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*Via Electronic Filing*

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

Re: Dockets Nos. G-2012-2312597 and R-2012-2312577, et al.  
Pa. P.U.C., et al. v. Equitable Gas Company, LLC

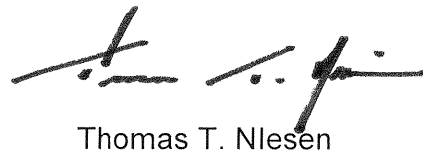
Dear Secretary Chiavetta:

We are counsel to Equitable Gas Company, LLC in the above consolidated matters and are submitting the Company's Main Brief via Electronic Filing. Copies of the Company's Main Brief are being served upon the persons and in the manner set forth on the certificate of service attached to it.

Very truly yours,

THOMAS, LONG, NIESEN & KENNARD

By



Thomas T. Niesen

Encl.

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

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**Before The  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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**Administrative Law Judge  
Mary D. Long, Presiding**

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<b>Pennsylvania Public Utility Commission</b>	<b>:</b>	<b>R-2012-2312577</b>
	<b>:</b>	<b>C-2012-2315323</b>
<b>v.</b>	<b>:</b>	
	<b>:</b>	
<b>Equitable Gas Company</b>	<b>:</b>	
<b>Application of Equitable Gas Company, LLC for Affiliated Interest Approval and Such Other Approvals, If Any, As May Be Necessary In Regard to the Acquisition of the Goodwin Gathering System from EQT Gathering, LLC and of the Tombaugh Gathering System from Equitrans, LP</b>	<b>:</b>	<b>G-2012-2312597</b>

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**MAIN BRIEF OF  
EQUITABLE GAS COMPANY, LLC**

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Date: December 14, 2012

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## I. STATEMENT OF THE CASE

Under the terms of the Joint Settlement Agreement filed contemporaneously herewith between all parties to this proceeding – except for the Bureau of Investigation and Enforcement (“I&E”) – the sole issue in these consolidated proceedings is whether the Public Utility Commission (“Commission”) should approve the Application of Equitable Gas Company, LLC (“Equitable” or “Company”) to acquire the two pipeline systems known as the Goodwin Gathering System and the Tombaugh Gathering System (collectively, “Gathering Systems” or “Systems”) from its affiliates, EQT Gathering, LLC (“EQT Gathering”) and Equitrans, LP (“Equitrans”), respectively, on the terms set forth in the Joint Settlement Agreement. Equitable also filed in conjunction with the Application, Supplement No. 86 to Equitable’s Tariff Gas Pa PUC No. 22 proposing a new Rider E - Appalachian Production Enhancement Program Surcharge. Equitable, however, has withdrawn Rider E under the terms of the Joint Settlement Agreement, pending Commission approval of those terms.

The Gathering Systems are comprised of approximately 379 miles of low pressure lines located in largely rural areas that gather and transport natural gas from traditional, non-Marcellus Shale wells owned by third parties in Washington and Greene Counties. In addition, Equitable provides retail natural gas service to more than 1,600 of its end use customers (hereinafter “the 1,600 plus customers”) who are connected to these Gathering Systems. These customers are field line customers who receive tariff service from Equitable under Tariff Rule 9 – Service From Field Line. Equitable was advised by EQT Gathering and Equitrans that they were no longer interested in owning and operating these Gathering Systems and that they were considering abandonments of the Gathering Systems as they are relatively small systems that are non-core to their business. Rather than have EQT Gathering and Equitrans abandon these

Gathering Systems or explore other options that, ultimately, could result in discontinuing or abandoning service to the 1,600 plus customers, Equitable, subject to the approval of the Commission, agreed with EQT Gathering and Equitrans to acquire the Systems by transfer.

Equitable, the Office of Consumer Advocate (“OCA”) and the Office of Small Business Advocate (“OSBA”) (collectively, with Equitable, the “Settling Parties”) achieved a negotiated resolution of all issues in the consolidated proceedings. The Settling Parties propose, *inter alia*, to maintain the *status quo* of continued natural gas service to the 1,600 plus customers while Equitable conducts a 12-month assessment of the two Gathering Systems. During those twelve months, Equitable will, among other things, leak survey the entire 379 miles, perform any necessary leak repairs, as well as engage in other efforts to reduce the reported levels of unaccounted-for-gas (“UFG”) and otherwise address any identified safety concerns. Those efforts alone more than address the concerns of I&E set forth below.

Moreover, the Settling Parties have agreed to table any issues related to potential significant investments in the Gathering Systems and recovery of same from Equitable’s ratepayers, pending the information gathered and provided during this assessment period. Thus, the Joint Settlement Agreement makes no change to any existing Equitable rate, maintains service to customers on the Gathering Systems and has no material impact on customers that are not located on these Gathering Systems. The Settling Parties settlement terms were placed into the evidentiary record on November 15, 2012. Their Joint Settlement Agreement, which was filed on December 14, 2012, contemporaneous with this Main Brief, is pending before the Commission.

I&E is the only non-settling party. I&E expressed concern with the reported levels of UFG on the Gathering Systems and, on this basis, opposes their transfer to Equitable.

Specifically, I&E contends that the levels of UFG are indicative of potential safety concerns and, as a result, takes the position that the transfer should be denied and the lines removed from service. Although I&E takes a legal position that jeopardizes gas service to the 1600 plus customers, I&E readily acknowledges that it has done no independent investigation to explore its safety concerns and that the Gathering Systems, moreover, as currently classified are *not* subject to either federal or state pipeline safety regulation.<sup>1</sup> Thus, although I&E has generically raised a safety concern, I&E has not identified in its testimony or filings to date a single violation of any pipeline safety regulation that the Gas Safety Division or the Pipeline and Hazardous Materials Safety Administration (“PHMSA”) is tasked with enforcing.

The only reasonable path under these circumstances that is truly in the public’s best interest is the one presented by the Settling Parties. Equitable’s efforts to continue natural gas service to the 1,600 plus customers served from these Gathering Systems subject to the terms of the Joint Settlement Agreement with OCA and OSBA is clearly reasonable and consistent with the public interest. The Commission should approve Equitable’s proposed agreements for these transfers subject to the settlement terms negotiated with and accepted by the OCA and OSBA. To the extent the issues raised by I&E have a factual basis and are within the jurisdiction of the Commission, those issues are adequately addressed by the terms of the Joint Settlement Agreement and Equitable’s commitment to complete various tasks in short order, including the leak surveying of the entire 379 miles in the first year and the related leak repairs.<sup>2</sup>

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<sup>1</sup> I&E St. No. 1-SR at 2.

