBA. The settlement also avoids the litigation risk of Peoples' significantly higher recommended increase of \$2,669,000. For MGS customers, the settlement increase is \$336,000, which is actually slightly less than the \$388,000 increase recommended by the OSBA. Moreover, the settlement increase for MGS customers avoids the litigation risk of the OCA's significantly higher recommended increase of \$1,099,000.

C. Rate Design

The Company's proposed SGS delivery charges maintain separate delivery charges for commercial versus industrial customers taking service on Rate SGS. Mr.

Kalcic testified that maintaining separate delivery charges is reasonable at this time, but only because the difference in existing delivery charges paid by small commercial and small industrial customers is too large to eliminate in one rate proceeding.²¹ He argued that all SGS customers should eventually pay the same consolidated delivery charge. Since the Company's proposed Rate SGS delivery charges would actually increase the disparity in the delivery charges paid by SGS customers, it is inappropriate.²² Mr. Kalcic recommended that Peoples' SGS delivery charges be set so as to reduce the current difference in delivery charges paid by SGS customers by 25%.²³

Peoples' agreed with Mr. Kalcic's recommendation in its rebuttal testimony.²⁴ The OSBA recommends adoption of the SGS rate design in the Joint Petition as it is consistent with Mr. Kalcic's recommendation with respect to Rate SGS delivery charges.²⁵

D. Pennsylvania Production Enhancement Services ("PES")

In its initial filing, the Company proposed to share excess PES Program revenues. Under the Company's revenue sharing proposal, Peoples' shareholder and ratepayers would each receive 50% of the difference between: (1) the expected future test year revenue generated under the PES Program; and (2) the projected future test year embedded costs of operating the PES Program.²⁶

²¹ OSBA Statement No. 1 at 9.

²² *Id.*

²³ *Id.*

²⁴ Peoples Statement No. 14-R, Rebuttal Testimony of Joseph A. Gregorini at 15.

²⁵ See Appendix D to the Joint Petition at page 1 of 2, Small General Service.

²⁶ OSBA Statement No. 1 at 10.

Mr. Kalcic rejected the Company's revenue sharing proposal.²⁷ Considering the fact that both ratepayers and natural gas producers continue to suffer from high lost and unaccounted for gas ("LUFG") levels on Peoples' system, Mr. Kalcic recommended that the Company be required to apply its "share" of excess PES Program revenue toward mitigating LUFG on its gathering system. Such mitigation would significantly benefit both ratepayers and local producers.²⁸

The OSBA supports the settlement with regard to PES Program revenue because it is consistent with Mr. Kalcic's recommendation. Peoples will retain and use \$3.8 million of the \$7.6 million excess PES Program revenue to invest as incremental annual expenditures to reduce LUFG on Peoples' gathering facilities or for gathering system upgrades used to deliver local gas to Peoples and its customers.²⁹

²⁷ OSBA Statement No. 1 at 10-11.

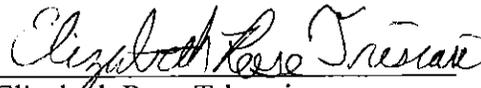
²⁸ *Id.* at 11.

²⁹ Joint Petition at 6.

IV. CONCLUSION

For the reasons set forth in the Joint Petition, as well as the additional factors enumerated in this statement, the OSBA supports the proposed Joint Petition and respectfully requests that ALJ Long and the Commission approve the Joint Petition in its entirety without modification.

Respectfully submitted,



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Assistant Small Business Advocate
Attorney ID No. 306921

For:

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Dated: August 8, 2012

APPENDIX “I”

c. Opposed Peoples proposed modifications to its storage rules for rate schedules ST and ST-SW, which would have prohibited injection during the winter periods; and

d. Contested Peoples current storage charges which are priced well above market.

2. The Settlement approves the Gas Procurement Charge and Merchant Function Charge with only slight modification from what was filed. (Settlement, paragraphs 32-35). The Settlement also ensures that the Gas Procurement Charge will continue to be calculated in accordance with applicable Commission regulations. *See Appendix A.*

3. The Settlement also approves Peoples reduction in the pooling fee from 8 cents per Mcf, to 4.36 cents per Mcf. This reduction, coupled with the change of now assessing pooling fees on residential volumes, applies a more accurate cost recovery mechanism to those who consume the services and is therefore in the public interest because it assigns the costs to the cost causers at a reasonable cost level. (Settlement, Paragraph 39).

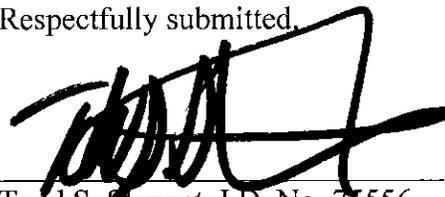
4. With regard to the ST and the ST-SW storage rates, the modifications described in Appendix A, will ensure that the Company will have some control over injections but eliminates the onerous ban on winter-time injections for storage services. These modifications are a reasonable compromise from what the Company had initially proposed, which would have prohibited suppliers from filling storage in the winter months and which would have greatly limited supplier flexibility in non-normal weather situations. As the NGS Parties witness suggested, "suppliers cannot control the weather and the related usage, and the latitude for an injection after month end has been an essential component of Peoples transportation program." (Dominion Retail Statement No. 1, Page 6, Lines 8-10). The compromise, evidenced by the Settlement, resolves this issue in a manner that is favorable to the suppliers by allowing them

the latitude to continue to make injections during the winter months so long as there is no system-wide emergency.

