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File #: 3283-153762

October 7, 2013

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

**Re: Joint Application of Peoples Natural Gas Company LLC, Peoples TWP LLC, and Equitable Gas Company, LLC for All of the Authority and the Necessary Certificates of Public Convenience (1) to Transfer All of the Issued and Outstanding Limited Liability Company Membership Interest of Equitable Gas Company, LLC to PNG Companies, LLC, (2) to Merge Equitable Gas Company, LLC with Peoples Natural Gas Company LLC, (3) to Transfer Certain Storage and Transmission Assets of Peoples Natural Gas Company LLC to Affiliates of EQT Corporation, (4) to Transfer Certain Assets between Equitable Gas Company, LLC and Affiliates of EQT Corporation, (5) for Approval of Certain Ownership Changes Associated with the Transaction, (6) for Approval of Certain Associated Gas Capacity and Supply Agreements, and (7) for Approval of Certain Changes in the Tariff of Peoples Natural Gas Company LLC**  
**Docket No. A-2013-2353647; A-2013-2353649; A-2013-2353651**

Dear Secretary Chiavetta:

Enclosed for filing please find the Joint Petition for Approval of Settlement of All Issues for the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

Michael W. Gang

CTW/skr  
Enclosures

cc: Honorable Mark A. Hoyer  
Certificate of Service

ALLENTOWN HARRISBURG LANCASTER PHILADELPHIA PITTSBURGH PRINCETON WASHINGTON, D.C.

A PENNSYLVANIA PROFESSIONAL CORPORATION

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of § 1.54 (relating to service by a participant).

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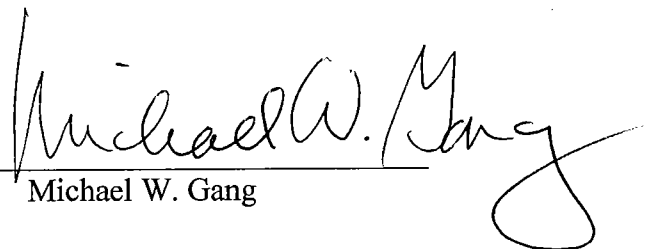
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Dated: October 7, 2013

  
Michael W. Gang

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Application of Peoples Natural Gas	:	
Company LLC, Peoples TWP LLC, and	:	
Equitable Gas Company, LLC for All of	:	
the Authority and the Necessary	:	
Certificates of Public Convenience (1) to	:	Docket Nos. A-2013-2353647
Transfer All of the Issued and Outstanding	:	A-2013-2353649
Limited Liability Company Membership	:	A-2013-2353651
Interest of Equitable Gas Company, LLC to	:	
PNG Companies LLC, (2) to Merge	:	
Equitable Gas Company, LLC with	:	
Peoples Natural Gas Company LLC, (3) to	:	
Transfer Certain Storage and Transmission	:	
Assets of Peoples Natural Gas Company	:	
LLC to Affiliates of EQT Corporation, (4)	:	
to Transfer Certain Assets between	:	
Equitable Gas Company, LLC and	:	
Affiliates of EQT Corporation, (5) for	:	
Approval of Certain Ownership Changes	:	
Associated with the Transaction, (6) for	:	
Approval of Certain Associated Gas	:	
Capacity and Supply Agreements, and (7)	:	
for Approval of Certain Changes in the	:	
Tariff of Peoples Natural Gas Company	:	
LLC.	:	

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**JOINT PETITION FOR APPROVAL OF SETTLEMENT OF ALL ISSUES**

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TO THE HONORABLE MARK A. HOYER, ADMINISTRATIVE LAW JUDGE (“ALJ”):

**I. INTRODUCTION**

Peoples Natural Gas Company LLC (“Peoples”), Peoples TWP LLC (“Peoples TWP”), and Equitable Gas Company, LLC (“Equitable”),<sup>1</sup> the Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), Pennsylvania

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<sup>1</sup> Hereinafter, Peoples, Peoples TWP, and Equitable will collectively be referred to as the “Joint Applicants.”

Independent Oil & Gas Association (“PIOGA”), Dominion Retail, Inc. and Interstate Gas Supply, Inc. (collectively “NGS Parties”), Snyder Brothers, Inc. (“Snyder Brothers”), United States Steel Corporation (“US Steel”), and Citizens for Pennsylvania’s Future (“PennFuture”), all parties to the above-captioned proceeding (hereinafter, singularly “Signatory Party” and collectively “Signatory Parties”), hereby file this “Joint Petition for Approval of Settlement of All Issues” (“Settlement”) and respectfully request that ALJ and the Commission approve the above-captioned Joint Application (“Joint Application”) consistent with the terms and conditions set forth in this Settlement.<sup>2</sup> This Settlement represents a full settlement of all issues in the instant proceeding. In support of the Settlement, the Signatory Parties state the following:

## **II. BACKGROUND**

1. Peoples is a “public utility” and a “natural gas distribution company” as those terms are defined in Code Sections 102 and 2202 66 Pa.C.S. §§ 102, 2202. Peoples provides natural gas services to approximately 360,000 customers throughout its certificated territory, which includes all or portions of the following Pennsylvania counties: Allegheny, Armstrong, Beaver, Blair, Butler, Cambria, Clarion, Fayette, Greene, Indiana, Lawrence, Mercer, Somerset, Venango, Washington, and Westmoreland.

2. Peoples TWP is a “public utility” and a “natural gas distribution company” as those terms are defined in Code Sections 102 and 2202, 66 Pa.C.S. §§ 102, 2202. Peoples TWP provides natural gas services to approximately 60,300 customers throughout its service territory,

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<sup>2</sup> The Pennsylvania State University (“PSU”), Peoples-Equitable Merger Intervenors (“PEMI”), Utility Workers Union of America, Local 666 (“UWUA”), International Brotherhood of Electrical Workers, Local 1956 (“IBEW”), and United Steelworkers International Union, Local 12050 (“Steelworkers”) are not parties to the Settlement but have indicated that they do not object. As more fully explained below, certain Signatory Parties join in specific provisions of this Settlement and do not object to other provisions.

which includes all or portions of the following Pennsylvania counties: Allegheny, Armstrong, Beaver, Butler, Cambria, Clarion, Clearfield, Indiana, Jefferson, and Westmoreland.

3. Equitable is a “public utility” and a “natural gas distribution company” as those terms are defined in Code Sections 102 and 2202, 66 Pa.C.S. §§ 102, 2202. Equitable provides natural gas services to approximately 260,000 customers throughout its Pennsylvania certificated territory, which includes all or portions of the following Pennsylvania counties: Allegheny, Armstrong, Beaver, Butler, Clarion, Greene, Indiana, Jefferson, Washington, and Westmoreland.

4. On March 19, 2013, the Joint Applicants filed with the Commission the Joint Application requesting all necessary approvals authorizing: (1) the transfer of 100% of the issued and outstanding limited liability company membership interests in Equitable, an indirect subsidiary of EQT Corporation (“EQT”),<sup>3</sup> to PNG Companies LLC (“PNG”), an indirect subsidiary of SteelRiver Infrastructure Fund North America LP (“SRIFNA”); (2) the merger of Equitable with Peoples, a wholly-owned subsidiary of PNG, and the operation of Equitable as an operating division of Peoples; (3) the transfer of certain storage and transmission assets of Peoples to EQT; (4) the transfer of certain assets and/or the exchange of certain services between EQT and Equitable; (5) certain PNG ownership changes associated with the transaction; (6) the associated gas capacity, storage, interconnects, leases, and supply service agreements among Peoples, Peoples TWP, Equitable, and/or EQT set forth in the Joint Application; and (7) certain changes in Peoples’ tariff necessary to carry out the transactions (hereinafter, collectively the “Transaction”).

5. On March 21, 2013, a Secretarial Letter was issued directing the Joint Applicants to publish notice of the Transaction once in a newspaper having a general circulation in the area

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<sup>3</sup> Unless otherwise specified in this Joint Application, all references to “EQT” shall be deemed to also include all of its subsidiaries and affiliates.



involved and file proof of publication with the Commission. The Joint Applicants filed Proof of Publication with the Commission on April 2, 2013.

6. On April 8, 2013, I&E entered a Notice of Appearance. On April 10, 2013, the OSBA filed a Notice of Intervention, Protest, Public Statement, and Notice of Appearance. On April 11, 2013, the OCA filed a Notice of Intervention, Protest, and Public Statement.

7. Protests and Petitions to Intervene were filed by the following: the NGS Parties; UWUA, PSU, Snyder Brothers, Steelworkers, IBEW, PEMI, PIOGA, and PennFuture.<sup>4</sup>

8. On April 17, 2013, the Joint Applicants served the following prepared direct testimonies and accompanying exhibits: Direct Testimony of Christopher P. Kinney, Joint Applicants Statement No. 1; Direct Testimony of Morgan K. O'Brien, Joint Applicants Statement No. 2; Direct Testimony of Fredrick K. Dalena, Joint Applicants Statement No. 3; Direct Testimony of Joseph A. Gregorini, Joint Applicants Statement No. 4; Direct Testimony of Jeffrey S. Nehr, Joint Applicants Statement No. 5; Direct Testimony of Kenneth M. Johnston, Joint Applicants Statement No. 6; Direct Testimony of Ruth Ann DeLost, Joint Applicants Statement No. 7; Direct Testimony of James I. Warren, Joint Applicants Statement No. 8; and Direct Testimony of John M. Quinn, Joint Applicants Statement No. 9.

9. On April 23, 2013, the Commission issued a notice scheduling a prehearing conference in the above-captioned matter on May 9, 2013.

10. The active parties undertook extensive formal and informal discovery, prior to and subsequent to the initial prehearing conference.

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<sup>4</sup> The Retail Energy Supply Association and Dominion Transmission Inc. also filed and subsequently withdrew Petitions to Intervene. As a result, Retail Energy Supply Association and Dominion Transmission Inc. are no longer parties to this proceeding.

11. An initial prehearing conference was held before the ALJ on May 9, 2013. The active parties filed prehearing memoranda identifying potential issues and witnesses. A litigation schedule was established.

12. On May 29, 2013, the Joint Applicants served the following direct testimony and accompanying exhibits: Supplemental Direct Testimony of Christopher P. Kinney, Joint Applicants Statement No. 1-S; Supplemental Direct Testimony of Jeffrey S. Nehr, Joint Applicants Statement No. 5-S; Direct Testimony of Bruce Grabiec, Joint Applicants Statement No. 10; and Direct Testimony of Christine S. Mayernik, Joint Applicants Statement No. 11.

13. On July 24, 2013, the parties other than the Joint Applicants served direct testimony. I&E served the Direct Testimony of Ralph Graeser, I&E Statement No. 1, and the Direct Testimony of Ethan H. Cline, I&E Statement No. 2. The OCA served the Direct Testimony of Richard S. Hahn, OCA Statement No. 1, and the Direct Testimony of Nancy Brockway, OCA Statement No. 2. The OSBA served the Direct Testimony of Brian Kalcic, OSBA Statement No. 1. The NGS Parties served the Direct Testimony of James L. Crist, NGS Statement No. 1. PIOGA served the Direct Testimony of Louis D. D'Amico, PIOGA Statement No. 1. Snyder Brothers served the Direct Testimony of Benjamin T. Snyder, Snyder Brothers Statement No. 1. PennFuture served the Direct Testimony of John Plunkett, PennFuture Statement No. 1. No other party served direct testimony.

14. On August 19, 2013, the Joint Applicants served the following rebuttal testimony: Rebuttal Testimony of Morgan K. O'Brien, Joint Applicants Statement No. 2-R; Rebuttal Testimony of Fredrick K. Dalena, Joint Applicants Statement No. 3-R; Rebuttal Testimony of Joseph A. Gregorini, Joint Applicants Statement No. 4-R; and Rebuttal Testimony of Jeffrey S. Nehr, Joint Applicants Statement No. 5-R. The following rebuttal testimony also was served by

parties other than the Joint Applicants: the OSBA served the Rebuttal Testimony of Brian Kalcic, OSBA Statement No. 2; and the NGS Parties served the Rebuttal Testimony of James L. Crist, NGS Statement No. 2.

15. On September 6, 2013, the Joint Applicants served the following surrebuttal testimony: Surrebuttal Testimony of Fredrick K. Dalena, Joint Applicants Statement No. 3-SR; Surrebuttal Testimony of Joseph A. Gregorini, Joint Applicants Statement No. 4-SR; and Surrebuttal Testimony of Jeffrey S. Nehr, Joint Applicants Statement No. 5-SR. The parties other than the Joint Applicants also served surrebuttal testimony on September 6, 2013. I&E served the Surrebuttal Testimony of Ralph Graeser, I&E Statement No. 1-SR, and the Surrebuttal Testimony of Ethan H. Cline, I&E Statement No. 2-SR. The OCA served the Surrebuttal Testimony of Richard S. Hahn, OCA Statement No. 1-SR, and the Surrebuttal Testimony of Nancy Brockway, OCA Statement No. 2-SR. The OSBA served the Surrebuttal Testimony of Brian Kalcic, OSBA Statement No. 3. The NGS Parties served the Surrebuttal Testimony of James L. Crist, NGS Statement No. 3. PIOGA served the Surrebuttal Testimony of Louis D. D'Amico, PIOGA Statement No. 1-S. Snyder Brothers served the Surrebuttal Testimony of Benjamin T. Snyder, Snyder Brothers Statement No. 1-S. PennFuture served the Surrebuttal Testimony of John Plunkett, PennFuture Statement No. 2.