<sup>2</sup> The investigation settlement term provides as follows:

Investigation and Reporting

The Parties agree that EGC will initiate an investigation to understand and address the Systems’ LUFG and any potential safety concerns and initiate the Systems rehabilitation consistent with the results of its investigation, if cost effective. The Parties agree and understand that EGC’s investigation and Systems rehabilitation is a long term effort. Until such time as Equitable

**A. The Application Proceeding at G-2012-2312597**

On June 29, 2012, Equitable filed an Application, at Docket No. G-2012-2312597, for approval of affiliated interest agreements and, such other approvals, as may be necessary, for it to acquire the Goodwin Gathering System from EQT Gathering and the Tombaugh Gathering System from Equitrans.<sup>3</sup> The facilities to be transferred include approximately 379 miles of natural gas pipeline and appurtenant facilities and rights of way in Greene and Washington Counties.

Equitable, initially, proposed to acquire the Goodwin and Tombaugh Gathering System assets at their net book value of \$1,014,680 and \$921,942, respectively.<sup>4</sup> Equitable also explained that it would continue to provide service to the 1,600 plus customers from the existing field lines in accordance with its Tariff Rule 9 – Service From Field Line.

Equitable stated that it would continue to operate the system facilities as gathering assets with the objective of increasing gathering system throughput from producers with facilities along the system routes. It is Equitable's expectation that the acquisition, ultimately, would enhance access to additional sources of Pennsylvania produced gas for markets on and off the Gathering Systems.

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completes its initial assessments of the Systems, Equitable will report on a quarterly basis to the Parties regarding its findings. Upon completion of those initial assessments, which the Parties agree will take up to 12 months, Equitable will provide the Parties with an initial assessment report, identifying the improvements found to be potentially necessary and an estimate of the capital expenditures and expenses that may be incurred over the next 3 years. The Parties agree that Equitable will be able to recover capital expenditures and expenses (as a regulatory asset for deferred recovery) prudently incurred during this initial assessment, up to \$2 million, in future base rate or other PUC proceedings.

<sup>3</sup> In 2003, at Docket No. G-00031009, the Commission approved a similar affiliated interest transfer of the Pennsylvania North Gathering System from Equitable Field Services, LLC to Equitable. Equitable filed an application seeking a certificate of public convenience, affiliated interest approval and such other approvals, as necessary, to accomplish to transfer. Only affiliated interest approval was deemed necessary and the Commission approved the transfer by secretarial letter dated June 11, 2003.

<sup>4</sup> Under the Joint Settlement Agreement, Equitable has agreed that it will not seek recovery from its ratepayers of any amounts paid for these Gathering Systems.

Protests to the Application were filed by the OCA, the Pennsylvania Independent Oil & Gas Association (“PIOGA”)<sup>5</sup> and the OSBA. I&E filed a Response in Opposition to the Application.

**B. The Rate Proceeding at R-2012-2312577**

Contemporaneous with the filing of the Application, Equitable also filed Supplement No. 86 to its Tariff Gas Pa PUC No. 22. Supplement No. 86, which was docketed to R-2012-2312577, proposed a new Rider E - Appalachian Production Enhancement Program Surcharge. Rider E has been withdrawn under the terms of the Joint Settlement Agreement.

Rider E would have allowed for cost recovery of cost beneficial system projects. Equitable proposed that the initial Rider E surcharge be established for the recovery of the costs of a UFG reduction program on the Gathering Systems and the replacement of two compressor stations. Equitable presented Supplement No. 86 and the Application as companion matters and stated that its willingness to acquire the two Gathering Systems was premised upon Commission approval of Supplement No. 86.

A Complaint challenging Supplement No. 86 was filed by the OCA at Docket No. C-2012-2315323. PIOGA also filed a petition to intervene in the rate proceeding.

**C. The Consolidated Application and Rate Proceedings at G-2012-2312597 and R-2012-2312577**

By Order entered August 30, 2012, at Dockets Nos. R-2012-2312577 and G-2012-2312597, the Commission suspended Supplement No. 86 and instituted an investigation into the Company’s proposed rates, rules and regulations. The rate investigation and the Application proceeding were jointly assigned to the Office of Administrative Law Judge for the scheduling of hearings and issuance of a Recommended Decision.

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<sup>5</sup> As is set forth later herein, PIOGA withdrew from this proceeding at the hearing.

Administrative Law Judge Mary D. Long was assigned to preside over the matters. By notice dated September 10, 2012, the Commission advised that an initial prehearing conference would be held on September 18, 2012. Judge Long issued a Prehearing Conference Order dated September 7, 2012.

An initial prehearing conference was held on September 18, 2012. A schedule for litigation of the proceeding was established providing for, *inter alia*, the submission of written testimony in advance of evidentiary hearings to be held on November 15 and 16, 2012. Judge Long issued a Prehearing Order dated September 24, 2012, memorializing the litigation schedule. The Prehearing Order also consolidated the complaint of the OCA at C-2012-2315323 and the Application for Affiliated Interest Approval at G-2012-2312597 with the rate investigation.

Equitable distributed written direct testimony of Thomas P. Wiggers and John M. Quinn and written rebuttal testimony of Mr. Wiggers, Mr. Quinn, Bruce Grabiec and Robert J. Cooper. OCA distributed the written direct and surrebuttal testimony of Thomas S. Catlin. OSBA distributed the written direct, rebuttal and surrebuttal testimony of Brian Kalcic. I&E distributed the written direct and surrebuttal testimony of Ralph Graeser and Ethan H. Cline. PIOGA distributed the written direct, rebuttal and surrebuttal testimony of Louis D. D'Amico.

An evidentiary hearing was held on November 15, 2012. The Settling Parties announced that they had achieved a resolution of issues and presented a Settlement Term Sheet. PIOGA was granted permission to withdraw from the proceeding. I&E, whose witnesses expressed concern with the level of UFG on the Systems, did not participate in the settlement.

The statements of testimony and related exhibits of the OCA and the OSBA were received into evidence by stipulation without cross examination. Equitable witnesses Wiggers,

Quinn, Grabiec and Cooper presented their respective statements of testimony and were cross examined by I&E. Equitable moved to strike the non-jurisdictional testimony of I&E witnesses Cline and Graeser. Their testimony was admitted into the record provisionally<sup>6</sup> and the Company cross examined Mr. Cline and Mr. Graeser.

This Main Brief is submitted in accordance with the Prehearing Order and 52 Pa. Code § 5.501. Equitable's effort to retain natural gas service to the 1,600 plus customers served from the Gathering Systems subject to the terms of the Joint Settlement Agreement with OCA and OSBA is clearly reasonable and consistent with the public interest. The alternative proposed by I&E, which is based solely on assumptions and hypotheticals, jeopardizes gas service to 1600 plus customers and is anything but reasonable and is contrary to the public interest. The Commission should approve Equitable's agreements with its affiliates subject to the terms of the settlement terms.

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<sup>6</sup> N. T. 129.

## II. PROPOSED FINDINGS OF FACT

### A. Equitable Gas Company, LLC and the Goodwin and Tombaugh Gathering Systems

1. Equitable is a regulated local distribution company with its principal offices at 225 North Shore Drive, Pittsburgh, PA 15212. Equitable St. No. 2 at 4.