5. The issue of Peoples storage rates is not addressed in the settlement but the NGS Parties remain free to, and will continue to work with Peoples to reach a solution in some form.

6. With regard to the issues resolved as between the NGS Parties and Peoples in this case, the Settlement reflects a reasonable compromise, which will allow suppliers to continue to provide service to customers on the Peoples system without any significant modification to the rules, which so far have allowed for the most competitive natural gas market in the state. As importantly, the changes that were made have not significantly increased the costs for suppliers or customers. Accordingly, the NGS Parties believe that the Settlement largely preserves their ability to operate on the Peoples system, and with the inclusion of GPC, and the modifications to the Merchant Function Charge and the POR discount, provide positive benefits that should aid in expanding competition on the Peoples system. Accordingly, the NGS Parties request the approval of the Joint Petition for Settlement without modification.

Respectfully submitted,



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*Counsel for Dominion Retail, Inc.
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Dated: August 3, 2012

APPENDIX “J”

**BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION
ADMINISTRATIVE LAW JUDGE MARY D. LONG PRESIDING**

Pennsylvania Public Utility Commission, et al. : R-2012-2285985, et. seq.
v. :
Peoples Natural Gas Company LLC :

EQT'S STATEMENT IN SUPPORT OF SETTLEMENT

EQT Energy LLC, d/b/a Equitable Energy ("EQT") hereby files this Statement in Support of the Joint Petition for Approval of Settlement of All Issues ("Settlement") in the above-captioned matter. In support of the Presiding Officer's and Public Utility Commission's ("Commission") approval of this Settlement, EQT respectfully represents the following.

1. On or about February 28, 2012, Peoples Natural Gas Company LLC ("Peoples") filed a revised retail service tariff (Tariff Gas Pa. P.U.C. No. 45) and Supplement No. 6 to its Supplier Tariff Gas Pa. P.U.C. No. S-2. The filing proposed increases in Peoples' rates and changes to its tariff rules to implement the requirements of the Commission's Revised Final Rulemaking Order issued at docket L-2008-2069114 and published at 42 Pa. Bulletin 2159.

2. EQT is a licensed natural gas supplier ("NGS") and provides aggregator, broker/marketer and natural gas supply service to commercial and industrial customers in the service area of Peoples. EQT was issued its NGS license by Commission Order entered November 19, 1999 at Dkt. A-125013.

3. On March 8, 2012, EQT filed its Petition to Intervene in this matter. That Petition was granted by the Presiding Officer at the Prehearing Conference conducted May 8, 2012.

4. EQT has participated in this proceeding. Prior to the scheduled evidentiary hearings, the parties engaged in settlement negotiations and were able to achieve a settlement in principle of all issues on July 17, 2012.

5. As an NGS, EQT has an interest in promoting natural gas competition in Peoples' service area and in Pennsylvania generally. As part of this Settlement, Peoples has agreed to revise several rules and rates in its Supplier and Retail tariffs which EQT believes will promote natural gas competition in the service area. EQT supports the Settlement because of the following revisions to Peoples' tariffs.

A. Reduction of Pooling Fees Applicable to NP-1 Pools (Settlement ¶ 39)

Peoples has agreed to reduce its existing pooling fees applicable to NP-1 and P-1 pools to \$0.0436/Mcf. Peoples has also proposed to assess Rate P-1 pooling fees on residential volumes. The reduction of pooling fees is consistent with EQT's recommendations in the prior Peoples rate case at R-2010-2201702 and results in the pooling fees moving closer to being set on a cost of service basis rather than on a market based basis. EQT believes that the reduction in pooling costs will have a positive effect on natural gas competition in Peoples' service area. The reduced pooling fees will benefit NGSs currently operating in the service area and likely will attract additional NGSs to this market.

B. Revision to Peoples' Price to Compare ("PTC") and Gas Procurement Charge ("GPC") (Settlement ¶ 42)

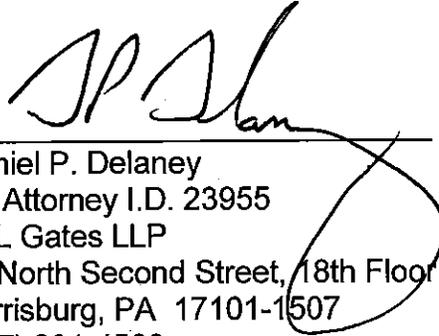
Peoples has agreed to revise the PTC and GPC provisions of its Retail Tariff consistent with the evidence presented in this proceeding and the Commission's final revised rulemaking order at Dkt. No. L-2008-2069114. The PTC and GPC revisions will allow customers to more accurately compare the prices of Peoples' provider of last

resort gas service and the cost of service provided by NGSs. The more accurate comparison of prices for natural gas supply service will benefit Peoples' customers in exercising their right of choice and should also increase natural gas competition in Peoples' service area.