16. As a result of extensive settlement discussions, all active parties other than PennFuture reached a settlement in principle prior to the September 11, 2013 evidentiary hearing that fully resolved all issues related to the Transaction ("Transaction Issues"), except for PennFuture's proposal that the Joint Applicants be required to implement a five-year, \$220 million demand side management ("DSM") plan as a condition of the Commission's approval of

the Transaction (“PennFuture Issues”). Therefore, PennFuture was the only active party that took no position on the settlement in principle of the Transaction Issues.<sup>5</sup>

17. An evidentiary hearing was held on September 11, 2013. At the evidentiary hearing, the active parties also moved their respective testimonies and exhibits into the record. The remaining PennFuture Issues also were litigated at the evidentiary hearing.

18. Following the conclusion of the evidentiary hearing, the Joint Applicants and PennFuture continued to engage in additional settlement discussions in an effort to resolve the remaining PennFuture Issues. As a result of these efforts, the Joint Applicants and PennFuture reached a settlement in principle that fully resolved all of the remaining PennFuture Issues.<sup>6</sup>

19. As a result of the extensive efforts described above, the active parties have fully resolved all of the issues raised in this proceeding.

20. The Settlement agreed to by the Signatory Parties is set forth in the following Section III.

### **III. SETTLEMENT**

21. The following terms of this Settlement reflect a carefully balanced compromise of the interests of all of the Signatory Parties in this proceeding. The Signatory Parties unanimously agree that the Settlement, which resolves all the Signatory Parties’ issues, is in the public interest. The Signatory Parties respectfully request that the approvals sought in the above-referenced Joint Application should be granted subject to the terms and conditions that follow.

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<sup>5</sup> PSU, PEMI, UWUA, IBEW, United Steelworkers, and PennFuture are not parties to the settlement of the Transaction Issues but do not oppose the settlement of the Transaction Issues. PennFuture’s non-opposition is contingent on the ALJ’s and the Commission’s approval of Paragraphs 107 through 114.

<sup>6</sup> I&E, OCA, OSBA, PIOGA, NGS Parties, Snyder Brothers, US Steel, PSU, PEMI, UWUA, IBEW, and Steelworkers are not parties to the settlement of the PennFuture Issues but do not oppose the settlement of the PennFuture Issues.

22. For purposes of this Settlement, references to “Peoples” shall include the merged assets of Peoples Natural Gas Company LLC and Equitable Gas Company LLC following the Closing of the Transaction (the “Closing”) to be operated as the Peoples Division and Equitable Division of Peoples.

23. The Signatory Parties agree to the following, which fully resolve all the issues raised in this proceeding:

**A. SETTLEMENT OF TRANSACTION ISSUES**

24. The Joint Applicants, I&E, OCA, OSBA, PIOGA, NGS Parties, Snyder Brothers, and US Steel join in Paragraphs 24 through 106 of this Settlement, which fully resolve all the Transaction Issues related to the Transaction proposed in the Joint Application.<sup>7</sup>

**1. Financial Conditions**

25. The existence of an acquisition premium for ratemaking purposes will be determined under the Uniform System of Accounts (Account 114).

26. Any acquisition premium recorded on Peoples’ books will be permanently excluded from rate base in establishing future rates subject to the Commission’s jurisdiction. Regarding storage and pipeline assets transferred from Peoples to EQT that will provide services to Peoples pursuant to FERC-regulated agreements, the Joint Applicants will not include any acquisition premium in such rates.

27. Peoples will not claim, in any future rate proceedings, Transaction and Transition Costs to complete the transaction and any related tax effect for such items shall also be excluded in setting rates. Regarding storage and pipeline assets transferred from Peoples to EQT that will

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<sup>7</sup> PSU, PEMI, UWUA, IBEW, and United Steelworkers do not join in Paragraphs 24 through 106 of this Settlement, but have no objection to these provisions. As set forth in Paragraph 108, PennFuture does not object to Paragraphs 24 through 106 provided the ALJ and Commission also approve Paragraphs 107 through 114.

provide services to Peoples pursuant to FERC-regulated agreements, the Joint Applicants will not include any Transaction or Transition Costs in such rates.

28. Peoples' debt costs will be established in future rate proceedings. It will be Peoples' burden to demonstrate that its debt costs are reasonable. All parties reserve their right to review and challenge any debt cost claim.

29. Peoples will not defer any Transaction or Transition Costs identified in Paragraph 27 above, such costs shall be borne exclusively by Peoples' shareholders.

30. The existing base rates of the Peoples Division shall be reduced on one day's notice following the Closing to reflect the transfer of Peoples' transmission and storage assets to EQT as set forth in the Application Appendix K (Exhibit MKO-1) ("Peoples Adjusted base rates") consistent with Paragraph 34 and as set forth in "**Appendix A**" to this Petition. Peoples agrees that post-closing the capital structure of Peoples will be maintained at an approximate level of 50% debt and 50% equity.

31. The Peoples Adjusted base rates as defined herein and Equitable's current base rates adopted for the Equitable Division will be capped until January 1, 2018, unless there are substantial changes in regulation or federal tax rates or policy. This paragraph shall not prohibit changes in rates pursuant to the State Tax Adjustment Surcharge, the Universal Service Charge, Distribution System Improvement Charge ("DSIC") or Purchased Gas Cost ("PGC") Charges. If Peoples determines that it needs to file a general base rate case with new rates becoming effective after the expiration of the rate cap ending January 1, 2018, but prior to January 1, 2019, Peoples agrees to demonstrate, consistent with the reports required by Paragraph 45, that its claim includes at least \$15 million of synergy savings resulting from the Transaction. If such

demonstration is not made, any difference will be imputed in setting rates in the general base rate case.

32. If the Commission determines in the Investigation at Docket No. I-2012-2320323, that all natural gas distribution companies that offer discounted distribution rates must absorb all or a portion of gas on gas discounts by the effective date of Peoples' or Peoples TWP's next general rate proceeding, Peoples and Peoples TWP agree to impute revenues for those competitive service customers whose rate discounts are solely the result of competition between the Joint Applicants (Peoples, Peoples TWP and Equitable), to the extent required, and at the levels proscribed, by the Commission's action at Docket No. I-2012-2320323, in the test period used to establish rates. Nothing in this paragraph shall be construed to prohibit Peoples or Peoples TWP from contending in such proceeding that the tariff rates for classes of customers receiving such discounts be set at the cost to serve tariff rate.

33. Peoples agrees to phase out gas-on-gas competition consistent with the rebuttal testimony of Peoples' witness Gregorini in this proceeding.

34. Effective with the Closing, the Peoples Division and Equitable Division rates for collections under the DSIC mechanism will be frozen at the current levels until such time as Peoples files a new combined Long Term Infrastructure Improvement Program ("LTIIIP") plan or Asset Optimization plan for 2015 through 2019 that addresses the effects of the Transaction including how redundant facilities will be handled. Peoples revised LTIIIP will take into account the transferred assets and the improvements to be made to those assets. Peoples' DSIC rate will be reduced at Closing to reflect any amounts included in DSIC related to improvements to plant transferred to EQT. This clause must be read in conjunction with Paragraph 62 as to the additional threshold that must be met for Equitable Division to employ its DSIC.

35. The Peoples Division PGC rates to sales and transportation customers will be adjusted on one day's notice following the Closing to reflect the charges for services to be provided by Equitrans, L.P. ("Equitrans") on the Allegheny Valley Connector ("AVC") and adjustments to retainage rates approved in Peoples 1307(f)-2013 proceeding to remove retainage to be charged on the transferred assets as set forth in "**Appendix B**". The Peoples Division rates shall be adjusted to reflect costs under the new agreements for capacity and supply on an actual basis in quarterly PGC filings and in the next Peoples' Division annual PGC filing pursuant to Section 1307(f) of the Public Utility Code. The Peoples rates shall continue to be subject to reconciliation to actual costs pursuant to Section 1307(f) of the Public Utility Code. Peoples agrees to demonstrate that it is managing these agreements to comply with its least cost procurement obligation in its annual Section 1307(f) filings. Peoples will have the right to conduct an annual audit of the computation of any charges under the AVC agreement with the cooperation of EQT and provide that report to I&E, OCA and OSBA.

36. PNG/Peoples and EQT agree that the AVC agreement for the services to Peoples from the transferred assets shall have an initial term of 20 years and shall provide Peoples with a Right of First Refusal.

37. Peoples or PNG shall issue and maintain separately issued debt held by investors not affiliated with SteelRiver or its affiliates, unless the Commission determines that ratepayers will experience a net benefit from any other Company proposal.

38. Peoples will not request a capital structure for ratemaking purposes which is outside the range of capital structures employed by comparable gas distribution companies. All Signatory Parties reserve their right to review and challenge any proposed capital structure.



39. For a four-year period following Closing, Peoples will provide thirty (30) day's prior notice to the Commission, the OCA, I&E, and OSBA if it intends to make a distribution to PNG which distribution will cause its actual debt ratio, excluding working capital facilities, to exceed 55% of total capitalization.

40. LDC Holdings' consolidated long term debt ratio as a percent of total capitalization shall not exceed 60% for any period longer than one year absent approval from the Commission. Any request for approval will be considered on an expedited basis, if so requested.

41. Peoples and Peoples TWP will be ring fenced from other companies owned by SteelRiver managed funds as described in the Joint Application.

42. Peoples' dividends to PNG shall be limited to a level that maintains a maximum debt ratio of 55%, excluding working capital facilities, unless approved by the Commission.

43. Peoples shall not do the following except as approved by the Commission upon a showing of net benefit to retail customers:

- (a) guarantee the debt or credit instruments of PNG, LDC Holdings, LDC Funding, or any affiliate not regulated by the Commission;
- (b) mortgage utility assets on behalf of PNG, LDC Holdings, LDC Funding, or any affiliate other than in conjunction with financing provided by PNG to Peoples; or
- (c) loan money or otherwise extend credit to PNG, LDC Holdings, LDC Funding, or any affiliate for a term of one year or more.

44. SteelRiver will seek approval of the Commission of any future consolidation or merger of Peoples and Peoples TWP.

45. Prior to the first base rate filing after Closing, Peoples shall provide annual reports to the Commission and the parties to this proceeding describing and quantifying the levels of merger savings actually being achieved.

## **2. Books and Records**

46. Peoples shall maintain reasonable accounting controls and pricing protocols to govern transactions with affiliates, and provide the Commission, I&E, OCA and OSBA reasonable access to the books, records and personnel of Peoples' affiliates where necessary for the Commission to adequately review Peoples' purchases of goods or services from those affiliates.

47. Peoples will maintain separate accounting for the Peoples Division and Equitable Division operations sufficient to provide all Commission required financial statements. Separate accounting records also will be maintained for operations in West Virginia and Kentucky.

48. Upon written request, PNG and its subsidiaries will provide the Commission, I&E, OCA and the OSBA reasonable access to the books and records, officers and staff of PNG and its subsidiaries. However, nothing set forth herein shall constitute or be interpreted as a waiver by PNG or its subsidiaries of its right to raise traditional discovery objections to any such requests, including, but not limited to, objections on the basis of relevance and privilege. In addition, before responding to any such requests, PNG and its subsidiaries shall be permitted to require the imposition of protections they deem necessary to prohibit disclosure of proprietary or confidential information.

49. Peoples and its parents will provide, upon request, to the Commission, I&E, OCA and OSBA, in connection with rate proceedings and other proceedings before the Commission presentations given to common stock, bond, or bond rating analysts, that directly, or indirectly pertain to Peoples.

50. Peoples will seek Commission approval of all new or amended agreements with affiliates consistent with Chapter 21 of the Public Utility Code.

51. PNG and its subsidiaries shall provide the I&E, OCA and OSBA with a copy of any reports filed with the US Securities and Exchange Commission upon request.

52. For the five (5) calendar years following Closing, Peoples will provide an annual report to the Commission as to the status of all material commitments made in any settlement.

### **3. Corporate Cost Allocations**

53. Peoples' cost allocations between its Peoples and Equitable Divisions and affiliates will follow the standards and allocation methodologies that have been previously approved by the Commission, at Docket No. G-2012-2290014, with regard to affiliate charges under the Peoples Service Corporation, LLC Agreement.

54. Peoples' corporate cost allocations will include a rent charge for the percentage of space occupied by employees who provide services to an affiliate, and a supplies charge for supplies the employee may use in providing services to affiliates.

55. Peoples' corporate cost allocations will provide that all charges by PNG to Peoples will be at cost, provided that nothing herein shall affect Peoples' burden of proof under 66 Pa. C.S. § 2106.

### **4. Management**

56. SteelRiver will not permit a change in ownership in Peoples or Peoples TWP without prior Commission approval if such change would result in a change in control under the then-applicable Commission standards.

57. The CEO of Peoples will continue to be a member of the governing board of PNG.

58. SteelRiver will continue to maintain Peoples' corporate headquarters in Peoples' service area and in or near Pittsburgh, Pennsylvania. Peoples agrees not to move its headquarters outside of Peoples' Pennsylvania service territory for at least a ten year period after Closing and will only do so after that time upon application to and approval by the Commission.

59. Peoples commits to maintain field offices in its service territory and staffing levels that are sufficient to provide safe and reliable service. Peoples will provide annual reports to the Commission, I&E, OSBA, and OCA regarding field offices and staffing levels in its service territory for a period of five years.

60. Peoples commits to the protection of jobs for workers covered by collective bargaining agreements, as set out and discussed in the Direct Testimony of Mr. O'Brien.

61. For a period of four years after Closing, Peoples will commit to offering one year of job placement assistance from date of termination for any employees of Equitable or Peoples who will be in need of such assistance due to the planned reorganizations of the workforce. Such job placement assistance will be consistent in kind and quality with the best practices of similar industries.

## **5. Reliability, Pipe Replacement and Lost and Unaccounted For Gas**

62. Peoples commits to continue its acceleration of replacing higher risk pipe with a revised focus solely on its distribution and gathering assets. Peoples revised LTIIP to be filed in 2014 pursuant to Paragraph 34 will provide for a level of investment for the Peoples Division for the period 2015 through 2019 that is consistent in aggregate amount with the annual average amount of \$80 million under Peoples' Commission approved current LTIIP. Peoples will accelerate capital expenditures for the Equitable Division from \$33 million in 2014 to at least \$45 million in 2017, 2018 and 2019 as evidenced by the filing of a revised LTIIP or Asset

Optimization Plan. This clause must be read in conjunction with Paragraph 34 herein. Peoples will annually provide updates to those plans consistent with the Commission requirements.