2. As of March 31, 2012, Equitable served approximately 260,600 residential, commercial and industrial customers in Southwestern Pennsylvania, including Greene and Washington Counties. Equitable St. No. 2 at 5.

3. Equitable's service in Greene and Washington Counties includes service to the 1,600 plus customers served off of field lines from the Goodwin Gathering System and the Tombaugh Gathering System. Equitable St. No. 1 at 4.

4. The Goodwin Gathering System and the Tombaugh Gathering System are owned by Equitable's affiliates, EQT Gathering and Equitrans, respectively. Equitable St. No. 1 at 3. They are the former gathering systems of Carnegie Natural Gas Company. N.T. 139.

5. The Goodwin system facilities include approximately 263 miles of natural gas pipeline and appurtenant facilities and rights of way in Greene and Washington Counties. Equitable St. No. 1 at 4.

6. The Tombaugh system facilities include approximately 116 miles of natural gas pipeline and appurtenant facilities and rights of way in Greene and Washington Counties. Equitable St. No. 1 at 4.

7. The original and primary function of the Gathering Systems is to aggregate and transport natural gas to other markets. Equitable St. No. 1 at 4.

8. Secondly, the Gathering Systems are also used to deliver gas to the 1,600 plus end use customers of Equitable physically located along the Gathering System's field lines. Equitable St. No. 1 at 4.

9. The Gathering Systems operate at low pressures (less than 12 psig) that are significantly below the pressures that the pipelines were designed to handle safely. Equitable St. No. 4R at 2.

10. Both Gathering Systems are located in primarily rural areas. Equitable St. No. 4R at 2.

**B. Equitable's Proposed Acquisition of the Goodwin and Tombaugh Gathering Systems**

11. Equitable proposes to acquire the Goodwin Gathering System and the Tombaugh Gathering System from its affiliates, EQT Gathering and Equitrans, respectively. Equitable Exhibit I, Attachment A.

12. The proposed acquisition is being pursued primarily for the purpose of maintaining safe and reliable natural gas service to the 1,600 plus customers that Equitable serves from the Gathering System's field lines. Equitable St. No. 1 at 4.

13. The Gathering Systems are non-core assets of EQT Gathering and Equitrans. The Gathering Systems are small in terms of physical size and volumes in comparison to other EQT systems. N.T. 104-105.

14. EQT Gathering and Equitrans are no longer interested in owning and operating these Systems and have expressed an interest in abandoning the Systems. Equitable St. No. 1 at 4; I&E Exhibit No. 2, Schedules 1 and 2.

15. Rather than have EQT Gathering and Equitrans abandon the Gathering Systems or explore other options that could result in the loss of gas service to the 1600 plus customers,

Equitable, subject to Commission approval, agreed with EQT Gathering and Equitrans to acquire the Systems by transfer. Equitable St. No. 1 at 4-5.

16. In addition to preserving service to the 1,600 plus field line customers, Equitable's expectation is that the acquisition, ultimately, will enhance access to additional sources of Pennsylvania produced gas for markets on and off the Gathering Systems, thereby, potentially lowering gas costs for all customers on the Equitable system. Equitable St. No. 1 at 5.

17. Because they are relatively small in terms of size and volumes and further considering the service needs of the 1,600 plus customers, the Gathering Systems would have far more value to Equitable than they presently do to EQT Gathering and Equitrans for which, as non-core systems, they are currently low priority. N.T. 105.

**C. Supplement No. 86 to Equitable's Tariff Gas Pa PUC No. 22 – Rider E – Appalachian Production Enhancement Program Surcharge**

18. Equitable presented its tariff Rider E in conjunction with its proposed acquisition of the Gathering Systems. Equitable St. No. 2 at 5.

19. Equitable designed Rider E to provide an alternative regulatory solution to unique but very specific projects that would provide, or continue to provide customer savings through increased reliance on Pennsylvania produced Appalachian gas. Equitable St. No. 2 at 5.<sup>7</sup>

20. Equitable has agreed, in settlement, to withdraw Rider E, subject to Commission approval of the Joint Settlement Agreement. Equitable Exhibit II.

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<sup>7</sup> Equitable would have specifically identified and submitted Rider E eligible projects with projected cost justification in its annual Section 1307(f) filings for review and approval by the Commission. Eligible projects would have been evaluated based on a net customer benefit analysis. Equitable St. No. 2 at 5.

**D. The Settlement Terms Proposed by Equitable, OCA and OSBA**

21. The Joint Settlement Agreement substantially modifies Equitable's original proposal as presented in the Application and Supplement No. 86. Equitable, OCA and OSBA propose the following settlement terms:

- Transfer of Goodwin/Tombaugh Gathering Systems to Equitable Gas Company

The Settling Parties agree that the Goodwin Gathering System and Tombaugh Gathering System will be transferred from EQT Gathering, LLC and Equitrans, LP, respectively, to Equitable. The Settling Parties agree that the dollar value paid by Equitable, if any, for the transfers will not be recoverable through future rates. The OCA and OSBA withdraw their opposition to the transfer.

- Rider E

The Settling Parties agree that Equitable will withdraw its proposed Rider E and that Equitable may seek rate recovery of any reasonably-incurred capital expenditures and expenses associated with its investigation and rehabilitation of the Goodwin and Tombaugh Gathering Systems in future base rate or other Commission proceedings. With the exception of the prudently incurred capital expenditures and expenses incurred during the 12 month initial assessment period set forth in the "*Investigation and Reporting*" section below, the Settling Parties' agreement hereto is without prejudice to any position they may take in future proceedings in which Equitable seeks rate recovery of these capital expenditures and expenses.

- Investigation and Reporting

The Settling Parties agree that Equitable will initiate an investigation to understand and address the Gathering Systems' Lost and Unaccounted-for-Gas and any potential safety concerns and initiate rehabilitation of the Goodwin and Tombaugh Gathering Systems consistent with the results of its investigation, if cost effective. The Settling Parties agree and understand that Equitable's investigation and Gathering Systems rehabilitation is a long term effort. Until such time as Equitable completes its initial assessments of the Goodwin and Tombaugh Gathering Systems, Equitable will report on a quarterly basis to the Settling Parties regarding its findings. Upon completion of those initial assessments, which the Settling Parties agree will take up to 12 months, Equitable will provide the Settling Parties with an initial assessment report, identifying the

improvements found to be potentially necessary and an estimate of the capital expenditures and expenses that may be incurred over the next 3 years. The Settling Parties agree that Equitable will be able to recover capital expenditures and expenses (as a regulatory asset for deferred recovery) prudently incurred during this initial assessment, up to \$2 million, in a future base rate or other Commission proceedings.