6. EQT supports the Settlement as being in the public interest because it will further the development and continued growth of natural gas competition in Peoples service area. A settlement at this point in the case will also allow the Commission and the parties to avoid the expense and effort of a full litigation of this proceeding.

WHEREFORE, EQT supports the Joint Petition for Settlement as being in the public interest and respectfully requests the Presiding Officer to recommend to the Commission that it approve this Settlement.

Respectfully submitted,



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Dated: August 3, 2012

Counsel for EQT

APPENDIX “K”

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission, <i>et al.</i>	:	
	:	
	:	Docket No. R-2012-2285985
v.	:	
	:	
Peoples Natural Gas Company, LLC	:	

**STATEMENT OF
PENNSYLVANIA INDEPENDENT OIL AND GAS ASSOCIATION
IN SUPPORT OF APPROVAL OF PROPOSED SETTLEMENT**

The Pennsylvania Independent Oil and Gas Association (“PIOGA”) provides this Statement in Support of the Commission’s approval of the proposed settlement (“Settlement”) in this matter. PIOGA is the comprehensive trade association representing oil and natural gas interests throughout Pennsylvania. PIOGA was formed by the April 1, 2010 merger of the Pennsylvania Oil and Gas Association (known as “POGAM”) into the Independent Oil and Gas Association of Pennsylvania (IOGA of PA). PIOGA members produce, transport and market Pennsylvania and other natural gas production to Peoples Natural Gas Company (“Peoples”) for system supply and to NGSs, including PIOGA members, for their transportation customers on Peoples’ system.

The Settlement resolves an issue of significance to PIOGA in a fair and reasonable manner that is also consistent with the public interest because it preserves the existing balance of negotiating power between Peoples and independent producers with respect to maintaining reasonable compliance with appropriate gas quality standards. PIOGA’s direct testimony¹ addressed one subject – Peoples’ proposal to add to its Supplier Tariff gas quality requirements,

¹ PIOGA St. No. 1 (Matthew E. Vavro) and PIOGA St. No. 2 (Loius D. D’Amico).

currently included in Peoples' existing supplier agreements and the tariffs of the interstate pipelines serving Peoples, as reflecting current industry standards appropriate for Peoples' system.

PIOGA witness Matt Vavro addressed the technical and operational issues raised by Peoples' proposal. Mr. Vavro is a licensed professional petroleum engineer, licensed professional geologist and certified petroleum geologist who has been self-employed during the last 13 years as an engineering consultant, design and construction engineer, and technical trainer. PIOGA St. No. 1 at 1:8-11, 18-19. Mr. Vavro designs and supervises construction of well pad, pipeline, gas processing, metering, regulation and gas dehydration facilities, and has designed and built gas dehydration facilities to dry approximately over 1 billion cubic feet of gas per day – enough gas to heat 1.46 million homes annually. *Id.* at 1:22-23; 8:10-14. Mr. Vavro may be the only person teaching basic concepts of water vapor saturation in natural gas, how to calculate saturation limits, how the limit changes with pressure and temperature, dehydration concepts, advantages, disadvantages and operation of the different dehydration technologies, and troubleshooting operational problems. *Id.* at 2:14-21.

Mr. Vavro's testimony disagreed with Peoples' position that the gas quality standards proposed for inclusion in Peoples' Supplier Tariff reflect industry standards, are consistent with existing supplier agreements as implemented and enforced by Peoples, or are appropriate as interstate pipeline standards for a distribution utility such as Peoples. *Id.* at 4:3-6. Mr. Vavro explained that there are too many operational variables on the different portions of Peoples' pipeline system for Peoples' "one-size-fits-all" approach, especially when it may not be technologically or economically feasible for individual producers to comply and the results of noncompliance do not have adverse operational consequences to Peoples. *Id.* at 4:6-14.

Focusing on the water limit, Mr. Vavro stated that most interstate pipeline companies use the 7 pounds of water per million cubic feet (7#/MMCF) proposed by Peoples because that is the saturation limit of gas (or “dew point”) at the maximum operating pressure (1440 psig) and minimum projected operating temperature (40°F) of interstate transmission pipelines. *Id.* at 8:22–9:2. He acknowledged that if water precipitates out of water vapor that is in the natural gas, the water can accumulate in the pipelines and cause various operational problems, but explained that free or liquid water is only present in natural gas if it is saturated with water vapor; otherwise, the water is present as a vapor dissolved in the gas. *Id.* at 5:1-5, 12-14.

Mr. Vavro also explained that, because the saturation limit of natural gas with respect to water vapor changes dramatically with pressure and temperature (*Id.* at 5:22–6:4), two different gas streams with the same water vapor content in pounds per million can actually have different saturation limits and different dew points:

For example, let’s look at a moisture content of 7 #/MMCF. An interstate transmission pipeline operating at 1440 psig and 40°F is saturated at 7.18#/MMCF. So for this line, 7#/MMCF is 97.4% of the saturation limit.