63. Until the effective date of Peoples next general rate proceeding, Peoples will continue operating expenditures for the Peoples and Equitable Divisions for leak detection and repair at least at 2012 levels unless it is appropriate to reduce such expenditures due to development and acquisition of improved and/or lower cost methods of leak detection. Peoples' and Equitable's best practices to reduce lost and unaccounted for gas will be adopted.

64. Joint Applicants agree that Section 5.7 of the Asset Exchange Agreement concerning EQT's option to acquire rights of way will be removed from the Transaction and EQT acknowledges that it has none of the rights set forth therein.

65. The Goodwin and Tombaugh Gathering Systems ("Gathering Systems") will be transferred in the following manner:

- (a) EQT will continue to repair leaks on the Gathering Systems before Closing, provide to the Bureau of Investigation and Enforcement's Gas Safety Division ("Gas Safety Division") monthly reports of leaks repaired within 10 days of the end of each month and provide the Gas Safety Division with access to verify leaks repaired.
- (b) The Gas Safety Division will be provided access to the Gathering Systems to inspect for safety concerns during the period up to Closing.
- (c) On Closing, the Gathering Systems will be transferred to a new subsidiary of PNG ("PNG Gathering LLC").

- (d) At Closing, EQT will provide \$5 million to PNG Gathering for use in connection with the Gathering Systems as described further in subparagraph e. below (the “EQT Contribution”).
- (e) Peoples and PNG Gathering will use the EQT Contribution to assess and improve the Gathering Systems facilities as described below.
  - (i) Peoples will assess the Gathering Systems facilities and develop and implement an initial plan, in conjunction with the Gas Safety Division, to address improvements;
  - (ii) The Gas Safety Division will be permitted to access the Gathering Systems facilities to conduct safety inspections and to observe and verify improvements.
  - (iii) A summary of activities Peoples expects to be able to complete is provided in “**Appendix C.**”
- (f) After completion of the assessment, Peoples and PNG Gathering will present a plan to the Commission, after consultation with the Gas Safety Division, OCA and OSBA, estimating the additional funds necessary, if any, to provide safe and reliable service from the Gathering Systems. At the time it presents the plan to the Commission, Peoples also will serve PIOGA. In such filed plan, Peoples and PNG Gathering will make a recommendation whether to proceed with rehabilitation of all or some of the Gathering Systems and/or with abandonment of some or all of the customers served off the Gathering Systems.

- (i) The Signatory Parties agree that the Gathering Systems may be transferred to Peoples if the amount of additional investment necessary to provide safe and reliable service from the Gathering Systems is equal to or less than the sum of the remaining portion of the EQT Contribution, the estimated \$12 million cost to convert customers to alternative fuels, the estimated incremental rate base investment of \$6 million that would be supported by revenues from the approximately 1,500 customers served by the Gathering Systems, and any additional investment supported by incremental revenues on the Gathering Systems facilities. The parties agree that the remainder of the EQT contribution, the \$12 million conversion cost and the estimated \$6 million in customer revenues comprise the economic test of whether the Gathering Systems are transferred to Peoples. If the economic test is satisfied and the Commission approves transfer of the Gathering Systems, Peoples Equitable Division will be permitted to include in rate base the investments it makes to improve the Gathering Systems other than the EQT Contribution.
- (ii) If the economic test is not satisfied because the amount of additional investment necessary to provide safe and reliable service from the Gathering Systems is more than the sum of the remaining portion of the EQT Contribution, the estimated \$12 million cost to convert customers to alternative fuels, the estimated incremental

rate base investment of \$6 million that would be supported by revenues from the approximately 1,500 customers served by the Gathering Systems, and any additional investment supported by incremental revenues on the Gathering Systems facilities, Peoples will make a recommendation not to further invest in the Gathering Systems. In such a scenario, all other parties expressly reserve the right to present their own recommendations to the Commission as to the disposition of the Gathering Systems.

- (g) If the Commission does not approve the transfer of the Gathering Systems to Peoples, Peoples reserves the right to recover costs to convert customers served by the Gathering Systems facilities to alternative fuels on approval of abandonment by the Commission.

## **6. Customer Service**

66. Peoples will commit to achieve and maintain the following levels of performance in the following customer service metrics in each of the next five years for its Peoples and Equitable Divisions:

- (a) percent of calls answered within 30 seconds of at least 82%,
- (b) busy-out rate of no more than 0.25%,
- (c) call abandonment rate that is no higher than 3% for 2014, 2015 and 2016, and 2.5% for 2017 and 2018,
- (d) percent response within 60 minutes to emergency calls of at least 98.5% for 2014, 2015 and 2016 and 99% for 2017 and 2018.
- (e) Peoples TWP agrees to extend for an additional two years commencing January 1, 2014, the customer service metrics from the Joint Settlement of



the Steel River acquisition of Peoples TWP, at Docket No. A-2010-2210326, which are attached hereto as “**Appendix D.**”

67. Peoples will provide a report to OCA, I&E, and OSBA each calendar year following assumption of such functions by the staff of Peoples or its affiliates regarding its achievement of the service quality metrics. Such reports shall continue for three calendar years after assumption of such functions by the staff of Peoples or its affiliates. The report will outline the actual metrics achieved and additional actions expected to be taken in the following year to further improve customer service. If the Company has not achieved an identified metric, the report will also include the reasons for the failure and the Company’s detailed plan to reach the service quality metric. Peoples will then convene a collaborative with OCA, I&E and the OSBA to discuss such report. If, following such a collaborative, I&E, OCA or OSBA request a proceeding before the Commission, Peoples will not oppose the initiation of such a proceeding. The Commission may, upon motion of any Signatory Party or upon its own motion, open a formal proceeding.

68. Peoples will commit to assess and identify areas of necessary improvement to customer service for Equitable customers and submit that analysis to the Commission, OCA, I&E and OSBA within 180 days of Closing for their review and comment. This review will additionally outline cost effective systems for improvement of customer service and expected service improvements.

69. Nothing in this Settlement is intended to restrict Peoples’ right to request recovery of new systems to improve service, including as a consequence of an existing system’s age, obsolescence or other requirements, as appropriate, in future rates. Any such request will be subject to review for reasonableness and prudence in accordance with rate making principles.

70. No party waives any right to request that the Commission order penalties in any proceeding convened to investigate Peoples' noncompliance with the service metrics.

71. Nothing contained herein is intended to limit the authority of the Commission, the Bureau of Consumer Services, the Gas Safety Division, or other Bureaus of the Commission from performing their duties and making recommendations, including recommendations regarding fines, for failure of Peoples to perform in any of the areas covered by the service quality metrics.

#### **7. Universal Service**

72. Peoples will continue to fund Equitable's Customer Assistance Program ("CAP") consistent with its needs analysis approved in conjunction with Equitable's currently approved Universal Services Plan.

73. Peoples will commit to establishing a Universal Service Advisory Group, consistent with the recommendations provided in the Direct Testimony of OCA witness Brockway. The Group will include community based organizations ("CBOs"), Low-Income Advocates, the OCA and other interested stakeholders and will meet quarterly to discuss all universal service issues including recommendations concerning Low Income Usage Reduction Program ("LIURP"), LIURP eligibility, Earned Income Tax Credit ("EITC") concerns and landlord issues that may present a barrier to customer participation.

74. Peoples will manage Equitable's CAP program similar to that of Peoples in that it will partner with an agency that: (a) can substantially increase the number of intake sites; (b) is an administrator of utility CAP programs for the electric distribution companies ("EDCs") or natural gas distribution companies ("NGDCs") in their territory; (c) recruits and partners with multi-service agencies; and, (d) uses a case management system to track and monitor referrals and enrollments into utility programs.

75. Peoples will be permitted to continue to recover CAP costs under Equitable's existing recovery mechanism for CAP costs. Peoples may propose changes to the recovery mechanism, which any Signatory Party to the Settlement may oppose, for review by the Commission. The provisions of Paragraph 31 shall not limit implementation of any change to Peoples' recovery mechanism.

76. Peoples agrees that the shareholders of Peoples and Peoples TWP will commit to increase its total donation (administrative and matching) to the Dollar Energy Fund by 10% for the next 5 years following Closing. Peoples will review possible ways to increase outreach to customers to attempt to increase customer contributions and will provide a report to the Commission and OCA.

77. Peoples will commit that it will increase expenditures on LIURP in the first 4 years after Closing. Specifically, commencing January 1, 2014, the Peoples Division LIURP will be funded at the level of \$1,250,000 per year (an increase of \$150,000 per year). The Equitable Division will add \$100,000 per year for the first 4 years after the merger closes to the funding of its LIURP program, for a total LIURP budget of \$800,000 per year in each of those 4 years. These increases will be funded by shareholders for the 4 year period. For Peoples TWP, shareholders will fund an additional \$25,000 per year over the LIURP budget approved and recoverable in the current Peoples TWP base rate proceeding for a period of four years, 2014 through 2017. Any funds not used in one year will roll-over into the next calendar year. Funding on this basis will continue until the effective date of rates set in the next base rate proceeding.

## **8. Community Commitment**

78. For a period of not less than five years, Peoples will provide corporate contributions and community support in southwestern Pennsylvania in a total amount that is at

least equivalent to the amount provided by Peoples (\$1.0 million) and Equitable (\$400,000) in 2012.

79. Services that are currently performed for Equitable outside of the Equitable service area in Pennsylvania, such as call center support, customer billing and payment and customer relations, will be returned to the Peoples service area within 5 years.

80. Peoples will continue to comply with the Commission's diversity policy, 52 Pa. Code §§ 69.801-69.809.

### **9. Retail Supply Competition**

81. Peoples will convene a collaborative conference with interested parties, including the OCA, I&E, OSBA and interested natural gas suppliers ("NGSs"), within 12 months of Closing in order to develop a strategy to further promote retail natural gas supply competition in the Peoples/Equitable service areas.

### **10. Gas Purchasing and Interconnections**

82. Priority One ("P-1) Program – Gas Supply Assignment. Peoples agrees that in order to encourage and support customer choice, the Company's upstream pipeline capacity and certain gas commodity supplies shall be made available for release by Peoples and Equitable Divisions to suppliers serving priority one customers. Consistent with its current methodology, all demand related costs for its gas supply contracts shall be assessed to all retail customers and P-1 transportation customers. Peoples further agrees that the actual pipeline capacity path upstream of Peoples, other than the AVC system, shall be designated by the Company from its available capacity and Peoples will endeavor to accommodate a P-1 supplier's request for particular upstream pipeline capacity on a first-come first-served basis. To the extent that the P-1 supplier receives an assignment of Peoples' Equitrans Sunrise pipeline capacity, Peoples shall also provide P-1 suppliers with an option to purchase from Peoples firm gas supplies under the

Peoples and Equitable - EQT NAESB Agreements. This will allow P-1 suppliers to purchase supplies at DTI South Point prices.

83. AVC Receipt and Delivery Points.

- (a) *Maintain Existing Points* - All existing upstream interstate receipt and delivery points that flow in and out of the AVC, including Truittsburg and Rural Valley, will be maintained and not taken out of service by Equitrans. To the extent EQT seeks to discontinue any of the existing points, it will provide Peoples with adequate advance notice of such action and reasonably demonstrate that said receipt or delivery points are no longer used or useful, prior to seeking any necessary approvals from the Federal Energy Regulatory Commission (“FERC”).
- (b) *Primary Firm Points* - All existing AVC receipt and delivery points that are used to serve the Peoples Division on-system customers and Peoples’ Production Enhancement Services (“PES”) agreements will be assigned an MDQ, the sum of which will not exceed the specified total contract MDQ for services under the Peoples Asset Transportation and Storage Agreement, and designated as primary firm points as defined by the Equitrans FERC gas tariff and will not be subject to interruption by a lower priority status as set forth more fully in that tariff. The Peoples firm delivery points and associated MDQs will be aggregated under a single city gate nomination point for contractual and administrative purposes. Prior to adding new receipt and delivery points, EQT will evaluate the proposed facilities in accordance with Section 6.34 of the Equitrans FERC

gas tariff, including an analysis of the impact of its ability to meet its existing service obligations, and EQT will seek any approvals from FERC that are necessary.

(c) *Interconnection Point Listing* - Peoples and EQT agree to add the existing receipt points and delivery points and capacities as an addendum to the AVC Transportation and Storage Agreement.

(d) MAOP and Operating Pressures.

(i) EQT confirms that it has no immediate plans to increase the operating pressures or regulator set points on the AVC system. To the extent in the future, EQT plans to modify AVC system operating pressures or regulator set points, EQT will provide AVC shippers with advance notice of four months for any projects that are projected to increase operating pressures greater than 15%.

(ii) EQT agrees that it will provide AVC shippers one month prior notice of any planned filing with the FERC to increase the MAOP of AVC transmission pipelines. Peoples agrees that it will intervene as needed in any such FERC filing to protect its interests and the interests of its customers concerning the delivery of gas supplies into AVC receipts points that are fed from the Peoples' upstream facilities.

(iii) In response to a prior notice of a planned increase or an actual increase in operating pressure, regulator set points or MAOP on the AVC transmission pipeline system, Peoples agrees to construct

or modify the Peoples Division facilities to ensure that locally produced gas delivered at AVC receipts points - that are fed from the Peoples Division pipeline system - is able to flow into the AVC pipeline system. Peoples also agrees to construct or modify its dehydration and other related facilities to ensure that the quality of the locally produced gas delivered at AVC receipts points - that are fed from the Peoples Division pipeline system – meet the required gas quality standards contained in the AVC tariff.