- Express Reservation

Upon receipt of the initial assessment report and revised cost estimates after the first 12 months, all Settling Parties expressly reserve their right to withdraw any further support for rehabilitation efforts and to avail themselves of all remedies under the Public Utility Code that may be necessary at such time.

- Abandonment Reservation

Equitable reserves the right to abandon service to any or all of its customers served from the Goodwin and/or Tombaugh Gathering Systems. Equitable agrees to have discussions with the Settling Parties before proceeding with abandonment (absent emergency circumstances) of any customers, but such discussions shall in no way alter any of Equitable's rights or discretion to proceed with abandonment.

**E. The Gathering Systems Are Adequately Maintained And Safety Concerns Based On UFG Levels Are Unfounded**

22. In response to testimony submitted by I&E, Equitable presented the testimony of Robert J. Cooper, Vice President, Engineering for EQT Midstream, which includes the midstream assets of EQT Gathering and Equitrans. Mr. Cooper's responsibilities include pipeline safety for EQT Midstream. He has 26 years of experience in nuclear, process chemical and natural gas industries. Equitable St. No. 4R at 1.

23. Mr. Cooper explained that a number of factors can contribute to UFG, including, not just system leaks, but also areas where meters have inaccurate readings, or where gas is incorrectly counted more than once for UFG calculations, or where gas is unmetered to begin with. UFG also can be impacted by back feeding of wells from pipelines due to issues with check valves. Theft of service can be a further contributing factor. Equitable St. No. 4R at 6.

24. Mr. Cooper testified that the Gathering Systems are adequately maintained and that safety concerns based on UFG levels are unfounded. Equitable St. No. 4R at 2-3. Although federal pipeline safety regulations do not generally apply to these Gathering Systems, EQT Gathering and Equitrans utilize those regulations as a proxy for managing the pipeline facilities. Equitable St. No. 4R at 4. Mr. Cooper testified at length about the Specified Minimum Yield Strength of the pipelines (demonstrating that the lines are currently operated significantly below their capabilities), the identification, classifying and repairing of leaks, the patrolling and surveying of the pipelines and the replacement of chronic sections of pipe. Equitable St. No. 4R at 5-6.

25. Based on their experience and knowledge of these Gathering Systems, EQT Gathering and Equitrans believe that the Systems have been operated safely and can continue to be operated in a safe manner without the need to replace large sections of the facilities. Neither EQT Gathering nor Equitrans views the Gathering Systems as being unsafe to transport natural gas. Equitable St. No. 4R at 7.

26. Equitable, likewise, does not view the reported UFG levels as a safety concern. If the Gathering Systems were actually leaking gas at the reported UFG levels, Equitable, Equitrans or EQT Gathering would be receiving far more reports of natural gas odor than are occurring. Although Equitable is not the owner of the Gathering Systems, natural gas odor would typically be reported to it as the local distribution company serving the area. However, calls reporting gas odors are relatively infrequent. Additionally, if the cause of the reported UFG were leaking gas, the number of leaks would be much higher than those which are known to exist. Equitable St. No. 3R at 9-10.

27. Although I&E has generically raised the possibility of safety concerns in light of the reported UFG levels, it readily concedes that it has no personal or direct knowledge of either the conditions of the Gathering Systems or the maintenance practices of either EQT Gathering or Equitrans (N.T. 141) and that I&E's safety concerns are based solely on a UFG "number." N.T. 140-141.

**F. The Joint Settlement Agreement Addresses I&E's Concerns**

28. The Settling Parties – Equitable, the OCA and the OSBA – have addressed UFG and any potential safety concerns as part of the Joint Settlement Agreement. In the term entitled "Investigation and Reporting," they agree that Equitable should undertake a 12-month investigation of UFG, including potential safety concerns, initiate rehabilitation consistent with the results of the investigation and report its findings to the Settling Parties. Equitable Exhibit II.

29. Equitable is experienced in assessing and rehabilitating gathering systems. Equitable witness Grabiec testified at length about the Company's efforts to assess and rehabilitate the Crooked Creek Gathering System in Armstrong and Indiana Counties. This large gathering system, which is similar to the Goodwin and Tombaugh Gathering Systems, dates from the beginning of the 20<sup>th</sup> Century, includes approximately 814 miles of gathering pipeline and is used, in part, by Equitable to serve approximately 3,500 retail end use customers. Mr. Grabiec addressed the efforts undertaken by Equitable to assess and, ultimately, rehabilitate that System. Equitable St. No. 3R at 2-6.<sup>8</sup>

30. Equitable will employ the same multi-step, iterative process to the Goodwin and Tombaugh Gathering Systems as it applied to the Crooked Creek Gathering System, including

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<sup>8</sup> The Crooked Creek Gathering System is, by and large, the gathering system of the former Apollo Gas Company. However, it also includes what Equitable sometimes refers to as the PA North Gathering System. Equitable St. No. 3R at 3.

mowing, physically walking and, significantly, leak surveying the entirety of the Gathering Systems and addressing pipeline leaks. Mr. Grabiec outlined the process as follows:

- i. Location of gathering system pipeline will be confirmed;
- ii. Pipeline rights of way will be mowed;
- iii. The entire 379 miles of the two Systems will be physically walked and leak surveyed;
- iv. The Systems will be separated into manageable segments with meters placed to enable identification of UFG by pipe segment;
- v. Chronically deficient pipeline segments identified as a result of the foregoing will be evaluated for their overall value to the Systems and either renewed (remediated or replaced) or abandoned; and
- vi. Remaining pipeline segments throughout the 379 miles of the two Systems will be evaluated for renewal (remediation or replacement) or abandonment.

Equitable St. No. 3R at 6 and 10-11.

31. Equitable estimates that the entire multi-step analysis will take between three and four years, with line mowing, line walking, leak surveying and necessary leak repair completed in Year 1 after Equitable's acquisition of the Gathering Systems. With 379 miles of pipe, the mowing, line walking, leak surveying and necessary leak repair will be a significant Year 1 undertaking. There also will be segmentation during the first year, although the entire segmentation of both Gathering Systems will require more time through Years 2 through 4.

Equitable St. No. 3R at 6-7.

32. As with the Crooked Creek project, however, Equitable anticipates initial improvement in UFG levels to be more immediate as a result of initial segmentation and metering efforts, and the identification and evaluation of chronically deficient pipe for either immediate replacement or immediate abandonment. Equitable St. No. 3R at 6-7.

33. Although pipeline confirmation, mowing, walking/leak surveying and pipeline segmentation for the 814 mile Crooked Creek Gathering System took approximately three years, improvement in Crooked Creek UFG was more immediate. It was obvious after completing the initial mowing and leak surveying that certain pipeline segments were chronically deficient and should be either immediately replaced or immediately abandoned depending on the value of the segments to the overall gathering system. By addressing these chronically deficient segments first, Equitable was able to reduce the calculated UFG, reasonably quickly, from in excess of 30% to the low to mid 20%. UFG is presently 7.5% as Equitable has continued its iterative analysis of this system. Significantly, Equitable has not had to abandon any service to any Crooked Creek area customers as part of its rehabilitative effort. Equitable St. No. 3R at 3-6.