In comparison, a local distribution line operating at 100 psig and 60°F is saturated at 111.75 #/MMCF. So, for this line, 7 #/MMCF is only 6.26% of the saturation limit. For this to become saturated, pressure would have to be increased (by compression) to 2000 psig and the gas would have to cool to 51°F or, at 100 psi, the gas would have to be cooled to -11°F. Neither situation is going to happen. *Id.* at 6:8-17.

Finally, Mr. Vavro suggested that the fairest water limit policy – and the one most reflective of industry standards, at least for distribution utilities such as Peoples with low pressure pipelines – is one that is set at a reasonable level below the saturation limit at operating conditions and which is reasonably attainable through readily available dehydration technologies: a range from 40% to 60% of the saturation limit at operating conditions. *Id.* at 11:5-12; Exhibit MV-2.

In his testimony, Lou D'Amico, PIOGA's President and Executive Director, addressed the aspect of Peoples proposal authorizing Peoples to "enter into agreements with suppliers whereby the Company will agree to treat gas on behalf of a supplier in order to meet" the gas quality requirements and to shut in production if a producer does "not enter into such an agreement and fail[s] to meet these gas quality requirements." PIOGA St. No. 2 at 2:11-13; 4:2-18. Mr. D'Amico explained that combining the inclusion of the gas quality requirements in Peoples' tariff with the ability of Peoples to shut in production if (i) an agreement with different standards is not reached – whether with an individual producer or with a producer group such as PIOGA – and (ii) a producer's gas does not meet these standards – regardless of whether the producer's gas actually presents a danger to the operation of Peoples' system or whether individual producer compliance is technologically or economically possible – effectively eliminates the ability of a producer or PIOGA to negotiate an agreement with different standards by placing all the negotiating power in Peoples. *Id.* at 4:21–5:1. Mr. Vavro's testimony supports this point by pointing out that inclusion of the proposed gas quality standards in Peoples' public utility tariff is inappropriate because gas quality issues have been addressed historically through negotiated producer contracts. PIOGA St. No. 1 at 4:6-10.

Mr. D'Amico also explained that PIOGA's predecessor organization negotiated the 2005 local production enhancement agreement with Peoples to provide for system-wide dehydration of local production by Peoples because individual producer dehydration at particular receipt points, in many cases, would have been either (i) technologically difficult or impossible or (ii) prohibitively expensive, or both. PIOGA St. No. 2 at 5:5-11. Mr. D'Amico also agreed that this and the other local production enhancement agreements between PIOGA's predecessor organization and Peoples increased the throughput of lower cost Pennsylvania production on

Peoples' system, to the benefit of Peoples' ratepayers, as stated in the testimony of Peoples' Vice President of Rates and Regulatory Affairs Joseph Gregorini in this case. *Id.* at 2:16-19; 3:7-12; 5:6-7.

Mr. D'Amico concluded that the best method for assuring compliance with reasonable gas quality requirements is through fair and equitable negotiated rates because, if the rates are fair and properly reflective of the both the cost to Peoples and the benefit to producers – considering the price of natural gas, more producers will participate in these production enhancement programs to the benefit of Peoples' ratepayers, Peoples and PIOGA producers. *Id.* at 5:17-20.

Finally, Mr. D'Amico pointed out that, notwithstanding PIOGA's opposition to Peoples' gas quality tariff proposal, PIOGA believes it has had a good working relationship with Peoples that has resulted in the development of innovative ways to increase Pennsylvania production on Peoples' system to the significant benefit of Peoples and its ratepayers. *Id.* at 5:23–6:2.

The settlement resolution (§ 41) not to include Peoples' proposed gas quality requirements in its tariff resolves an issue of significance to PIOGA in a fair and reasonable manner that is supported by the record evidence. This resolution is also consistent with the public interest because it preserves the existing balance of negotiating power between Peoples and independent producers with respect to maintaining reasonable compliance with appropriate gas quality standards.

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

Respectfully submitted,



Kevin J. Moody, Esq.

General Counsel

Pennsylvania Independent Oil & Gas Association

212 Locust Street, Suite 300

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Dated: August 7, 2012

APPENDIX “L”

6. CAAP contended in its testimony that the proposed funding level for the Company's LIURP was insufficient to meet the need for LIURP services of the Company's low income customers. The testimony further contended that the level of the proposed fixed monthly customer charge would negatively impact a consumer's ability to conserve energy and lower his or her utility costs.

7. In settlement, the Company has agreed to increase its annual funding for LIURP and to reduce its fixed monthly customer charge from the level proposed.

8. CAAP believes that the settlement as it relates to those two issues – the level of LIURP funding and the amount of the fixed monthly customer charge – addresses its concerns and will provide a substantial benefit to low income customers by providing additional conservation measures to those customers that will result in lower energy use and utility costs for those vulnerable customers. Further, those additional measures that promote conservation will benefit the public generally.

9. CAAP did not submit testimony relative to other issues presented in this case so this statement in support will not address those issues.

WHEREFORE, CAAP respectfully requests that the settlement be approved.