- (iv) Peoples agrees to construct or modify such facilities, as described in iii. above, using Peoples Division PES PRC funds. The first funds spent or allocated shall be sourced from the current Peoples Division PES PRC capital spending shortfall. If additional funds are required, Peoples shall utilize available annual funding from the PES revenues that was established and approved in Peoples’ 2012 rate case for gathering lost and unaccounted for gas (“UFG”) remediation efforts or gathering system upgrades (“2012 PA PES Funding”) provided that such funding also qualifies as “gathering UFG remediation efforts or gathering system upgrades” as established in the 2012 rate case. Further, to the extent that PRC or 2012 PA PES Funding is insufficient to cover the costs of these facilities, Peoples agrees to make the necessary expenditures, provided they are necessary to ensure continued compliance with a

least-cost procurement policy and enhanced retail supply competition on the Peoples' system.

- (e) *Negotiated Rates* - Peoples and EQT agree to modify the AVC Transportation and Storage Agreement so that all currently existing interconnection points used to serve the Peoples Division on-system and existing Peoples Division PES commitments will be subject to the negotiated rates under the Peoples Asset Transportation and Storage Agreement and will not be subject to maximum recourse rates.
- (f) *Charges on AVC*
  - (i) Other than the release of AVC storage (former Rate ST and ST-SW storage) to NP-1 suppliers, suppliers on the Peoples Division will receive a net zero cost release of AVC storage and transportation capacity required to supply their on-system customers and off-system PES requirements. Per the FERC AVC tariff, suppliers will be responsible for the ACA charge and fuel charges on AVC. Shippers on AVC will be assessed a fuel charge for use of AVC storage and an AVC transportation fuel charge of 2.5% on volumes transported on AVC. These fuel rates will be subject to periodic adjustment to reflect actual UFG, fuel and losses on the AVC system. Effective upon Closing, the Peoples Division retainage rates will be adjusted to remove the volumes of fuel that will be recovered on the AVC system.



- (ii) Peoples agrees to assign and release AVC storage to NP-1 suppliers of the Peoples Division at a rate of \$.83/Mcf. Peoples agrees that this release rate will not be subject to change until the effective date of new rates resulting from Peoples' next base rate case.
  
- (iii) Peoples and NGSs acknowledge that there may be situations whereby suppliers have existing contracts to sell commodity supplies to their customers at the Peoples Division existing city gates. Peoples and suppliers further acknowledge that as a result of the transfer of Peoples' midstream assets to EQT and the resulting alteration in city gate delivery points, it will be necessary, during the present term of such contracts, for Peoples to adjust the monthly commodity sales volumes charged by the affected suppliers to reflect the retainage volumes assessed to suppliers by EQT on the transferred assets, for the limited purpose of preserving the pre-asset transfer delivery points, and thus the benefits of the sale of such commodity supplies for customers and suppliers. Peoples agrees that it will also work with the NGSs to explore other alternatives to effectively address the situation described above and modify its tariff if required. Peoples further agrees that prior to Closing it will notify affected customers in writing of this situation, and that it will work with the affected suppliers and their customers on an ongoing basis to support and

justify the monthly volumes adjustments described above. In the event that a customer challenges any such adjustments, Peoples will assist the affected supplier in defense of the adjustment.

(g) *Existing DTI and Equitrans Interstate Points* – Subject to Paragraph 83(a) above, Peoples and EQT agree that the following existing interstate supply points will not be eliminated during the term of the Peoples Asset Transportation and Storage Agreement.

- (i) DTI- City Gate 20200
- (ii) TGP- Pitt Terminal 20199
- (iii) Equitrans- Ginger Hill- 11142
- (iv) Tetco M2- Rockwood 70051
- (v) Tetco M3- Ebensburg 70323
- (vi) National Fuel- PNGCG
- (vii) Truittsburg
- (viii) Rural Valley

#### **11. NP-1 Supplier Balancing Service**

84. In order to address the perceived change in balancing flexibilities and increase in cash-out risk as a result of the transfer of the storage assets, Peoples agrees to offer to NP-1 suppliers of the Peoples Division a new service that will allow NP-1 suppliers, at the end of the calendar month following the monthly trading period, to transfer in-place AVC storage volumes with Peoples using the NP-1 supplier's assigned and available storage capacity. Peoples agrees to work with NP-1 suppliers to develop allowable parameters governing such storage transfers with the intent to provide NP-1 suppliers with a similar level of balancing flexibilities currently provided to NP-1 suppliers today.

## **12. Local Gas Opportunities**

85. Peoples agrees that it will endeavor, wherever operationally feasible, to utilize locally produced gas supplies.

86. In the event a new tap request or tap volume increase into the Peoples Division system is unavailable due to capacity restraints in the Peoples Division system, Peoples agrees to:

- (a) Identify opportunities to displace gas that is being sourced from interstate pipelines with local supplies produced into the Peoples Division system;
- (b) Identify areas of possible new production for redelivery to an alternate section of the Peoples Division distribution system through the AVC or other means to displace gas sourced from interstate pipelines.

87. Immediately upon Closing, Peoples agrees to undertake an initiative using the Peoples Division PES PRC funds to create interconnections between the Equitable and Peoples Divisions that are designed to increase the use of local gas supplies and add more flexibility for suppliers on both systems. Peoples also agrees that it will, consistent with its least cost mandate and where operationally feasible, examine ways to facilitate the movement of incremental local gas supplies between the Peoples and Equitable Divisions through gas displacement arrangements.

## **13. BB&A Service**

88. Peoples agrees to implement a restructured banking, balancing, and advancing (“BB&A”) service to allow NP-1 suppliers of the Peoples Division to maintain access to the same benefits from the BB&A storage service that they receive today. Peoples agrees to modify its proposed tariff (Tariff Page 34 and 34A of Joint Applicants Exhibit No. JAG-3) so that the carrying costs charged to NP-1 suppliers shall be based on Peoples’ actual short-term debt cost

rate. Peoples also agrees to provide the NGSs with an example and an estimate of the benefits to be derived under Peoples' proposal.

#### **14. Peoples PES Program**

89. Peoples agrees to extend the term of the existing PES and Equitable Gas AGS producer agreements until the effective date of new base rates in Peoples' next base rate case filing. After Closing, Peoples agrees to collaborate with PIOGA and its members to review information regarding both systems, use of moisture control equipment, pipeline maps, current producer bottlenecks, areas needed for expansion due to additional gas, and to allocate its modeler resources for utilizing the agreed PES/Equitable Project Review Committee annual expenditure.

90. Six months prior to the filing of Peoples' next base rate case, Peoples agrees to initiate discussions with PIOGA regarding a revised PES program on the Peoples, Peoples TWP and Equitable systems, (including PES/Rate AGS or other related fees). Notwithstanding this commitment, Peoples and Peoples TWP agree after Closing: (i) that Peoples will seek approval through the 1307(f) process to apply to the Peoples TWP and Equitable systems the PES agreement provisions permitting the release of older low-producing wells (Section 4.04.a.,b. & c. and Section 4.05, as applicable) and (ii) that prior to enforcing Peoples TWP gas quality requirements on individual PIOGA member producers, Peoples will initiate discussions with PIOGA for addressing gas quality issues on a system-wide basis.

91. Peoples agrees that prior to termination of the existing off-system capacity agreement (Rural Valley and Truittsburg) between Peoples and DTI on April 1, 2016, it will work with PIOGA to replace the DTI capacity contract with a lower cost capacity contract or explore other off-system alternatives that will eliminate the need for an off-system DTI capacity

contract. These options will result in lower overall pipeline capacity costs and an associated decrease in fees charged to PES participants effective April 1, 2016.

### **15. Enhanced Retail Choice**

92. Peoples agrees that following Closing, it will begin a review of the existing transportation program process on Equitable and convene a collaborative, that will include all interested stakeholders, within 12 months following Closing to develop a strategy to promote retail supply competition on the Peoples/Equitable service areas. Peoples agrees that this collaborative will consider the adoption of a local gas aggregation service on Equitable and changes to the Equitable Division balancing provisions. Peoples further agrees to a target filing date of possible tariff changes resulting from this collaborative within three months following the date the collaborative is convened.

93. Peoples agrees that within six months following Closing, Peoples will implement an Energy Choice outreach program for Equitable customers and begin using the Peoples' Electronic Data Transfer/Electronic Bulletin Board/Nominations System and related processes.

94. Peoples agrees that within 30 days following Closing, it will provide Aged Receivables reporting on behalf of suppliers that are receiving commodity billing services from the Peoples Division.

95. Peoples agrees that within 6 months of approval of this settlement it will convene a collaborative to include input of interested stakeholders, to discuss all aspects of a proposed new and moving customer referral program within 12 months of Closing that is substantially similar to those approved by the Commission in the recent Retail Markets Investigation. If there is substantial agreement among the stakeholders, Peoples will file a proposed new and moving customer referral program with the Commission within 14 months of Closing. All stakeholders and other interested parties will have the right to file comments in response to the filing.

96. Peoples agrees that within one year of the date of Closing, it will review and seek to revise the Purchase of Receivables program of Equitable and take steps necessary to make it consistent in design and rate structure, with that of the Peoples Division. To the extent the adoption of certain aspects of Peoples' Purchase of Receivables Program requires billing system modifications for the Equitable Division, those aspects of the Peoples' Purchase of Receivables Program will not be implemented until the planned conversion of the Equitable Division to Peoples' billing system.

**16. Carnegie Gathering System**

97. Effective upon Closing, PIOGA's confidential Rate AGS agreement with Equitable will apply to the Carnegie Gathering System, which shall be owned and operated by Equitable. The confidential Rate AGS agreement does not apply to the Goodwin and Tombaugh Systems.

**17. Goodwin Gathering System**

98. Peoples agrees that the existing Goodwin gathering rates will apply, but parties moving gas on the Goodwin system will be charged on the "net" deliveries after gas is retained by Peoples and Equitable Divisions. Peoples also agrees to begin implementing immediately after Closing its UFG reduction measures on the Goodwin system that are outlined in the Joint Applicants Statement No. 5S or other measures otherwise agreed to by Peoples in the settlement of this proceeding. These UFG reduction measures including leak detection, leak repair and resolving meter issues will be prioritized to drive meaningful results that will be reflected in the ongoing monthly retainage charges on the Goodwin system. Peoples will provide PIOGA with information gathered and provided to Commission's Gas Safety Division. All gathering fees collected will be used to maintain and improve the Goodwin and Tombaugh systems.

**18. EQT Asset Exchange Agreement**

99. EQT agrees that those assets identified in the EQT Asset Exchange Agreement in Schedules A-1, A-2, A-3, A-4, A-5, A-13, A-14 and A-17 will be transferred to Equitable Gas Company, LLC, if the Transaction is consummated.

**19. Retainage on Transferred Assets**

100. See Paragraph 83(f).

**20. Capacity on the Transferred Assets**

101. Peoples agrees to assign sufficient AVC capacity to NGSs and Producers on the transferred Peoples' transmission and storage assets, considering producer meters and customer volumes, for both system supply and off-system transportation. Specifically, Peoples agrees to the following:

- (a) Suppliers that have access to AVC system storage will be provided with sufficient AVC transportation and storage capacity to fill and empty their allocated share of AVC storage;
- (b) Suppliers that are purchasing existing local gas that is delivered directly into the AVC system without first moving through the Peoples Division lines, will be provided with sufficient AVC system transportation capacity to move their estimated supplies to the Peoples Division city-gates; and
- (c) Suppliers that are moving excess local production to off-system points at Truittsburg or Rural Valley, consistent with the terms of the existing PES agreement, will be provided with sufficient AVC system transportation capacity to move gas to these points.

## 21. Homeworks

102. Peoples agrees that it shall maintain separate accounting records for Equitable Homeworks, LLC (“Homeworks”)<sup>8</sup> and to allocate costs and expenses to Homeworks in accordance with the standards and allocation methodologies that have been previously approved by the Commission, at Docket No. G-2012-2290014, with regard to affiliate charges under the Peoples Service Corporation, LLC Agreement.

103. Peoples agrees that it will not use the name of Peoples or Equitable in any Homeworks related marketing materials provided to customers.

104. Within six months after Closing, Peoples agrees to provide Product and Services Billing on behalf of other NGSs on the Peoples Division system. Any customer specific information for Product and Services customers that are billed by Peoples on behalf of other NGSs shall not be shared with any individual that is responsible for the sales or marketing of Homeworks products. Also, Peoples agrees that it will not provide any preferential treatment to Homeworks regarding any customer leads received through the Peoples Division or Equitable Division call center and will not offer Homeworks services to customers for warranty or other related services in calls received from customers for other purposes without also offering the same information and/or opportunities to other providers of the same or similar services. Peoples will not provide any customer information or marketing opportunities to Homeworks without also offering the same information and/or opportunities to other providers of the same or similar services.

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<sup>8</sup> Equitable Homeworks, LLC offers various heating and cooling protection programs, line protection programs and restoration programs within Pennsylvania. As part of the transaction, Holdco also will sell, convey, transfer, assign, and deliver to PNG all of the issued and outstanding membership interests in Equitable Homeworks, LLC, an unregulated entity.



105. Peoples also agrees that following the Closing, it will undertake a review of the Equitable billing system to determine if Product and Services Billing on behalf of other NGSs on Equitable Division system is feasible.

## **22. New Tap Requests**

106. Peoples agrees to continue to work with suppliers on the Peoples Division to resolve any ongoing tap requests on a reasonable and expedited basis.

## **B. SETTLEMENT OF PENNFUTURE ISSUES**

107. The Joint Applicants and PennFuture join in Paragraphs 107 through 114 of this Settlement, which fully resolve all PennFuture Issues.<sup>9</sup>

### **1. Settlement of the Transaction Issues**

108. Subject to the Commission's approval of Paragraphs 107 through 114 of this Settlement, PennFuture does not oppose Paragraphs 24 through 106 of this Settlement.