34. Equitable, as addressed above, does not view the reported UFG levels on the Gathering Systems as a safety concern. Based on its experience, Equitable believes that it is extremely unlikely that pipeline leaks are causing UFG at the levels being reported and Equitable fully expects that it will be able to reduce UFG considerably. As with the Crooked Creek Gathering System, the Company will make safety and economic decisions on whether it renews (remediates or replaces) or abandons pipeline segments as it moves forward with the segmentation process with a focus on maintaining safe and reliable service to customers. Equitable St. No. 3R at 7-10.

### **III. STATEMENT OF QUESTIONS INVOLVED**

1. Are Equitable's agreements with its affiliates, EQT Gathering, LLC and Equitrans, LP, to acquire the Goodwin Gathering System and the Tombaugh Gathering System, subject to the terms presented in the Joint Settlement Agreement, reasonable and consistent with the public interest as required by Section 2102(b) of the Public Utility Code?<sup>9</sup>

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<sup>9</sup> As noted, previously, in 2003, at Docket No. G-00031009, the Commission approved a similar affiliated interest transfer of the Pennsylvania North Gathering System from Equitable Field Services, LLC to Equitable. Equitable filed an application seeking a certificate of public convenience, affiliated interest approval and such other approvals, as necessary, to accomplish to transfer. Only affiliated interest approval was deemed necessary and the Commission approved the transfer by secretarial letter dated June 11, 2003.

#### IV. SUMMARY OF ARGUMENT

The Commission has before it two very different paths for resolving Equitable's request for approval to acquire the Gathering Systems. The first is a comprehensive resolution negotiated by the Settling Parties which reflects their conclusion that every reasonable effort should be made to avoid discontinuance or abandonment of natural gas service to the 1,600 plus customers. They agree that the transfers should go forward and propose, without any change to current rates, to maintain the *status quo* of continued natural gas service while Equitable conducts a 12-month assessment of the Gathering Systems. The Settling Parties are not, in any way, compromising safety. The Gathering Systems are operated at low pressure in predominately rural areas, without incident, and neither EQT Gathering nor Equitrans, the entities presently operating the Gathering Systems, nor Equitable, which would acquire the Systems, view them as safety risks. Moreover, Equitable will take significant steps in the first 12 months, including leak surveying the entire 379 miles of line and performing any necessary leak repairs, all of which further enhances the safe operations of these Gathering Systems.

The alternative path proposed by I&E is to deny the transfer with the end result a likely discontinuance and abandonment of service to the 1,600 plus customers. This alternative path is presented by I&E without any personal or direct knowledge of the Gathering Systems. It assumes that a reported UFG number is reflective of safety concerns. There, however, are many factors that contribute to UFG and I&E has failed to present any compelling evidence that the currently reported UFG levels are due to unsafe pipeline leaks. To the contrary, I&E would resolve the case based on an assumed, hypothetical relationship between UFG and leaking gas that they have failed to quantify in any way or otherwise prove by, among other things, gaining some actual direct knowledge about these Gathering Systems. Moreover, their position finds no

support in the federal and/or state pipeline safety regulations that ultimately govern the Gas Safety Division's jurisdiction over these lines, which regulations do not recognize these low pressure, rural pipelines as safety risks.

The Settling Parties have presented a reasonable resolution of these proceedings that is consistent with the public interest and supported by substantial evidence. The Commission should approve Equitable's acquisition of the Gathering Systems subject to the terms of the Joint Settlement Agreement between and among Equitable, the OCA and the OSBA.

## V. ARGUMENT

### A. Equitable's Acquisition Of The Goodwin And Tombaugh Gathering Systems Subject To The Terms Presented In The Joint Settlement Agreement Is Reasonable And Consistent With The Public Interest As Required By Section 2102(b) Of The Public Utility Code

#### 1. The Statutory and Regulatory Standards

Section 2102(a) of the Public Utility Code, 66 Pa.C.S. § 2102(a), provides that no contract or arrangement for the purchase, sale or exchange of any property between a public utility and any affiliated interest shall be valid or effective unless and until such contract has received the written approval of the Commission. Section 2102(b) of the Public Utility Code, 66 Pa. C.S. § 2102(b), provides that the Commission shall approve such contracts only if it shall clearly appear and be established upon investigation that the contract in question is reasonable and consistent with the public interest.

Consistent with the Section 2102(b) statutory standard, it is the policy of the Commission to encourage parties in contested proceedings to enter into settlements.<sup>10</sup> A settlement mitigates the time and expense of litigating the matter to its ultimate conclusion. This directly benefits all parties concerned. Where the active parties in a proceeding have reached a settlement, the principal issue for Commission consideration is whether the agreement reached is in the public interest.<sup>11</sup>

The Joint Settlement Agreement submitted by Equitable, the OCA and the OSBA presents a complete resolution of these proceedings for Commission consideration. The Settling Parties agree that the transfer should go forward. Significantly, in respect to the public interest,

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<sup>10</sup> 52 Pa. Code § 5.231(a).

<sup>11</sup> *Pa. P.U.C. v. CS Water and Sewer Associates*, 74 Pa. P.U.C. 767, 771 (1991); *see also* 52 Pa. Code § 5.232(d).

the Settling Parties propose, without any change to current rates, to maintain the *status quo* of continued natural gas service to the 1,600 plus customers while Equitable first conducts a 12-month assessment of the two Gathering Systems. Moreover, Equitable will, among other things, leak survey the entire 379 miles of lines and perform any necessary repairs. It is worth noting that the leak classification and repairs to be performed by Equitable will be held to the same standard as if these lines were actually subject to federal pipeline safety standards.

In the absence of the transfer, service to the 1,600 plus customers is jeopardized as neither EQT Gathering nor Equitrans intends to continue operating the Gathering Systems. The Joint Settlement Agreement reflects the conclusion of the Settling Parties that every reasonable effort should be made to avoid the discontinuance of natural gas service to the 1,600 plus customers. Based on its experience with the Crooked Creek Gathering System and its current knowledge of these Gathering Systems, Equitable believes that it will be able to continue the provision of safe and reliable service to most, if not all, of the 1,600 plus customers.