Date: August 3, 2012



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APPENDIX “M”

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,	:	Docket Nos. R-2012-2285985
Office of Small Business Advocate,	:	C-2012-2295218
Office of Consumer Advocate,	:	C-2012-2292047
Pennsylvania State University,	:	C-2012-2298317
Snyder Brothers, Inc. <i>et al.</i> ,	:	C-2012-2302859
D. Killmeyer,	:	C-2012-2295700
Raymond Anderson,	:	C-2012-2298575
Steven J. Swencki,	:	C-2012-2299156
James Weber, and	:	C-2012-2300419
Severo Miglioretti,	:	C-2012-2302827
Complainants		:
v.		:
Peoples Natural Gas Company LLC,		:
Respondent		:

**Statement of the
Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania
In Support of the Joint Petition for Settlement**

General Statement

The Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), a signatory party to the Joint Petition for Settlement (“Settlement”) in the above-captioned proceeding, through its counsel at the Pennsylvania Utility Law Project, hereby files this Statement in Support of Joint Petition for Settlement and respectfully requests that the terms and conditions of the Settlement be approved by Administrative Law Judge Mary D. Long (“ALJ”), and the Pennsylvania Public Utility Commission (“Commission”). CAUSE-PA submits that the proposed Settlement is in the public interest.

CAUSE-PA is an unincorporated association of low-income individuals that advocates,

on behalf of its members, to enable consumers of limited economic means to connect to and maintain affordable water, electric, heating and telecommunication services. Its membership is open to moderate- and low-income individuals residing in the Commonwealth of Pennsylvania who are committed to the goal of helping low-income families maintain affordable access to utility services and achieve economic independence and family well-being. On May 7, 2012, CAUSE-PA filed a Petition to Intervene which was granted by the Honorable Mary D. Long, ALJ on May 10, 2012.

Although this Settlement reflects a compromise, it represents an agreement which is fair and reasonable, avoids the necessity and uncertainty of outcome inherent in further administrative and potential appellate proceedings and arrives at a negotiated outcome which is in the public interest.

Reasons For Support of The Settlement as Being in The Public Interest:

1. Paragraph 36 of the Joint Petition for Settlement provides that use by Peoples Natural Gas Company LLC (“Peoples” or “The Company”) of the CAP Plus method contained in the settlement approved by the Commission in Peoples’ last base rate proceeding at Docket No. R-2010-2201702 will continue to be deferred. It further provides that the Joint Petitioners will meet following finalization of the State LIHEAP plan to determine whether an alternative to CAP Plus should be implemented. The Statements of People’s witness Kroeck and OCA witness Colton provide support.

The CAP-Plus model was developed in response to the Pennsylvania Department of Public Welfare’s (“DPW”) change in the 2009-2010 Low Income Home Energy Assistance Program (“LIHEAP”) program year concerning the application of LIHEAP Cash Grants to the accounts of CAP customers. The CAP-Plus model is presently the subject of a Petition for

Review before the Commonwealth Court of Pennsylvania.¹ Furthermore, on Saturday, May 26, 2012, DPW published in the Pennsylvania Bulletin its notice that it was making available for public review and comment its Fiscal Year 2013 LIHEAP Proposed State Plan.² In its 2013 LIHEAP Proposed State Plan, DPW has again proposed changes to how regulated utilities are permitted to apply LIHEAP Cash Grants to CAP customers' accounts. If DPW's proposed change becomes final, it may significantly affect the manner in which LIHEAP Cash grants are applied to CAP customer accounts and may indicate that an alternative to CAP-Plus should be implemented. It is therefore prudent and in the public interest to defer implementation of CAP-Plus by Peoples. Moreover, the incorporation into the Settlement of a provision which commits the Joint Petitioners to meet following finalization of the State LIHEAP plan to determine whether an alternative to CAP Plus should be implemented is in the public interest. It provides a mechanism to review the DPW Plan and attempt to expeditiously and efficiently resolve issues regarding CAP-Plus amicably; thereby avoiding the necessity of further administrative and possibly appellate proceedings regarding People's CAP-Plus implementation. Such resolution will be in the public interest and will avoid substantial cost to the Joint Petitioners and, ultimately, Peoples' customers.

2. Paragraph 37 of the Joint Petition for Settlement provides that Peoples' funding level of the Emergency Furnace and Line Repair Program will be increased from \$200,000 to \$400,000 annually. The statements of People's witness Kroeck provides ample support for this increase.

The Emergency Furnace and Line Repair Program provides a unique service

¹ *Pennsylvania Communities Organizing for Change, Inc., d/b/a ACTION United, Carol Collington, and Nettie Pelton v. Pennsylvania Public Utility Commission*, 635 C.D. 2012 appealing *Pennsylvania Public Utility Commission, et al. v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2010-2215623. regarding the implementation by Columbia Gas of Pennsylvania of the CAP-Plus Model.

² 42 Pa. B. 3029.

which assists households at or below 200% of the federal poverty level in the repair or replacement of furnaces or repair of their service line. The program enables these households to receive essential heating services and therefore avoid the many potential physical hazards inherent in the absence of a non-functioning or defective furnace or service line. The additional repairs or replacements achieved through increasing the funding level of this program will provide an essential level of warmth and safety to at least twice as many households with limited economic means who could not otherwise afford to make such repairs or replacements. At its current funding level of \$200,000, the program has been fully utilized and an increase of an additional \$200,000 will permit Peoples to serve an unmet need which is not sufficiently addressed by any other existing program.