### **2. Study of DSM Programs**

109. Within 36 months of Closing, Peoples will organize and engage in a collaborative of demand side management ("DSM") stakeholders. This group will include OCA, OSBA, I&E, PennFuture, any interested party to this proceeding, and any interested large customer of Peoples.

- (a) Notice of the commencement of the collaborative and of an opportunity to participate will be provided.

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<sup>9</sup> I&E, OCA, OSBA, PIOGA, NGS Parties, Snyder Brothers, US Steel, PSU, PEMI, UWUA, IBEW, and Steelworkers do not join in Paragraphs 107 through 114 of this Settlement, but have no objection to these provisions.

- (b) The stakeholders will provide recommendations concerning the scope of the study and qualifications of a third-party independent contractor to perform the study.

110. No later than 42 months after the Closing, Peoples will select and retain an experienced, third-party independent contractor to conduct a study and develop recommended approaches to a cost-effective Energy Efficiency and Conservation Plan for Peoples' customers. The cost of the study will be funded by Peoples, and Peoples will not seek recovery of the study cost in rates. The study will:

- (a) Identify potential programs for each rate class of customers;
- (b) Evaluate different levels of funding and the expected benefits derived by the various levels;
- (c) Include analysis of programs offered by other gas program administrators, either utility or non-utility, including but not limited to, Philadelphia Gas Works, Columbia Gas, National Grid operating in New York and Massachusetts, Northeast Utilities, UIL, Vermont Gas, Wisconsin Focus on Energy, Pacific Gas & Electric, and Southern California Gas; and
- (d) Include a review of actual costs to implement programs as well as the actual energy savings realized in these programs.

111. No later than 45 months after the Closing, Peoples will provide a copy of the study to the DSM stakeholders and the parties to this proceeding.

### **3. DSM Filing**

112. No later than 48 months after the Closing, Peoples will make a filing with the Commission that will seek approval to implement an Energy Efficiency and Conservation Plan

that falls within the range of recommendations supported by the DSM study and provides a cost recovery mechanism acceptable to Peoples.

113. A copy of the filing will be served on the DSM stakeholders and the parties to this proceeding.

114. Any party to this proceeding will be free to support the filing, seek modifications to the filing or oppose the filing before the Commission.

#### **IV. TARIFFS**

115. “**Appendix E**” to this petition contains the pro-forma tariff pages showing the proposed revisions to Peoples’ Retail and Supplier tariffs that were filed with the Joint Application and modified by the terms of this Settlement.

#### **V. THE SETTLEMENT IS IN THE PUBLIC INTEREST**

116. Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. Settlements lessen the time and expense 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 id.* § 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). As will be detailed in the Signatory Parties’ Statements in Support, the instant Settlement is in the public interest because, with the conditions imposed herein, the Transaction will provide substantial affirmative public benefits.

117. Approval of the Settlement will lessen the time and expenses that the Signatory Parties, and the Commission, must expend on the proceedings.

118. There were no customer Protests against the Joint Application. The Settlement resolves all issues in the instant proceeding.

119. The Signatory Parties will further supplement the reasons that the Settlement is in the public interest in their Statements in Support, which are attached hereto as “**Appendices F through N.**”

## **VI. CONDITIONS OF THE SETTLEMENT**

120. The Settlement is conditioned upon the Commission’s approval of the terms and conditions contained in this Settlement without modification and the Closing. If the Commission modifies the Settlement, any Signatory Party 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 Signatory Parties within five (5) business days after the entry of an Order modifying the Settlement.

121. This Settlement is proposed by the Signatory Parties to settle all issues in the instant proceeding. If the Commission does not approve the Settlement and the proceedings continue, the Signatory Parties reserve their respective procedural rights to evidentiary hearings, submission of additional testimony and exhibits, cross-examination of witnesses, briefing, and argument of their respective positions. The Settlement is made without any admission against, or prejudice to, any position that any Signatory Party may adopt in the event of any subsequent litigation of these proceedings, or in any other proceeding.

122. The Signatory Parties acknowledge that the Settlement reflects a compromise of competing positions and does not necessarily reflect any Signatory 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.

123. If the ALJ adopts the Settlement without modification, the Signatory Parties waive their right to file Exceptions on those issues that are resolved by this Settlement.

## **VII. CONCLUSION**

WHEREFORE, the Joint Applicants, I&E, OCA, OSBA, PIOGA, NGS Parties, Snyder Brothers, US Steel and PennFuture,<sup>10</sup> by their respective counsel, respectfully request as follows:

(a) That the Honorable Administrative Law Judge Mark A. Hoyer recommend approval of, and the Commission approve, this Joint Petition for Approval of Settlement of All Issues including all terms and conditions thereof without modification; and,

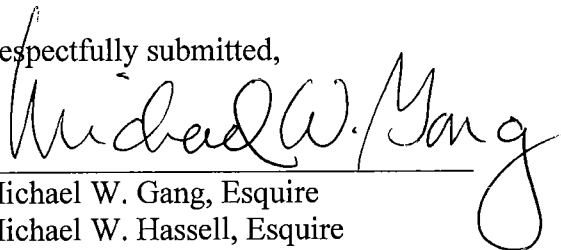
(b) Subject to the terms and conditions set forth herein that the Commission issue all approvals requested in the Joint Application, as modified by the terms and conditions set forth herein, and necessary approvals, pursuant to Sections 1102(a)(3), 1317(d), 2102(a), and 2204(e)(4) of the Public Utility Code (“Code”), 66 Pa.C.S. §§ 1102(a)(3), 1317(d), 2102(a), and 2204(e)(4), authorizing and approving: (1) the transfer of 100% of the issued and outstanding limited liability company membership interests in Equitable, an indirect subsidiary of EQT, to PNG, an indirect subsidiary of SRIFNA; (2) the merger of Equitable with Peoples, a wholly-owned subsidiary of PNG, and the operation of Equitable as an operating division of Peoples; (3) the transfer of certain storage and transmission assets of Peoples to EQT; (4) the transfer of certain assets and/or the exchange of certain services between EQT and Equitable; (5) certain PNG ownership changes associated with the transaction; (6) the associated gas capacity, storage,

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<sup>10</sup> PSU, PEMI, UWUA, IBEW, and United Steelworkers are not parties to the Settlement but have indicated they do not object.

interconnects, leases, and supply service agreements among Peoples, Peoples TWP, Equitable, and/or EQT set forth in the Joint Application; and (7) certain changes in Peoples' tariff necessary to carry out the transactions.

Respectfully submitted,

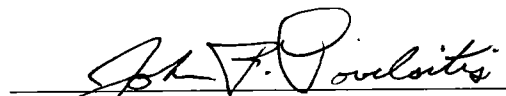


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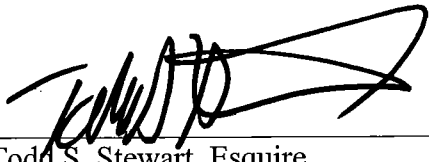
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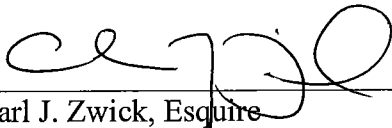
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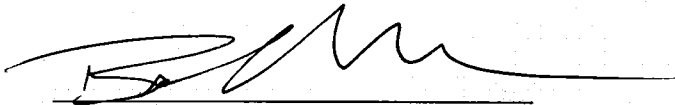


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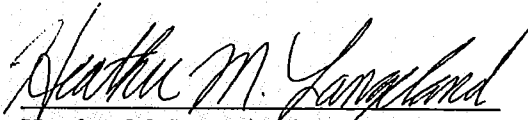
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# Appendix A

	Present Base Rate	Proposed Base Rate	Increase (Decrease) \$/Mcf
Rate RS	\$3.6560	\$3.1497	(\$0.5063)
Rate SGS			
Commercial	\$2.6971	\$2.1939	(\$0.5032)
Industrial	\$2.2655	\$1.7623	(\$0.5032)
Rate MGS			
Commercial	\$2.5210	\$2.1904	(\$0.3306)
Industrial	\$1.8549	\$1.5243	(\$0.3306)
Rate LGS			
Commercial	\$2.4909	\$2.3913	(\$0.0996)
Industrial	\$1.8549	\$1.7553	(\$0.0996)
Rate GS-T			
Residential	\$3.6560	\$3.1497	(\$0.5063)
SGS Commercial & NGDC	\$2.6971	\$2.1939	(\$0.5032)
SGS Industrial & NGDC	\$2.2655	\$1.7623	(\$0.5032)
MGS Commercial & NGDC	\$2.5210	\$2.1904	(\$0.3306)
MGS Industrial & NGDC	\$1.8549	\$1.5243	(\$0.3306)
LGS Commercial & NGDC	\$2.4909	\$2.3913	(\$0.0996)
LGS Industrial & NGDC	\$1.8549	\$1.7553	(\$0.0996)

Peoples Natural Gas Company  
Delivery Base Rate Reduction - Transferred Transmission and Storage Assets  
Based on Blended Peak and Peak & Average Methodologies

	Revenue Requirement (1)	Allocation to Customer Class - Blended Methodologies - 2012 Rate Case PNG Rebuttal COSS				
		Total (2)	Residential (3)	SGS (4)	MGS (5)	LGs (6)
<b>Transmission Line Facilities</b>						
Plant in Service	\$ 50,156,741	\$ 27,488,333	\$ 5,154,547	\$ 7,705,020	\$ 9,808,841	
Depreciation Reserve	\$ (15,300,068)	\$ (8,385,181)	\$ (1,572,369)	\$ (2,350,379)	\$ (2,992,139)	
Material and Supplies	\$ 107,367	\$ 58,842	\$ 11,034	\$ 16,494	\$ 20,997	
Total Rate Base	\$ 34,964,040	\$ 19,161,994	\$ 3,593,212	\$ 5,371,135	\$ 6,837,699	
Pretax Return (12.32%)	\$ 4,307,570	\$ 2,360,758	\$ 442,684	\$ 661,724	\$ 842,405	
O&M Expenses	\$ 4,350,000	\$ 3,087,282	\$ 537,049	\$ 444,911	\$ 280,757	
Other Taxes (Plant & Payroll)	\$ 150,745	\$ 94,861	\$ 17,059	\$ 19,269	\$ 19,556	
Depreciation Expense	\$ 807,523	\$ 442,562	\$ 82,988	\$ 124,051	\$ 157,922	
Total Transmission Revenue Req.	\$ 9,615,838	\$ 5,985,463	\$ 1,079,780	\$ 1,249,955	\$ 1,300,641	
<b>Storage Facilities</b>						
Plant in Service	\$ 77,946,961	\$ 48,212,211	\$ 9,431,019	\$ 11,575,622	\$ 9,028,108	
Depreciation Reserve	\$ (19,862,993)	\$ (12,285,775)	\$ (2,326,830)	\$ (2,949,782)	\$ (2,300,606)	
Inventory (Base Gas Only)	\$ 212,634	\$ 132,880	\$ 24,997	\$ 30,913	\$ 23,843	
Material and Supplies	\$ 136,845	\$ 84,642	\$ 16,031	\$ 20,322	\$ 15,850	
Total Rate Base	\$ 58,433,447	\$ 36,143,959	\$ 6,845,216	\$ 8,677,077	\$ 6,767,196	
Pretax Return (12.32%)	\$ 7,199,001	\$ 4,452,936	\$ 843,331	\$ 1,069,016	\$ 833,719	
O&M Expenses	\$ 5,783,506	\$ 4,017,821	\$ 720,076	\$ 674,445	\$ 371,164	
Other Taxes (Plant & Payroll)	\$ 254,718	\$ 166,197	\$ 30,674	\$ 34,207	\$ 23,640	
Depreciation Expense	\$ 1,915,162	\$ 1,184,577	\$ 224,350	\$ 284,414	\$ 221,821	
Total Storage Revenue Req.	\$ 15,152,386	\$ 9,821,531	\$ 1,818,431	\$ 2,062,082	\$ 1,450,343	
Revenue Req. Recovered from NGSs	\$ (907,440)	\$ -	\$ (48,964)	\$ (213,297)	\$ (645,179)	
Net Storage Revenue Requirement	\$ 14,244,946	\$ 9,821,531	\$ 1,769,467	\$ 1,848,785	\$ 805,164	
Revenue Requirement - In Base Rates	\$ 23,860,784	\$ 15,806,993	\$ 2,849,247	\$ 3,098,739	\$ 2,105,805	
2012 Base Rate Case Settlement Volumes - Mcf		67,404,572	5,662,081	9,372,424	21,151,900	
Base Rate Reduction to Delivery Charges - \$/Mcf		\$ 0.3540	\$ 0.5063	\$ 0.3306	\$ 0.0996	

1/ 2012 Base Rate Case - Rate ST and ST-SW Revenues

# Appendix B

Rider B -- AVC Capacity Charge

Residential	\$	0.5063
SGS - Commercial	\$	0.5032
SGS - Industrial	\$	0.5032
MGS - Commercial	\$	0.3306
MGS - Industrial	\$	0.3306
LGS - Commercial	\$	0.0996
LGS - Industrial	\$	0.0996

<u>Methodology per 1307(f)-2013 Settlement</u>	PNG Oct-13 <u>Retainage</u>	<u>Adjustment</u>
		1/
"LUFG" (excluding retainage recovered from retainage-discounted customers)	4,647,255	(1,650,545)
Total Supply (Mcf) (excluding supply for retainage-discounted customers)	<u>60,323,906</u>	<u>60,323,906</u>
Overall "LUFG" Percentage to be recovered from customers paying full retainage	7.7%	-2.7%
"LUFG" (excluding retainage recovered from retainage-discounted customers)	4,647,255	
Mcf Associated with non-Temperature Compensating Meters	<u>(570,645)</u>	
Adjusted UFG, Storage Loss and Company Use Mcf	4,076,610	
Adjusted LUFG Percentage	6.8%	
Percent Adjustment	-0.9%	
RS, SGS, MGS	7.7%	5.0%
LGS	6.8%	4.1%

1/ Adjustment for reduction in retainage for transferred assets.