Statutory and case law does not define the “public interest” either in the context of affiliated interest review under Section 2102(b) or in the context of Commission review of a proposed settlement agreement. Instead, the “public interest” is determined on a case-by-case basis from the facts of record. In its *Final Rulemaking for the Revision of Chapters 1, 3 and 5 of Title 52 of the Pa. Code Pertaining to Practice and Procedure Before the Commission*, Docket No. L-00020156 (Final Rulemaking Order entered January 4, 2006), the Commission explained as follows in regard to settlement agreements:

The presiding officer's obligation to determine whether a settlement is in the public interest is a necessary corollary to the Commission's fundamental statutory obligations under the Public Utility Code, particularly sections 501, 1301 and 1501. 66 Pa. C.S. §§501, 1301 and 1501. ***In evaluating any matter, the Commission is obligated to balance the interests of consumers in adequate, safe and reliable service at just and reasonable rates with the interests of utilities in***

*a fair return on facilities devoted to public service. The particular balance struck, however, will always be dictated by the specific facts, circumstances, policy, and applicable law.* To provide guidance in this area, the Commission has issued a proposed policy statement that sets forth the factors it will consider in evaluating the merits of a settlement involving violations of the Public Utility Code and Commission regulations. As such, crafting a finite definition for public interest in these regulations is not necessary. (emphasis added)

Based on the facts presented as proposed findings of fact in Section II above and the additional factual discussion below, it is clear that the public interest will be furthered by allowing the acquisitions to go forward subject to the settlement terms proposed by the Company, OCA and OSBA. The Goodwin and Tombaugh Gathering Systems are presently being used to safely transport natural gas and provide end user service to the 1,600 plus customers.<sup>12</sup> Without any impact on current rates, Equitable will acquire the Gathering Systems and continue service to the 1,600 plus customers while it investigates and remediates the Systems. The alternative advocated by I&E, which is based on hypotheticals and assumptions, jeopardizes service to the 1,600 plus customers. The alternative advocated by I&E is unreasonable and inconsistent with the public interest.

**2. The Settlement Terms Are Reasonable And Consistent With The Public Interest**

The settlement terms were admitted into the record as Equitable Exhibit II and are more fully set forth in the Joint Settlement Agreement filed contemporaneously herewith. They address ratemaking and financial considerations and provide for a 12-month investigation of UFG and potential safety concerns. They acknowledge the right of all Settling Parties to withdraw from any further system rehabilitation effort after review of Equitable's 12-month assessment report and Equitable's right to seek abandonment of service to the customers served off the Gathering Systems. The specific settlement terms were presented in Section II and they

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<sup>12</sup> Equitable St. No. 4R at 7.

are self-explanatory. They are, however, summarized and further addressed in the following subsections.

a. **Ratemaking and Financial Considerations**

With the exception of the cost of the initial assessment project (which is capped at \$2 million and, otherwise, must be “prudently incurred” under the settlement terms), the Joint Settlement Agreement provides no assurance for Equitable of rate recovery of any expense or investment related to the Gathering Systems. Ratemaking claims and Commission decisions concerning them remain for consideration in future proceedings, without prejudice to any position any of the Settling Parties may take in those proceedings. This is consistent with traditional ratemaking principles.

Equitable, moreover, has agreed in settlement that any dollar value it might pay to its affiliates to accomplish the transfers will not be recoverable in future rates. It has also agreed in settlement to withdraw proposed Rider E. These points were advocated by the OCA and OSBA through their respective witnesses and, initially, opposed by Equitable. Equitable, however, accepted them in settlement of these proceedings. Consistent with traditional ratemaking principles, Equitable will seek rate recovery of capital expenditures and expenses related to the Systems in future base rate or other Commission proceedings.

The willingness of the OCA and the OSBA to agree that Equitable will be able to recover the costs of the initial assessment project through rates in a future proceeding is reflective of their considered conclusion, and Equitable’s conclusion, as well, that the public interest warrants, at a minimum, an initial 12-month investigation of the Gathering Systems in order to make an informed decision regarding their future, including the need for any significant capital improvements. There is, however, no recovery of any project cost in this proceeding and the

assurance of recovery of the cost of the initial assessment in a future proceeding is expressly limited to “prudently incurred” costs, which are, otherwise, capped at \$2 million. Thus, the Joint Settlement Agreement has built in financial protections for customers on and off the Gathering Systems and provides the types of protections afforded under traditional ratemaking and regulatory principles. In essence, the Settlement puts ratepayers in the same position as if Equitable had always owned and operated the Gathering Systems.

In sum, the Joint Settlement Agreement substantially modifies the ratemaking and financial considerations that were part of Equitable’s original proposal. In settlement, the Company has agreed to withdraw its proposed Rider E and has further agreed that any acquisition price it might pay for the Gathering Systems will not be recoverable through future rates. The Joint Settlement Agreement, consequently, will not impact current rates in any way and the transfer of the Gathering Systems pursuant to the settlement terms will be seamless to existing customers. The financial and ratemaking settlement terms are largely reflective of the testimony of the OCA and the OSBA, traditional ratemaking principles and consistent with the public interest. They are, in fact, balanced wholly in favor of consumers. They, consequently, should be viewed as reasonable and consistent with the public interest.

**b. Unaccounted-For-Gas And Potential Safety Considerations**

The Settling Parties – Equitable, the OCA and the OSBA – have addressed UFG and potential safety concerns as part of the Joint Settlement Agreement and have agreed that Equitable should undertake a 12-month investigation of UFG (which will include leak surveying and any necessary leak repair), including potential safety concerns, initiate rehabilitation consistent with the results of the investigation and report its findings to the Settling Parties.

Mr. Grabiec outlined in his testimony the steps that will be undertaken by Equitable once the Gathering Systems have been acquired. Equitable is experienced in assessing and rehabilitating gathering systems. It will employ the same multi-step, iterative process to the Goodwin and Tombaugh Gathering Systems as it applied to the Crooked Creek Gathering System.

During the 12-month initial assessment negotiated as part of the Joint Settlement Agreement, Equitable will mow, physically walk and leak survey (including any necessary leak repair) the entirety of the Gathering Systems. During the 12-month initial assessment, it will also begin segmentation of the Gathering Systems and identification and evaluation of chronically deficient pipe for either immediate replacement or immediate abandonment. Although the entire multi-step analysis is expected to take between three and four years, Equitable anticipates initial improvement in UFG levels to be more immediate as a result of its initial assessment efforts.

Although essentially dismissed by I&E, it is important to note that there are many contributing factors to UFG and there is absolutely no evidence that UFG, even at its current level, is the result of unsafe pipeline leaks. The testimony of record is that EQT Gathering and Equitrans have adequately maintained the Gathering Systems consistent with their rural location and low pressure operating characteristics. That includes EQT Gathering and Equitrans maintaining a proper leak identification and repair program for these Gathering Systems, again, consistent with their rural location and low pressure operating characteristics.

Equitable has conducted initial due diligence, including a review of the leak history and current leak balance, and does not view the reported UFG levels as safety concerns that would prevent it from safely operating the Systems. As the local distribution company serving the area,

Equitable, moreover, is aware that calls reporting gas odors are relatively infrequent and that the Gathering Systems have been operating without incident.