3. Paragraph 37 of the Joint Petition for Settlement provides that Peoples' annual Low Income Usage Reduction Program ("LIURP") funding will be increased from \$1.0 million to \$1.1 million. Ample justification for such an increase may be found in the statement of CAAP witness Moore.

Peoples' LIURP provides effective long term energy efficiency and conservation services to eligible households at or below 200% of the federal poverty guidelines. These services will provide safer and healthier living quarters, reduce energy usage and reduce the monthly utility bills of these households. For households who participate in Peoples' CAP program, the reduced usage will reduce the amount of the CAP subsidy needed and therefore also reduce the contribution required by other ratepayers. The dedication of an additional \$100,000 to LIURP is therefore clearly in the public interest.

4. Paragraph 37 of the Joint Petition for Settlement provides that Peoples will attempt to apply 25% of annual LIURP funding to eligible customers not participating in CAP.

Among the methods to be used by Peoples to apply 25% of annual LIURP funding to eligible customers not participating in CAP will be to refer to LIURP those eligible non-CAP participating customers who are LIHEAP recipients or who contact Peoples for payment agreements.

As the statement of CAAP witness Moore indicates, less than one-third of the approximately 60,000 low income customers in Peoples' service territory participate in CAP. These customers, although of limited incomes, do not receive the benefits of affordable monthly payments or potential arrearage forgiveness. They are the households who are most at need for efficiency and conservation services, but do not have the financial means to pay for them. The establishment of a benchmark of attempting to apply 25% of annual LIURP funding for services to eligible households will efficiently target limited resources to households with some of the greatest needs for those services. Designating that those households who indicate a need for a payment agreement or who apply for LIHEAP, further ensures that the program will target, in a timely manner, those households currently in need. This is clearly in the public interest.

5. Paragraph 37 of the Joint Petition for Settlement provides that any unexpended LIURP funds will be carried over to the following year. The need for LIURP energy efficiency and conservation services is great and continuing. It cannot be met in the course of any one year. As CAAP witness Moore's statement indicates, the 2010 People's Universal Service Evaluation noted that there were at least 8,331 LIURP eligible customers who were in need of these services. Satisfying the need for LIURP of these customers will take many years to achieve. By providing that any unexpended LIURP funds are carried over to the following year, the Settlement considers the long term and continuing needs of these customers. As a result of this provision, short term setbacks in production, which reduce expenditures in any given year, will

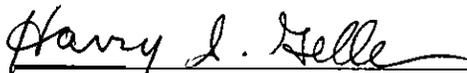
not result in the long-term reduction of services to households in need. For example unusually harsh weather conditions or emergencies may hamper the delivery of LIURP services and reduce expenditures in any given year. However, the need for those efficiency and conservation services may be increased as a result of the effects of an unusually harsh winter or flood. It is in the public interest to provide that the long term goals of the program are met by eliminating the possibility that under spending in any given year will result in fewer households being served over the long term.

6. Paragraph 37 of the Joint Petition for Settlement provides that Peoples will continue to partner with Community Based Organizations in its service territory in administering its universal service programs. Community Based Organizations such as Community Action Programs, hardship funds and other locally administered agencies provide an essential link between the low-income community in need of universal service assistance and the local distribution company. That link has been historically recognized in the relationship established by Peoples with those organizations and in the universal service provisions of the natural gas Choice Act. It is in the public interest for that relationship to continue and expand.

CAUSE-PA therefore respectfully submits that for the aforementioned reasons the Joint Petition for Settlement is in the public interest and should be approved by Administrative Law Judge Mary D. Long (“ALJ”), and the Pennsylvania Public Utility Commission (“Commission”).

Respectfully submitted,

PENNSYLVANIA UTILITY LAW PROJECT
Counsel for CAUSE-PA



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August 3, 2012

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APPENDIX “N”

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission, <i>et al.</i>	:	
	:	
v.	:	Docket Nos. R-2012-2285985, <i>et al.</i>
	:	
Peoples Natural Gas Company LLC	:	
	:	

**STATEMENT OF
SNYDER BROTHERS, INC., BUFFALO VALLEY LTD.,
SNYDER ARMCLAR GAS COMPANY, AND S&D ENERGY
IN SUPPORT OF THE JOINT PETITION FOR APPROVAL OF
SETTLEMENT OF ALL ISSUES**

Snyder Brothers, Inc. ("Snyder Brothers"), Buffalo Valley Ltd. ("Buffalo Valley"), Snyder Armclar Gas Company LP ("Snyder Armclar"), and S&D Energy ("S&D") (collectively, "Snyder Brothers, *et al.*"), by and through its counsel, submit that the terms of the Joint Petition for Approval of Settlement of All Issues ("Joint Petition" or "Settlement") filed in the above-captioned proceeding with the Pennsylvania Public Utility Commission ("PUC" or "Commission") on August 3, 2012, reflect a global settlement of all outstanding issues in the above-referenced proceeding among Peoples Natural Gas Company LLC ("Peoples" or "Company"), Snyder Brothers, *et al.*, the Bureau of Investigation and Enforcement ("I&E"), the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), Dominion Retail, Inc., and Interstate Gas Supply, Inc. ("Dominion/IGS"), EQT Energy, LLC d/b/a Equitable Energy ("EQT"), Pennsylvania Independent Oil and Gas Association ("PIOGA"), Retail Energy Supply Association ("RESA"), Community Action Association of Pennsylvania ("CAAP"), Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"), and The Pennsylvania State University ("Penn State") (collectively, the "Joint