# Appendix C

**APPENDIX C**  
**A summary of Activities on the**  
**Goodwin and Tombaugh Gathering Systems**

Peoples will survey these facilities to provide a foundation of information that can be analyzed to develop a course of action. This multistep process includes mowing, physically walking and leak surveying the entirety of the two systems as follows:

- i. Initial Pipeline rights of way will be mowed including removal of trees and additional preparations to place this into a scheduled program;
- ii. Location of gathering system pipeline will be confirmed;
- iii. Location of field customers will be confirmed;
- iv. Location of producer interconnects will be confirmed;
- v. Location of pipeline interconnects with both EGC and EQT will be confirmed;
- vi. The entire gathering system will be leaked surveyed and gas lost attributable to leaks quantified.

Peoples will address the root cause of leaks on steel pipeline by monitoring cathodic protection to eliminate future leaks. This multistep process will also include marking pipelines and updating maps for the entirety of the two systems as follows:

- i. Install pipeline markers;
- ii. Perform initial cathodic protection survey on the facilities;
- iii. Perform initial cathodic protection remediation on the facilities;
- iv. Peoples will include these facilities in its damage prevention programs;
- v. Update maps based on field investigations;
- vi. Peoples will add these facilities into its existing Risk Ranking System for prioritization of repairs and replacement;

- vii. Peoples will place these facilities in its PA One Call response system;
- viii. Notify customers with contact information for emergency calls;
- ix. Peoples will add these facilities to its annual or planned maintenance on the facilities
  - a. Leak survey programs;
  - b. Right of way mowing;
  - c. Cathodic protection monitoring programs

Peoples also will update the segmentation on these facilities critical to monitoring the system and reacting to situations that cause unaccounted for gas. This requires using the knowledge gained by walking the pipeline and updating the maps to determine the best locations to update measurement to isolate and discretely identify customers and producers to create an unaccounted model for a subset of these facilities. This multistep process will include the following steps:

- i. Analyze pipeline walking and mapping information;
- ii. Determine location for segmentation meters to discretely isolate pipelines;
- iii. Determine customers connected to each segment;
- iv. Determine producers connected to each segment;
- v. Determine pipeline interconnects to each segment;
- vi. Install segmentation measurement;
- vii. Obtain measurement for each attribute and solve for segmentation UFG.

# Appendix D

Appendix D

Performance Indicator	Proposed Annual Performance Standard	T. W. Phillips' Historic Average Performance <sup>1</sup>
1. Call Center: % calls answered w/in 30 seconds	70% in 2012 80% in 2013	63% <sup>2</sup>
2. Call Center: Average Busy-out Rate	Below 0.5%	0%
3. Call Center: Average Call Abandonment Rate	7% in 2012 5% in 2013	15%
4. # of Customer disputes not issued a report within 30 days	No more than 3% of the Total Number of disputes filed	2.9%
5. % of Meters not read as required by 56.12(4) (ii-6 mos.) and (iii-12 mos.)	Not read in 6 months: 0.17% Not read in 12 months: 0.02%	Not read in 6 months: 0.17% Not read in 12 months: 0.02%
6. Gas Safety Response Time	98% in 60 minutes, with a minimum standard of arriving on-site 90% of the time within 60 minutes for each district.	98% in 60 minutes
7. Percent of bills not rendered once every billing period	0.01%	Not applicable <sup>3</sup>

<sup>1</sup> Three-Year Average, except where otherwise noted.

<sup>2</sup> Data from September 2009 through December 2010. Old phone system did not track this statistic.

<sup>3</sup> New billing system installed in 2010.

# Appendix E

**PROFORMA TO  
Gas—PA PUC No. 45**

# **PEOPLES NATURAL GAS COMPANY LLC**

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

Joint Application for Approval of the Transfer of Membership  
Interests, Transfer of Certain Assets, and Certain Associated Gas  
Supply Agreements Pursuant to Sections 1102(a)(3) and 2204(e) of the  
Public Utility Code.

**ISSUED:**

**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)

PEOPLES NATURAL GAS COMPANY LLC

SUPPLEMENT NO. 11 PROFORMA TO GAS-PA PUC NO. 45  
NINTH REVISED PAGE NO. 2  
CANCELLING EIGHTH REVISED PAGE NO. 2

**LIST OF CHANGES**

Page No.	Section	Modification
2A	List of Changes	Additional page added due to length of list of changes.
3	Rate Schedule	Modified to reflect addition of AVC Capacity Charge under Rider B.
3A	Rate Schedule	Modified to reflect addition of AVC Capacity Charge under Rider B and changes to delivery rates
4A	Rate Schedule	Modified to reflect addition of AVC Capacity Charge and changes to delivery rates.
4B	Rate Schedule	Modified to reflect addition of AVC Capacity Charge and changes to delivery rates.
5	Table of Contents	Modified to reflect changes to pages 57 through 59 and the addition of pages 2A, 63A, and 63B.
10	Rates Available Under This Tariff	Removal of Rate ST and Rate ST-SW to reflect discontinuance of on system storage service.
27	Rules & Regulations, Rule 17	Deletion of the word 'pools' in line three of the first paragraph to reflect discontinuance of on system storage service.
31	Rules & Regulations, Rule 21	Delete reference to Rate ST and Rate ST-SW.
36	Rate RS	Reduction in delivery charge.
40	Rate SGS	Reduction in delivery charges.
42	Rate MGS	Reduction in delivery charges.
44	Rate LGS	Reduction in delivery charges.
46	Rate GS-T	Addition of the word 'and' under Rule (8)(3).
47	Rate GS-T	Deletion of Rule (8)(4) to reflect discontinuance of on system storage. Update of Rule (8)(5) to become Rule (8)(4).
47	Rate GS-T	Delete reference to Rate ST and Rate ST-SW under Rule (9)(a).
47	Rate GS-T	Rule (12) updated to reflect new retainage rates.
48	Rate GS-T	Rule (14) update to Negative Monthly Imbalance section to specify 'pipeline' storage withdrawals.
48	Rate GS-T	Rule (14) update to Positive Monthly Imbalance section to remove reference to Rate ST and Rate ST-SW.
49	Rate GS-T	Rule (14) update to reflect language change removing BB&A rates from the current page and referring to Rider B where those rates are set forth.
51	Rate GS-T	Reduction in delivery charges.
52	Rate GS-T	Access to Storage Service section added.
57	Page Intentionally Left Blank	Formerly Rate ST
58	Page Intentionally Left Blank	Formerly Rate ST
59	Page Intentionally Left Blank	Formerly Rate ST-SW
62	Rider B	Rate Schedule updated to reflect addition of AVC Capacity Charge.
63	Rider B	Definitions updated to include addition of AVC, AVCOU, NP1 and PIAC.
63A	Rider B	Language added to reflect application and calculation, for AVC Capacity Charge.
63B	Rider B	Additional page added to reflect reconciliation and treatment of Discount Customers for AVC Capacity Charge.

ISSUED: January 31, 2013

EFFECTIVE: April 4, 2013



PEOPLES NATURAL GAS COMPANY LLC

PROFORMA TO GAS—PA PUC NO. 45  
ORIGINAL PAGE NO. 2A

**LIST OF CHANGES (cont.)**

	Present	Proposed	Increase
	Base Rate	Base Rate	(Decrease)
			\$/Mcf
Rate RS	\$3.6560	\$3.1497	(\$0.5063)
Rate SGS			
Commercial	\$2.6971	\$2.1939	(\$0.5032)
Industrial	\$2.2655	\$1.7623	(\$0.5032)
Rate MGS			
Commercial	\$2.5210	\$2.1904	(\$0.3306)
Industrial	\$1.8549	\$1.5243	(\$0.3306)
Rate LGS			
Commercial	\$2.4909	\$2.3913	(\$0.0996)
Industrial	\$1.8549	\$1.7553	(\$0.0996)
Rate GS-T			
Residential	\$3.6560	\$3.1497	(\$0.5063)
SGS Commercial & NGDC	\$2.6971	\$2.1939	(\$0.5032)
SGS Industrial & NGDC	\$2.2655	\$1.7623	(\$0.5032)
MGS Commercial & NGDC	\$2.5210	\$2.1904	(\$0.3306)
MGS Industrial & NGDC	\$1.8549	\$1.5243	(\$0.3306)
LGS Commercial & NGDC	\$2.4909	\$2.3913	(\$0.0996)
LGS Industrial & NGDC	\$1.8549	\$1.7553	(\$0.0996)
Rider B -- AVC Capacity Charge			
Residential	\$ -	\$ 0.5063	\$ 0.5063
SGS - Commercial	\$ -	\$ 0.5032	\$ 0.5032
SGS - Industrial	\$ -	\$ 0.5032	\$ 0.5032
MGS - Commercial	\$ -	\$ 0.3306	\$ 0.3306
MGS - Industrial	\$ -	\$ 0.3306	\$ 0.3306
LGS - Commercial	\$ -	\$ 0.0996	\$ 0.0996
LGS - Industrial	\$ -	\$ 0.0996	\$ 0.0996

ISSUED:

EFFECTIVE:

Rider B - Gas Cost Charges		Rider A	Rider E	Rider F	Rider G	Rider H	Rider J	Bill Display			
Capacity	AVC Capacity	GCA	Commodity	Base Rate Charges	STAS	MFC	USR	GPC	Rate Credit	Rager Credit	Total Rate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12=SUM 1 to 11)
				\$ 13,9500							\$ 12,4500
Customer Charge											
Capacity	0.4932	0.5063				0.0175					\$ 1,0170
PTC- Commodity Charge			4.4330			0.1466		0.0900			\$ 4,9647
Delivery Charge				3.1497			0.2643				\$ 3,4154
State Tax Surcharge											\$ (0.0069)
Total per MCF						0.1641					\$ 8,5202

Commercial SGS	
Customer Charge	
0 to 499 MCF/Yr	\$ 14,8800
500 to 999 MCF/Yr	\$ 27,0000
	\$ (1,1200)
	\$ (1,1200)
	\$ 13,7600
	\$ 25,8800

Capacity	0.4792	0.5032				0.0097					\$ 0,9661
PTC- Commodity Charge			4.4330			0.0318		0.0900			\$ 4,2499
Delivery Charge				2.1989							\$ 2,0588
State Tax Surcharge											\$ (0.0048)
Total per MCF						0.0355					\$ 7,2900

Industrial SGS	
Customer Charge	
0 to 499 MCF/Yr	\$ 20,0000
500 to 999 MCF/Yr	\$ 27,0000
	\$ (1,1200)
	\$ (1,1200)
	\$ 18,8800
	\$ 25,8800

Capacity	0.4932	0.5032				0.0038					\$ 1,0002
PTC- Commodity Charge			4.4330			0.0318		0.0900			\$ 4,2499
Delivery Charge				1.7623							\$ 1,6219
State Tax Surcharge											\$ (0.0039)
Total per MCF						0.0356					\$ 6,8681

Commercial MGS	
Customer Charge	
1,000 to 2,499 MCF/Yr	\$ 50,0000
2,500 to 24,999 MCF/Yr	\$ 77,0000
	\$ (20,4000)
	\$ (31,4100)
	\$ 29,6000
	\$ 45,5900

Capacity	0.4932	0.3306				0.0038					\$ 0,8276
PTC- Commodity Charge			4.4330			0.0318		0.0900			\$ 4,2499
Delivery Charge				2.1904							\$ 1,9503
State Tax Surcharge											\$ (0.0048)
Total per MCF						0.0356					\$ 7,0230

ISSUED: EFFECTIVE:

	Rider B - Gas Cost Charges	Rider A	Rider E	Rider F	Rider G	Rider H	Rider J	Bill Display			
Capacity	AVC Capacity	GCA	Commodity	Base Rate	STAS	MFC	USR	GPC	Rate Credit	Rager Credit	Total Rate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12=SUM 1 to 11)
<b>Industrial MGS</b>											
Customer Charge											
1,000 to 2,499 MCF/Yr				\$ 50.0000					\$ [20.4000]		\$ 29.6000
2,500 to 24,999 MCF/Yr				\$ 77.0000					\$ [31.4100]		\$ 45.5900
Capacity	\$ 0.4932	\$ 0.3306				\$ 0.0038					\$ 0.8276
PTC- Commodity Charge		\$ [0.3049]	\$ 4.4330			\$ 0.0318		\$ 0.0900			\$ 4.2499
Delivery Charge				\$ 1.5243					\$ [0.0956]	\$ [0.1404]	\$ 1.2883
State Tax Surcharge					\$ [0.0034]						\$ [0.0034]
Total per MCF						\$ 0.0356					\$ 6.3824
<b>Commercial LGS</b>											
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
Capacity	\$ 0.4932	\$ 0.0996				\$ 0.0038					\$ 0.5966
PTC- Commodity Charge		\$ [0.3049]	\$ 4.4330			\$ 0.0318		\$ 0.0900			\$ 4.2499
Delivery Charge				\$ 2.3913					\$ [0.0794]	\$ [0.1445]	\$ 2.1674
State Tax Surcharge					\$ [0.0033]						\$ [0.0033]
Total per MCF						\$ 0.0356					\$ 7.0086
<b>Industrial LGS</b>											
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
Capacity	\$ 0.4932	\$ 0.0996				\$ 0.0038					\$ 0.5966
PTC- Commodity Charge		\$ [0.3049]	\$ 4.4330			\$ 0.0318		\$ 0.0900			\$ 4.2499
Delivery Charge				\$ 1.7553					\$ [0.0794]	\$ [0.1404]	\$ 1.5355
State Tax Surcharge					\$ [0.0039]						\$ [0.0039]
Total per MCF						\$ 0.0356					\$ 6.3785