In sum, Equitable, the OCA and the OSBA believe it is reasonable and in the public interest for Equitable to move forward and acquire the Systems. The acquisitions are necessary if all, or a significant number, of the 1,600 plus customers are to continue to receive natural gas service. The Settling Parties are not, in any way, compromising safety. Instead, they are proposing, without any change to current rates, to maintain the *status quo* of continued natural gas service to the 1,600 plus customers while Equitable conducts a 12-month assessment of the Gathering Systems. Equitable has an excellent record of compliance with pipeline safety laws and regulations and overall safe operations. Equitable intends to continue its excellent operational record, including compliance with any applicable pipeline safety laws and regulations regarding the Gathering Systems.<sup>13</sup>

**c. Rights Reserved**

The Joint Settlement Agreement expressly reserves the right of the Settling Parties to withdraw any further support for rehabilitation efforts and to avail themselves of all remedies under the Public Utility Code. It also reserves to Equitable the right to abandon service to the customers served off the Systems. These reservations protect the interests of the Settling Parties and the public (including those customers not on these Gathering Systems) going forward and are reasonably and appropriately part of a settled resolution of these proceedings.

**3. The Interests of Customers Other Than the 1,600 Plus Customers Are Adequately Protected**

At the conclusion of the evidentiary hearing on November 15, 2012, Judge Long directed the Settling Parties to address the public interest of the acquisition on ratepayers other than the

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<sup>13</sup> Equitable St. No. 3R at 11.

1,600 plus customers.<sup>14</sup> As addressed above, the Joint Settlement Agreement will not impact the current rates of any Equitable customer in any way and the transfer of the Gathering Systems pursuant to the settlement terms will be seamless to existing customers.

Equitable, moreover, must wait for a future base rate or other Commission proceeding to seek recovery of any investment it might make to rehabilitate the Systems. With the exception of the prudently incurred expenditures during the 12-month initial investigation, the Joint Settlement Agreement, also, is without prejudice to any position any Settlement Party might make in a future proceeding in which Equitable seeks rate recovery.

The Joint Settlement Agreement further protects the interests of the public, including the customers other than the 1,600 plus on the Gathering Systems, through the “Express Reservation” term whereby the OCA, OSBA and Equitable may withdraw their further support for rehabilitation after review of the initial assessment report and revised cost estimates. Thus, for example, if Equitable’s initial assessment were to conclude that the entirety of the Gathering Systems must be replaced at a cost of many millions of dollars, each of the Settling Parties would have the opportunity to withdraw support for rehabilitation that they view as overly costly and take whatever additional steps they deem appropriate.

If the results of the initial assessment are consistent with Equitable’s experience with the Crooked Creek Gathering System, as Equitable believes that they will be, investment dollars will likely be part of Equitable’s rehabilitation effort. As an initial step, Equitable will only make such investment decisions in a manner that is prudent, balancing, among other things, the number of customers impacted and the size of the investments required. That decision process is

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<sup>14</sup> N.T. 149-150.

undertaken for all such investments by Equitable, with an express recognition that a lesser standard puts at jeopardy the ability to recover those investments in future proceedings.

Assuming that Equitable has prudently invested in those rehabilitation efforts for these Gathering Systems, the socialization of rehabilitation costs over a utility's entire customer base is an important part of utility ratemaking. Through rates, for example, the 1,600 plus customers have contributed to the costs of system maintenance of facilities used to serve other Equitable customers. When rates are changed to reflect rehabilitation costs of the Goodwin and Tombaugh Gathering Systems, other customers, as well as the 1,600 plus customers, will appropriately pay the socialized costs of rehabilitating these Gathering Systems. The potential socialization of these rehabilitation costs is no different than the socialization of the costs of rehabilitating any of the many small water or wastewater systems acquired by larger water or wastewater systems with Commission approval.<sup>15</sup> Indeed, the Commission's Policy Statements regarding the acquisition of smaller, viable and nonviable water and wastewater systems encourage such acquisitions through the use of various regulatory incentives, including the allowance of acquisition adjustments to rate base and the deferred recovery of acquisition improvement costs.<sup>16</sup> Again, however, as set forth above, the Joint Settlement Agreement reserves the rights of each Settling Party in the event of rehabilitation efforts that might be viewed as overly costly.

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<sup>15</sup> See, e.g., *Joint Application of Aqua Pennsylvania, Inc. and Total Environmental Solutions, Inc.*, Docket No. A-2011-2276845 (Order entered February 17, 2012); *Joint Application of Little Washington Wastewater Company d/b/a Suburban Wastewater Company and Total Environmental Solutions, Inc.*, Docket No. A-2011-2276856 (Order entered February 17, 2012); *Joint Application of Pennsylvania-American Water Company and Nittany Water Company*, Docket Nos. A-2009-2120357 and A-2009-2120358 (Final Order entered September 22, 2009).

<sup>16</sup> 52 Pa. Code §§ 69.711 (Small Nonviable Water and Wastewater Systems – Statement of Policy), and 69.721 (Acquisitions of Viable Water and Wastewater System – Statement of Policy). Cf. 66 Pa. C.S. § 1311(c) (allowing a water and wastewater utility to allocate a portion of the wastewater revenue requirement to the combined water and wastewater customer base if in the public interest).

**B. The Testimony Of I&E Concerning UFG On Non-Jurisdictional Pipes Should Be Disregarded**

I&E opposes the transfer of the Gathering Systems to Equitable. I&E witness Graeser testified that the levels of UFG create a safety concern.<sup>17</sup> Mr. Graeser, however, has no personal or direct knowledge of either the conditions of the Gathering Systems<sup>18</sup> or the maintenance practices of EQT Gathering or Equitrans.<sup>19</sup> His concerns are based solely on a UFG “number”<sup>20</sup> and, accordingly, they are unfounded. EQT Gathering and Equitrans, on the other hand, have been operating the systems for many years. Equitable, moreover, has experience in managing similar gathering systems. UFG has many contributing factors and neither EQT Gathering, Equitrans nor Equitable views the UFG numbers as a safety concern. It is somewhat perplexing that the 1,600 plus customers have been and are continuing to receive safe and reliable service from the Gathering Systems, yet, I&E would remove the lines from service and terminate service to the customers without the benefit of the settlement assessment.<sup>21</sup> If that were to happen, would the 1,600 plus customers really be better off?

I&E’s attempt to raise a safety concern about these Gathering Systems is also inconsistent with federal and state law. The Gathering Systems are not subject to either federal regulation by PHMSA<sup>22</sup> or state regulation by the Gas Safety Division, as Mr. Graeser acknowledges.<sup>23</sup> The attempt to create a safety concern (with no independent investigation)

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<sup>17</sup> Mr. Graeser also expressed concern with burdening Equitable ratepayers with “the tremendous costs” of repairing the systems. I&E St. No. 1 at 5. The Joint Settlement Agreement addresses financial and ratemaking concerns in a reasonable manner that is consistent with the public interest as previously addressed.