Petitioners"), with respect to the Company's February 28, 2012, filing of Retail Tariff Gas – PA PUC No. 45 ("Retail Tariff") and proposed Supplement No. 6 to Supplier Tariff Gas – PA PUC No. S-2 ("Supplier Tariff"), which sought approval of a distribution revenue increase of \$28.5 million. Snyder Brothers, *et al.*, join in the Settlement for the purpose of supporting Paragraph 41 regarding the removal of certain natural gas quality language.¹ To this end, Snyder Brothers, *et al.*, offer this Statement in Support to further demonstrate that the Settlement is in the public interest and should be approved without modification.

I. BACKGROUND

1. On February 28, 2012, Peoples filed with the Commission a base rate filing, consisting of a Retail Tariff and a proposed Supplier Tariff, seeking approval of a distribution revenue increase of \$28.5 million, and proposed modifications to the Retail and Supplier Tariffs, effective April 28, 2012. Among other things, Peoples proposed to modify the Supplier Tariff's Rules and Regulations by incorporating natural gas quality standards that impose, *inter alia*, water vapor content limits on natural gas supplies delivered to the Peoples' system.

2. On May 4, 2012, Snyder Brothers, *et al.*, submitted a Complaint in the above-captioned proceeding. As noted in the Complaint, Snyder Brothers is a privately-funded, independent producer of natural gas in Pennsylvania, with operations in Armstrong, Indiana, Clarion, Warren, Jefferson, Fayette, Westmoreland, McKean, and Clearfield Counties. Snyder Brothers' natural gas volumes are delivered to the distribution systems of several natural gas utilities, including the Peoples' system. Buffalo Valley and Snyder Armclar are affiliated with Snyder Brothers through common ownership. S&D Energy is a subsidiary of Snyder Brothers. Buffalo Valley, Snyder Armclar, and S&D Energy are Pennsylvania Limited Partnerships that

¹ Snyder Brothers, *et al.*, do not oppose the other terms of the Settlement.

invest in natural gas wells. As a result, Snyder Brothers, *et al.*, were concerned about whether the proposed changes to the Supplier Tariff, specifically, the proposed natural gas quality standards, are just, reasonable, and non-discriminatory.

3. In accordance with the Commission's policy encouraging negotiated settlement of contested proceedings, the Joint Petitioners engaged in discussions to resolve the issues raised in the proceeding. These negotiations resulted in the Settlement, which proposes a resolution of all outstanding issues between the Joint Petitioners in this proceeding as set forth below.

II. STATEMENT IN SUPPORT

4. The Commission has a strong policy favoring settlements. As set forth in the Commission's regulations, "[t]he Commission encourages parties to seek negotiated settlements of contested proceedings in lieu of incurring the time, expense and uncertainty of litigation." 52 Pa. Code § 69.391; *see also* 52 Pa. Code § 5.231. Consistent with the Commission's policy, the Joint Petitioners engaged in negotiations in an effort to settle the issues raised by the parties. These ongoing discussions produced the foregoing Settlement.

5. The Joint Petitioners agree that approval of the proposed Settlement is overwhelmingly in the best interest of the parties involved.

6. The Joint Petition is in the public interest for the following reasons:

- a. As a result of the Joint Petition, expenses incurred by the Joint Petitioners and the Commission for completing this proceeding will be less than they would have been if the proceeding had been fully litigated.
- b. Uncertainties regarding further expenses associated with possible appeals from the Final Order of the Commission are avoided as a result of the Joint Petition.
- c. The Joint Petition reflects compromises on all sides presented without prejudice to any position any Joint Petitioner may have advanced so far in this proceeding.

- d. The Joint Petition is presented without prejudice to any position any party may advance in future proceedings involving the Company.

7. In addition, the Joint Petition specifically satisfies the concerns of Snyder Brothers, *et al.*, by:²

- a. Deleting the proposed natural gas quality language appearing after the second full paragraph of Section 2, "Measurement and Quality of Gas," on First Revised Page 7 of the Supplier Tariff.³

8. Snyder Brothers, *et al.*, support the foregoing Joint Petition because it is in the public interest; however, in the event that the Joint Petition is rejected by the Administrative Law Judge or the Commission, Snyder Brothers, *et al.*, will resume their litigation position, which differs from the terms of the Joint Petition.