ISSUED:

EFFECTIVE:

Base Rate	Rider A	Rider E	Rider F	Rider B	BB&A	Rider H	Rider J	Bill Display
Charges	STAS	MFC	USR	Capacity	AVC Capacity	Rate Credit	Rager Credit	Total Rate
(1)	(2)	(3)	(4)	(5)	(6)	(8)	(9)	(10)=SUM 1 to 9

Rate GS-T Residential								
Customer Charge	\$ 13,9500					\$ (1,5000)		\$ 12,4500

Capacity (Includes AVC Capacity)		\$ 0.0175		\$ 0.4932	\$ 0.5063			\$ 1,0170
Delivery Charge	\$ 3,1497		\$ 0.2643			\$ (0.1279)	\$ (0.1407)	\$ 3,1454
State Tax Surcharge								\$ (0.0069)
Total per MCF	\$ (0.0069)							\$ 4,1555

Rate GS-T Commercial SGS								
Customer Charge	\$ 14,8800					\$ (1,1200)		\$ 13,7600
0 to 499 MCF/Yr	\$ 27,0000					\$ (1,1200)		\$ 25,8800

1/ Capacity/BB&A (Includes AVC Capacity)		\$ 0.0037		\$ 0.4792	\$ 0.5032			\$ 0,9861
Delivery Charge	\$ 2,1939						\$ (0.1351)	\$ 2,0588
State Tax Surcharge								\$ (0.0048)
Total per MCF	\$ (0.0048)							\$ 3,0401

Rate GS-T Industrial SGS								
Customer Charge	\$ 20,0000					\$ (1,1200)		\$ 18,8800
0 to 499 MCF/Yr	\$ 27,0000					\$ (1,1200)		\$ 25,8800

1/ Capacity/BB&A		\$ 0.5032	\$ 0.0347					\$ 0,5379
Delivery Charge	\$ 1,7623						\$ (0.1404)	\$ 1,6219
State Tax Surcharge								\$ (0.0039)
Total per MCF	\$ (0.0039)							\$ 2,1559

Rate GS-T Commercial MGS								
Customer Charge	\$ 50,0000					\$ (20,4000)		\$ 29,6000
1,000 to 2,499 MCF/Yr	\$ 77,0000					\$ (31,4100)		\$ 45,5900

1/ Capacity/BB&A		\$ 0.3306	\$ 0.1514					\$ 0,4920
Delivery Charge	\$ 2,1904					\$ (0.0956)	\$ (0.1445)	\$ 1,9503
State Tax Surcharge								\$ (0.0048)
Total per MCF	\$ (0.0048)							\$ 2,4372

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.

ISSUED: EFFECTIVE:

Base Rate	Rider A	Rider E	Rider F	Capacity	Rider B	Capacity/	Rider H	Rider J	Bill Display
Charges	STAS	MFC	USR	AVC Capacity	Capacity	BB&A	Rate Credit	Rager Credit	Total Rate
(1)	(2)	(3)	(4)	(6)	(5)	(7)	(8)	(9)	(10=SUM 1 to 9)

Rate GS-T Industrial MGS

Customer Charge									
1,000 to 2,499 MCF/Yr							\$ (20,4000)		\$ 29,6000
2,500 to 24,999 MCF/Yr							\$ (81,4100)		\$ 45,5900
1/ Capacity/BB&A				\$ 0.3306		\$ 0.0347			\$ 0.3653
Delivery Charge							\$ (0.0956)	\$ (0.1404)	\$ 1.2883
State Tax Surcharge									\$ (0.0034)
Total per MCF									\$ 1.6502

Rate GS-T Commercial LGS

Customer Charge									
25,000 to 49,999 MCF/Yr							\$ (280,7500)		\$ 162,2500
50,000 to 99,999 MCF/Yr							\$ (345,4000)		\$ 199,6000
100,000 to 199,999 MCF/Yr							\$ (502,5700)		\$ 290,4300
Over 200,000 MCF/Yr									\$ 1,215,0000

1/ Capacity/BB&A

Delivery Charge				\$ 0.0996		\$ 0.1614			\$ 0.2610
State Tax Surcharge							\$ (0.0794)	\$ (0.1445)	\$ 2.1674
Total per MCF									\$ (0.0053)

Rate GS-T Industrial LGS

Customer Charge									
25,000 to 49,999 MCF/Yr							\$ (280,7500)		\$ 162,2500
50,000 to 99,999 MCF/Yr							\$ (345,4000)		\$ 199,6000
100,000 to 199,999 MCF/Yr							\$ (725,0100)		\$ 418,9900
Over 200,000 MCF/Yr									\$ 2,009,0000

1/ Capacity/BB&A

Delivery Charge				\$ 0.0996		\$ 0.0947			\$ 0.1343
State Tax Surcharge							\$ (0.0794)	\$ (0.1404)	\$ 1.5355
Total per MCF									\$ (0.0039)

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

ISSUED:

EFFECTIVE:

PEOPLES NATURAL GAS COMPANY LLC

PROFORMA TO GAS—PA PUC NO. 45

THIRD REVISED PAGE NO. 5

CANCELLING SECOND REVISED PAGE NO. 5

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ISSUED: January 31, 2013

EFFECTIVE: April 1, 2013

PEOPLES NATURAL GAS COMPANY LLC

SUPPLEMENT NO. 2 PROFORMA - TO GAS—PA PUC NO. 45  
ORIGINAL PAGE NO. 10

**RATES AVAILABLE UNDER THIS TARIFF**

**Rate RS - Residential Service**

This rate is available to residential ratepayers throughout the territory served by the Company.

**Rate CAP**

This is available to residential ratepayers who meet the criteria as detailed in this Rate Schedule.

**Rate ~~SGS~~ - Small General Service-**

This rate is available to commercial and industrial ratepayers and NGDCs consuming less than 1,000 Mcf of natural gas service annually throughout the territory served by the Company with the exception of commercial ratepayers qualifying under Rate NGPV. (C)

**Rate ~~MGS~~ - Medium General Service**

This rate is available to commercial and industrial ratepayers and NGDCs consuming between 1,000 and 24,999 Mcf of natural gas service annually throughout the territory served by the Company with the exception of commercial ratepayers qualifying under Rate NGPV. (C)

**Rate ~~LGS~~ - Large General Service**

This rate is available to commercial and industrial ratepayers and NGDC's consuming more than 25,000 Mcf annually throughout the territory served by the Company with the exception of commercial ratepayers qualifying under Rate NGPV. (C)

**Rate CER - Competitive Energy Rate**

This rate is available to all ratepayers throughout the territory served by the Company who, in the determination of the Company, meet the criteria set forth under Rate Schedule CER.

**Rate ~~GS-T~~ - General Service Transportation**

This rate offers firm transportation service for residential, commercial, industrial, and NGDC ratepayers. Commercial, industrial, and NGDC ratepayers that consume less than 1,000 Mcf per year are classified as Small General Service ratepayers under this tariff. Commercial, industrial, and NGDC ratepayers that consume between 1,000 and 24,999 Mcf per year are classified as Medium General Service ratepayers under this tariff. Commercial, industrial, and NGDC ratepayers that consume more more than 25,000 Mcf per year are classified as Large General Service ratepayers under this tariff. (C)

**Rate ~~GS-SB~~ - General Standby Service**

This rate offers standby service for residential, commercial, and industrial transportation ratepayers. (C)

**Rate NGPV**

This rate offers service for natural gas powered vehicles.

**Rate ~~ST~~ - Storage Service**

This rate offers storage service for transportation ratepayers. (C)

**Rate ~~ST-SW~~ - Storage Service - Scheduled Withdrawal**

This rate offers storage service for transportation ratepayers. (C)

ISSUED: September 28, 2012

EFFECTIVE: October 1, 2012

**RULES AND REGULATIONS**

**17. PRIORITY OF SERVICE AND CURTAILMENT FOR RETAIL RATEPAYERS (continued)**

The definitions for terms used in the priority of service categories shall be shown in Appendix A hereto.

**Gas Shortage Curtailment Related to Long-Term Supplies**

When, in the Company's judgment, its supply of gas is insufficient to meet the full requirements of all the Company's ratepayers on a continuing basis, or when continued delivery of gas would prevent the injection of gas into the Company's storage pools for the protection of subsequent winters' supplies, the Company may require each (C) ratepayer to restrict his monthly consumption to a volume authorized by the Company.

A gas shortage curtailment shall be made only after a minimum 96-hour written notice to the ratepayer given by certified mail and specifying its authorized monthly consumption to which such curtailment applies. The Company will authorize monthly consumption levels from the Company's supplies only to ratepayers then currently purchasing commodity or standby service from the Company. Ratepayers that acquire their own gas supplies and that do not purchase standby service will be entitled to consume only the volumes they have delivered to the Company, less any gas that the Company is authorized to seize for consumption by other ratepayers.

If a ratepayer exceeds its authorized consumption during a period of gas shortage curtailment, then the ratepayer shall be subject to penalties as set forth under this Rule 17.

Actual consumption in any month in excess of the volume authorized in the notice of gas shortage curtailment shall operate to reduce the volume authorized for the second succeeding month by the amount of such excess; during the first month following the month of excess consumption a ratepayer may use less than the volume authorized for that month and receive a credit up to but not exceeding the amount of such reduction, to be applied to the reduced volume authorized for the second month.



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 Stony creek, 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** (C)

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 CER
- 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.

PEOPLES NATURAL GAS COMPANY LLC

SUPPLEMENT NO. 2 PROFORMA TO GAS—PA PUC NO. 45  
ORIGINAL PAGE NO. 36

**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	(H)
Delivery Charge per Mcf	\$3.65601497	(HD)

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.

ISSUED: September 28, 2012

EFFECTIVE: October 1, 2012

PEOPLES NATURAL GAS COMPANY LLC

SUPPLEMENT NO. 2 PROFORMA TO GAS—PA PUC NO. 45  
ORIGINAL PAGE NO. 40

**RATE SGS (C)**  
**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	<del>(H)</del>
For Industrial ratepayers with annual consumption less than 500 Mcf	\$20.00	<del>(D)</del>
For ratepayers with annual consumption equal to or greater than 500 Mcf but less than 1,000 Mcf	\$27.00	Comm(I) Ind <del>(D)</del>
Delivery Charge per Mcf – Commercial Ratepayers	\$ <del>2.6974</del> <u>1.939</u>	<del>(D)</del>
Delivery Charge per Mcf – Industrial Ratepayers	\$ <del>2.2655</del> <u>1.7623</u>	<del>(D)</del>

| 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.

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PEOPLES NATURAL GAS COMPANY LLC

SUPPLEMENT NO. 2 PROFORMA TO GAS—PA PUC NO. 45  
ORIGINAL PAGE NO. 42

**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

month	\$50.00	(H)
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For commercial ratepayers with annual consumption equal to or greater than 2,500 Mcf but less than 25,000 Mcf the charge, per meter per month is

month	\$77.00	(H)
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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)
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For industrial ratepayers with annual consumption equal to or greater than 2,500 Mcf but less than 25,000 Mcf, the charge per ratepayer per month

	\$77.00	(H)
--	---------	-----

Delivery Charge per Mcf – Commercial Ratepayers	\$2.52401904	(D)
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Delivery Charge per Mcf – Industrial Ratepayers	\$1.85495243	(D)
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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.

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PEOPLES NATURAL GAS COMPANY LLC

SUPPLEMENT NO. 2 PROFORMA TO GAS—PA PUC NO. 45  
ORIGINAL PAGE NO. 44

**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	(H)
For ratepayers with annual consumption equal to or greater than 100,000 Mcf but less than 200,000 Mcf	\$793.00	(H)
For ratepayers with annual consumption equal to or greater than 200,000 Mcf	\$1,215.00	(H)
Delivery Charge per Mcf	\$2.49093913	(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	
Delivery Charge per Mcf	\$1.85497553	(D)

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.

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PEOPLES NATURAL GAS COMPANY LLC

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**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 (G) 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, (C) representing advanced gas; and

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**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 (C) days in the month, if requested by the ratepayer; and  
54) All standby volumes contracted for the month by the ratepayer. (C)

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. (C)
  - 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 ~~8.0~~ 5.0 percent of the total volume of gas received into its system on behalf of (C) residential and commercial ratepayers and ~~6.0~~ 4.1 percent of the total volume of gas received into its system (C) 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 locally produced gas received into the Company's gathering system by the Company will be (C) 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 delivered to the Company's (C) system 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 delivered to the Company's system,~~ and any contracted (C) 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 (C) 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



PEOPLES NATURAL GAS COMPANY LLC

~~SUPPLEMENT NO. 3~~ PROFORMA TO GAS—PA PUC NO. 45  
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**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 gas transported ~~per~~ (C) at \$0.1614 per Mcf for commercial ratepayers and \$0.0347 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.
- (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 or steam, 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.
- (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.

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PEOPLES NATURAL GAS COMPANY LLC

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ORIGINAL PAGE NO. 51

**RATE GS-T**  
**GENERAL SERVICE - TRANSPORTATION**

(Continued)

\$1,215.00	Customer Charge per month per meter for Commercial or NGDC ratepayers with annual consumption greater than 200,000 Mcf annually.	(I)
\$2,009.00	Customer Charge per month per ratepayer for Industrial ratepayers with annual consumption equal to or greater than 200,000 Mcf.	