<sup>18</sup> N.T. 140.

<sup>19</sup> N.T. 141.

<sup>20</sup> N.T. 140-141.

<sup>21</sup> N.T. 146.

<sup>22</sup> See 49 C.F.R. §§ 192.3, 192.5, 192.8.

<sup>23</sup> I&E St. No. 1-SR at 2; N.T. 139-140.

where none exists under the very statutes or regulations that govern the extent of the Gas Safety Division's and PHMSA's jurisdiction is not reasonable. The further attempt to use that concern to stop the transaction and jeopardize continuing natural gas service to the 1,600 plus customers is contrary to the public interest. The I&E testimony expressing UFG and safety concerns about non-jurisdictional pipe should be disregarded.<sup>24</sup>

The lack of federal and state regulation and the reasons for it are clear. In addition to the testimony of Mr. Graeser, Mr. Cooper also emphasized the non-jurisdictional status of the Gathering Systems.<sup>25</sup> He addressed the status of the lines at some length during the evidentiary hearing<sup>26</sup> and explained that, with the possible exception of approximately 2,550 feet (out of the 379 miles or more than 2 million feet), the pipelines in the Gathering Systems, although referred to within the industry, generally, as “gathering”<sup>27</sup> would be classified as “production” for purposes of pipeline safety.<sup>28</sup> Production pipelines, like Class 1 gathering pipelines, are non-jurisdictional for federal pipeline safety purposes.<sup>29</sup>

The testimony of Mr. Graeser and Mr. Cooper concerning the non-jurisdictional status of the pipelines is consistent with traditional and current statutory law. Rural gas gathering lines and production lines have historically been exempt from federal pipeline safety regulation. The lack of such regulation is captured by the essence of the pipelines in these Gathering Systems – they are operated at low pressure in predominately rural areas and, as such, they are viewed as relatively low risk. Therefore, the acknowledged lack of jurisdiction of these pipelines for

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<sup>24</sup> Equitable's motion to strike the non-jurisdictional testimony of Mr. Graeser and Mr. Cline was initially presented on the record at the evidentiary hearing of November 15, 2012. N.T. 124-129.

<sup>25</sup> Equitable St. No. 4R at 4 and 8; N.T. 65-66.

<sup>26</sup> N.T. 59-75.

<sup>27</sup> N.T. 71.

<sup>28</sup> N.T. 74-75.

<sup>29</sup> N.T. 70.

purposes of federal and state pipeline safety regulations does not mean that the Gathering Systems are not being safely operated. On the contrary, the evidence of record discussed above demonstrates that the Gathering Systems have been adequately maintained consistent with their rural location and low pressure operating characteristics and that the Gathering Systems are presently being used to transport natural gas and provide end user service to the 1,600 plus customers, without incident.

In sum, by opposing the transaction, I&E would create a scenario where service to the 1,600 plus customers is jeopardized as a result of UFG and safety concerns about pipeline systems over which it has no direct knowledge and no jurisdictional oversight. Its opposition is inconsistent with the public interest and unreasonable. I&E's opposition should be rejected and the acquisitions should be allowed to go forward subject to the settlement terms agreed to by Equitable, the OCA and the OSBA.

## VI. PROPOSED CONCLUSIONS OF LAW

1. Section 2102(b) of the Public Utility Code, 66 Pa. C.S. § 2102(b), provides that the Commission shall approve affiliated interest agreements only if it shall clearly appear and be established upon investigation that the contract in question is reasonable and consistent with the public interest.

2. Consistent with the Section 2102(b) statutory standard, it is the policy of the Commission to encourage parties in contested proceedings to enter into settlements. Where the active parties in a proceeding have reached a settlement, the principal issue for Commission consideration is whether the agreement reached is in the public interest.

3. The “public interest” is determined on a case-by-case basis from the facts of record. *Final Rulemaking for the Revision of Chapters 1, 3 and 5 of Title 52 of the Pa. Code Pertaining to Practice and Procedure Before the Commission*, Docket No. L-00020156 (Order entered January 4, 2006).

4. The substantial evidence of record demonstrates that the acquisitions are reasonable and that the public interest will be furthered by allowing the acquisitions to go forward subject to the settlement terms proposed by the Company, OCA and OSBA. Without any impact on current rates, Equitable will acquire the Goodwin and Tombaugh Gathering Systems and continue service to the 1,600 plus customers while it investigates the Systems.

5. I&E’s opposition to the transaction subject to the settlement terms is unreasonable and inconsistent with the public interest. The position of I&E jeopardizes service to the 1,600 plus customers.

**VII. PROPOSED ORDERING PARAGRAPHS**

FOR THE FOREGOING REASONS,

IT IS ORDERED:


1. That the Application of Equitable Gas Company and the Joint Settlement Agreement submitted by Equitable, the OCA and the OSBA are approved.
2. That Equitable may acquire the Goodwin Gathering System and the Tombaugh Gathering System.
3. That the formal complaint of the Office of Consumer Advocate at Docket No. C-2012-2315323 is hereby dismissed.
4. That the investigation of the Public Utility Commission at Docket No. R-2012-2312577 is terminated and the record marked closed.

**VIII. CONCLUSION – REQUEST FOR RELIEF**

Based on the foregoing, Equitable Gas Company, LLC requests that the Public Utility Commission approve its proposed acquisition of the Goodwin Gathering System and the Tombaugh Gathering System from EQT Gathering, LLC and Equitrans, LP subject to the terms of the Joint Settlement Agreement between and among Equitable, the Office of Consumer Advocate and the Office of Small Business Advocate.

Respectfully submitted,

EQUITABLE GAS COMPANY, LLC

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Date: December 14, 2012

**Before The  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Administrative Law Judge  
Mary D. Long, Presiding**

<b>Pennsylvania Public Utility Commission</b>	<b>:</b>	<b>R-2012-2312577</b>
	<b>:</b>	<b>C-2012-2315323</b>
<b>v.</b>	<b>:</b>	
	<b>:</b>	
<b>Equitable Gas Company</b>	<b>:</b>	
<b>Application of Equitable Gas Company, LLC for Affiliated Interest Approval and Such Other Approvals, If Any, As May Be Necessary In Regard to the Acquisition of the Goodwin Gathering System from EQT Gathering, LLC and of the Tombaugh Gathering System from Equitrans, LP</b>	<b>:</b>	<b>G-2012-2312597</b>

**CERTIFICATE OF SERVICE**

I hereby certify that I have this 14<sup>th</sup> day of December 2012 served a true and correct copy of the Main Brief of Equitable Gas Company, LLC, upon the persons and in the manner set forth below:

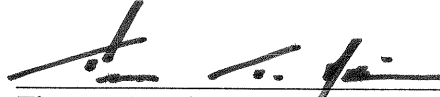
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