9. As set forth above, Snyder Brothers, *et al.*, submit that the Settlement is in the public interest and adheres to Commission policies promoting negotiated settlements. The Settlement was achieved after extensive negotiations. While Joint Petitioners have invested time and resources in the negotiation of the Joint Petition, this process has allowed the parties, as well as the Commission, to avoid expending the substantial resources that would have been required to fully litigate this proceeding while still reaching a just, reasonable, and non-discriminatory result. Joint Petitioners have thus reached an amicable resolution to this dispute as embodied in the Settlement. Approval of the Settlement will permit the Commission and Joint Petitioners to avoid incurring the additional time, expense and uncertainty of further current litigation in this proceeding. *See* 52 Pa. Code § 69.391.

² On July 12, 2012, Peoples and Snyder Brothers, *et al.*, filed a Joint Petition for Partial Settlement ("Partial Settlement") resolving in full Snyder Brothers, *et al.*'s, Formal Complaint in this proceeding. Consistent with the terms of the Partial Settlement, Paragraph 41 of the Settlement incorporates the substantive terms of the Partial Settlement. Therefore, the Settlement supersedes the prior agreement as evidenced by the joint letter withdrawing the Partial Settlement filed by Peoples and Snyder Brothers, *et al.*, contemporaneously with this Settlement.

³ *See* Rebuttal Testimony of Benjamin T. Snyder, of Snyder Brothers, Inc., on behalf of Snyder Brothers, *et al.* (hereinafter, "Snyder Brothers, *et al.*, Statement No. 2-R, at 2").

WHEREFORE, Snyder Brothers, Inc., Buffalo Valley Ltd., Snyder Armclar Gas Company LP, and S&D Energy respectfully request that Administrative Law Judge Long, and the Pennsylvania Public Utility Commission, approve the foregoing Joint Petition for Approval of Settlement of All Issues without modification.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By *Vasiliki Karandrikas*
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Counsel to Snyder Brothers, Inc., Buffalo Valley Ltd., Snyder Armclar Gas Company LP, and S&D Energy

Dated: August 3, 2012

APPENDIX “O”

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility	:	Docket No. R-2012-2285985
Commission, et al. v. Peoples Natural	:	C-2012-2292047; C-2012-2298317;
Gas Company,	:	C-2012-2299156; C-2012-2295218;
LLC,	:	C-2012-2298575; and C-2012-2295700

**STATEMENT OF
THE PENNSYLVANIA STATE UNIVERSITY
IN SUPPORT OF THE JOINT PETITION FOR SETTLEMENT**

The Pennsylvania State University (“PSU”) hereby submits this Statement in Support of the Joint Petition for Settlement (“Joint Petition”) filed August 3, 2012 by all active parties (collectively the “Settling Parties”) in the above-captioned proceeding. In addition to and consistent with the reasons specified in the Joint Petition, PSU offers the following support for approving the settlement:

1. PSU’s participation in this proceeding focused upon rate structure and design, and continuation and treatment of flex or negotiated contract rates. Specifically, PSU believes that cost studies and allocations thereunder that provide a basis for allocating rate increases among and within customer classes must be mindful of the legal requirement set forth in *Lloyd v. Pa. PUC*, 904 A.2d 1010 (2006) regarding moving tariff rate customers toward system average return so one class is not bearing an unreasonable subsidy of another.

2. PSU also believes that flex or negotiated contracts to attract or retain customers with other energy alternatives ultimately benefit all customers by contributing toward overall cost coverage, should be continued and not subject to being a parking ground for other costs or surcharges. In the long run, if such contracts are not honored or available, large customers may

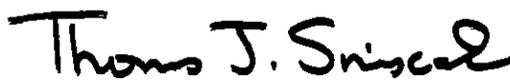
leave the system or not add load thus reducing revenues to the system with bad consequences for all ratepayers. and

3. In support of its positions PSU offered two pre-filed testimony statements, PSU Statement No. 1-R and PSU Statement No. 1-S, which have or will become part of the record via a stipulation by the Settling Parties. After participating in a series of productive settlement negotiations, review and consideration Joint Petition itself, PSU has executed the Joint Petition and asks this Commission to approve the settlement as in the public interest.

4. The settlement presented by the Joint Petition is a reasonable compromise of conflicting positions, results in rates which are not unjust or unreasonable, is subject to standard conditions (Section V) for settlements, and is consistent with the Commission's policy expressed at 52 Pa. Code §5.231(1) ("It is the policy of the Commission to encourage settlements.")

5. The settlement also does not adversely affect flex or negotiated service contracts, and it results, on the balance, in rate structure and design steps toward the requirements of *Lloyd*. PSU thanks the Settling Parties for their time and efforts in achieving the Joint Petition, and requests that the presiding Administrative Law Judge and the Commission approve the Joint Petition without modification.

Respectfully submitted,



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DATED: August 3, 2012

APPENDIX “P”



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August 3, 2012

VIA HAND DELIVERY

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

Re: Pennsylvania Public Utility Commission v. Peoples Natural Gas Company, LLC;
Docket No. R-2012-2285985 et al.

Dear Secretary Chiavetta:

Please be advised that the Retail Energy Supply Association does not oppose the Joint Petition for Approval of Settlement of all Issues submitted in the above-captioned case.

Thank you for your attention to this matter. If you have any questions, please feel free to contact me.

Respectfully,

Craig R. Burgraff
Counsel for Retail Energy Supply
Association