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	\$ <del>3.65603</del> <u>1.1497</u>	(D)
For Small General Service Commercial and NGDC Ratepayers	\$ <del>2.69742</del> <u>1.1939</u>	(D)
For Small General Service Industrial Ratepayers	\$ <del>2.26651</del> <u>1.7623</u>	(D)
For Medium General Service Commercial and NGDC Ratepayers	\$ <del>2.52402</del> <u>1.1904</u>	(D)
For Medium General Service Industrial Ratepayers	\$ <del>1.85491</del> <u>1.5243</u>	(D)
For Large General Service Commercial and NGDC Ratepayers with annual consumption equal to or greater than 25,000 Mcf.	\$ <del>2.49092</del> <u>1.3913</u>	(D)
For Large General Service Industrial Ratepayers with annual consumption equal to or greater to 25,000 Mcf.	\$ <del>1.85491</del> <u>1.7553</u>	(D)

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 and delivered to the Company. A (C) 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 shall be applied (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. 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.

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THE PEOPLES NATURAL GAS COMPANY LLC

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**RATE GS-T  
GENERAL SERVICE - TRANSPORTATION**

**SURCHARGES**

All applicable riders to this tariff.

**CURTAILMENT**

Service under this rate may be curtailed when gas supply shortages force the Company to invoke emergency curtailment provisions pursuant to Tariff Rule No. 17 because gas supply to Priority-One ratepayers is threatened. Under this circumstance, the transportation ratepayer must agree to sell its gas supply to the Company at either the ratepayer's city gate price or at the Company's average gas cost contained in the prevailing 1307(f) rate applicable to that class of ratepayer, whichever is greater, to be used to supply the needs of Priority-One ratepayers.

**LIABILITY**

1. The Company shall not be liable for disruption of service under this rate or loss of gas of the ratepayer as a result of any steps taken to comply with any law, regulation, or order of any governmental agency with jurisdiction to regulate, allocate, or control gas supplies or the rendition of service hereunder, and regardless of any defect in such law, regulation, or order.
2. Gas shall be and remain the property of the ratepayer while transported and delivered by the Company. The ratepayer shall be responsible for maintaining all insurance it deems necessary to protect its property interest in such gas before, during, and after receipt by the Company.
3. The Company shall not be liable for any loss to the ratepayer arising from or out of service under this rate, including loss of gas in the possession of the Company or any other cause, except upon gross negligence or willful misconduct of the Company's own employees or agents. The Company reserves the right to commingle gas of the ratepayer with that of other NGS.
4. The Company will not be liable for disruption along upstream pipelines, or disruption caused by the Company's inability to physically receive the gas.
5. If service furnished pursuant to this rate is disrupted, the Company will notify the ratepayer as soon as it is reasonably practicable. If delivery of volumes is disrupted for any of the above reasons, the Company shall not be liable for delivering said volumes at a later date.

**ARRANGEMENT OF INTERSTATE TRANSPORTATION**

At the request of a ratepayer, other than an NGDC, the Company will act as its agent for arranging transportation of ratepayer-owned gas by an interstate pipeline(s). The Company will bill the ratepayer the applicable pipeline tariff rate(s) for any interstate transportation billed to the Company in its role as ratepayer's agent for arranging interstate transportation.

**ACCESS TO STORAGE SERVICE**

(C)

The Company shall provide Non-Priority One ratepayers and suppliers with access to storage capacity held by the Company on the Allegheny Valley Connector ("AVC") system, an interstate pipeline system subject to the regulation of the FERC that was previously provided under Rate ST and ST-SW. Non Priority One ratepayers and suppliers shall have the annual option to accept all or a portion of such access to storage capacity offered by the Company. Unless Company and ratepayer agree otherwise, Company shall not release more than 1/12<sup>th</sup> of the ratepayer's annual usage. The Company shall assign and release such capacity to Non-Priority One ratepayers or suppliers at an equivalent storage rate of \$0.83/Mcf. Company's release of such capacity shall, in all respects, be in accordance with the FERC Gas Tariff governing service on the AVC system and the applicable rules and regulations of FERC regarding the release of capacity, including FERC's posting and bidding requirements. The Non-Priority One ratepayer or supplier is responsible for paying the pipeline for the capacity assigned under these provisions, which payments shall include all applicable surcharges for service on the AVC system. The Company shall not reimburse the Non-Priority One ratepayer or supplier for these pipeline capacity charges.

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PEOPLES NATURAL GAS COMPANY LLC

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RATE ST  
STORAGE SERVICE

AVAILABILITY

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

- a. Rate ST is available for overd deliveries 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 the allocated (C) 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.

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RATE SCHEDULE  
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 1.50 percent per month for commercial and NGDC 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.

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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 may purchase those volumes under the (C) 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.

ISSUED: September 28, 2012

EFFECTIVE: October 1, 2012

PEOPLES NATURAL GAS COMPANY LLC

SUPPLEMENT NO. 7 PROFORMA TO GAS—PA PUC NO. 45  
SECOND REVISED PAGE NO. 62  
CANCELLING FIRST REVISED PAGE NO. 62

**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:

$$\text{Demand Capacity} = \frac{\text{DC} - \text{BB\&A} - \text{DOU}}{\text{S} + \text{SBP1AC} + \text{SBC}}$$

$$\text{Commodity} = \frac{\text{CC-R}}{\text{S} + \text{SBR}}$$

$$\text{Over/Under Collection} = \frac{\text{E}}{\text{S} + \text{SBR} + \text{MR}}$$

$$\text{AVC Capacity} = \frac{\text{AVC} - \text{AVCOU}}{\text{S} + \text{P1AC} + \text{NP1}}$$

(For definitions of "AVC", "DC", "CC", "E", "S", "SBC", "NP1", "SBP1AC", "R", "BB&A", and "DOU" refer to Section II under below (this rider).

The purchased gas cost rates are as follows:

Sales	Rates (per Mcf)			
	Capacity Charge — Demand 1/	Gas Cost Adjustment Charge - (Over)/ Under Collection	Natural Gas Supply Charge — Commodity	AVC Capacity Charge 1/
Rate RS	\$0.4932	(\$0.3049)	\$4.4330	\$0.5063
Rate SGS Commercial	\$0.4792	(\$0.3049)	\$4.4330	\$0.5032
Rate SGS Industrial	\$0.4932	(\$0.3049)	\$4.4330	\$0.5032
Rate MGS	\$0.4932	(\$0.3049)	\$4.4330	\$0.3306
Rate LGS	\$0.4932	(\$0.3049)	\$4.4330	\$0.0996

Transportation: P-1	Rates (per Mcf)	
	Capacity Charge	AVC Capacity Charge 1/
GS-T Residential	\$0.4932	\$0.5063
GS-T Commercial SGS	\$0.4792	\$0.5032
GS-T Commercial MGS	\$0.4932	\$0.3306
GS-T Commercial LGS	\$0.4932	\$0.0996

Transportation: NP-1	Rates (per Mcf)	
	AVC Capacity Charge 1/	
GS-T Commercial	\$0.5032	
GS-T Industrial	\$0.5032	
GS-T Commercial MGS	\$0.3306	
GS-T Industrial MGS	\$0.3306	
GS-T Commercial LGS	\$0.0996	
GS-T Industrial LGS	\$0.0996	

— RS, SGS (Industrial), MGS, LGS, NGPV

Capacity Charge — Demand ————— \$0.4932 per Mcf (1)  
Gas Cost Adjustment Charge — (Over)/Under Collection ————— (\$0.3049) per Mcf (1)  
Natural Gas Supply Charge — Commodity ————— \$4.4330 per Mcf (1)  
GS-SB Capacity Charge Priority One ————— \$0.4932 per Mcf (1)

SGS (commercial)

Capacity Charge — Demand ————— \$0.4792-

Gas Cost Adjustment Charge — (Over)/Under Collection ————— (\$0.3049) per Mcf (1)

<del>Natural Gas Supply Charge - Commodity</del>	<del>\$4.4330 per Mcf</del>	<del>(1)</del>
<del>GS-SB Capacity Charge Priority One</del>	<del>\$0.4792 per Mcf</del>	<del>(1)</del>

(continued)

(continued)

~~4/ "BB&A" refers to Banking, Balancing and Advancing services. Different rates apply if customers are receiving Standby service. Refer to Rate GS-SB for the applicable rates.~~

~~1/ The AVC capacity charge will be subject to adjustment through the ongoing 1307(f) mechanism as a result of a modernization and compliance tracker for system improvements on the AVC system.~~

ISSUED: December 31, 2012 \_\_\_\_\_

EFFECTIVE: January 1, 2013 \_\_\_\_\_



PEOPLES NATURAL GAS COMPANY LLC

SUPPLEMENT NO. 2 PROFORMA TO GAS—PA PUC NO. 45  
ORIGINAL PAGE NO. 63

RIDER B

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

DEFINITIONS

- "AVC" The projected capacity costs associated with the Allegheny Valley Connector Interstate Pipeline (C) System.
- "AVCOU" Experienced net overcollection or undercollection of the AVC Capacity costs. (C)
- "DC": The projected demand or capacity cost of purchased gas (excluding AVC Capacity Charges). (C)
- "CC": The projected commodity cost of purchased gas.
- "DOU" Experienced net overcollection or undercollection of the demand or capacity cost (excluding the AVC (C) Capacity Charges) and of purchased gas, including any interstate pipeline refunds of demand costs. Any changes in demand costs will be reflected in this calculation.<sup>1</sup>
- "E": Experienced net overcollection or undercollection of the commodity cost of purchased gas<sup>1</sup>.
- "S": Projected retail sales in Mcf during the application period.
- "NP1" Projected volumes in Mcf for NP-1 transportation ratepayers and any ratepayer served by a NP-1 (C) supplier.
- "SBP1AC" Projected standby-volumes in Mcf for P-1 transportation ratepayers who are assigned capacity. (C)
- "SBC": Projected contracted standby volumes in Mcf by NP-1 transportation ratepayers.
- "SBR": Projected retail commodity standby volumes in Mcf.
- "R": Shared (savings) or costs for demand charge recovery from the capacity-release program.
- "BB&A": Banking, balancing, and advancing recovery.
- "MR": Projected transportation volumes, in Mcf, subject to Rider D.

"Projected" refers to the twelve-month period beginning with October 1 of the year that the calculation is made.

ADJUSTMENT TO BASE RATES

Whenever a change occurs in the calculation rates for collection of purchased gas costs, a corresponding change will occur in the base rates of applicable rate schedules.

FILING WITH THE COMMISSION

The Company shall meet all the filing requirements set forth in the regulations implementing Section 1307(f) of the Public Utility Code.

(continued)

ISSUED: September 28, 2012

EFFECTIVE: October 1, 2012

PEOPLES NATURAL GAS COMPANY LLC

PROFORMA TO TO GAS—PA PUC NO. 45  
ORIGINAL PAGE NO. 63A

RIDER B

RECOVERY OF PURCHASED GAS COSTS (1307(f) RATES) (cont.)

**REPORTING REQUIREMENTS**

The Company shall file quarterly reports within thirty (30) days following the conclusion of each computation year quarter. These reports will be in such form as the Commission shall have prescribed.

Interest will be applied in accordance with the applicable law.

AVC CAPACITY CHARGE (C)

**APPLICABILITY**

The AVC Capacity Charge is applicable to all ratepayers with the exceptions defined below under Discounted Rate Customers and relates to the recovery of capacity costs incurred by the Company for firm transportation and storage service provided by on the Allegheny Valley Connector ("AVC") System. The AVC system represents certain transmission and storage assets formerly owned and operated by the Company that are necessary to provide services by the Company to its customers. Upon Commission approval and implementation of the AVC capacity charge, all ratepayers shall receive an initial and one-time reduction to rates related to the elimination of costs for the transmission and storage assets formerly owned and operated by the Company.

The AVC Capacity Charge shall recover fixed demand charges and applicable surcharges assessed to the Company under the FERC Gas Tariff for firm transportation and storage services on the AVC System. The AVC Capacity Charge shall be adjusted to reflect ongoing changes in charges assessed to the Company. The AVC Capacity Charge shall not recover fixed demand charges related to storage capacity on the AVC System that is released to and paid for by Non-Priority One ratepayers or suppliers. Applicable volumetric and fuel charges for service on the AVC system shall not be recovered through the AVC charge and such charges shall be paid for by the shipper utilizing the AVC capacity.

**RATES**

Refer to page 62 for the currently effective AVC Capacity Charge rates.

These rates will be recalculated on a quarterly basis in conjunction with the other Rider B costs and reported on as applicable in the quarterly and annual filings as required in the regulations implementing Section 1307(f) of the Public Utility Code. The rates shall be calculated by customer class based on the results of the allocation factors set forth below and applicable billing determinants for each class.

**ALLOCATION OF AVC CAPACITY COSTS**

The fixed demand and applicable surcharges assessed to the Company for services on the AVC system shall be allocated to customer classes based on the allocation factors below.

The AVC Capacity Charge allocation factors are as follows:

<u>Rate Class</u>	<u>Allocation</u>
Residential	66.25%
SGS	11.94%
MGS	12.99%
LGS	8.82%

ISSUED:

EFFECTIVE:

AVC CAPACITY CHARGE (cont.)

The Company will review the appropriateness of the AVC Capacity Charge allocation factors on an annual basis and such factors will be subject to review in the Company's 1307(f) gas cost proceeding.

ANNUAL RECONCILIATION

The AVC Capacity Charge costs will be subject to over/undercollection tracking and reconciled annually.

DISCOUNTED RATE CUSTOMERS

Upon Commission approval and implementation of the AVC capacity charge, all ratepayers receiving a negotiated discount delivery charge under Rate GS-T, shall: 1) receive an initial and one-time delivery charge reduction equal to the reduction applicable to all customers within its rate class; and 2) be assessed an initial AVC capacity charge equal to the AVC charges set forth immediately below. To the extent that a customer is receiving a discounted delivery rate that is less than the initial AVC charge set forth below, such customer shall receive a delivery charge reduction that is equal to its discounted delivery charge and be assessed an initial AVC charge that is equal to its discounted delivery charge.

<u>Rate Class</u>	<u>Initial AVC Charge</u>
<u>Residential</u>	<u>\$0.5063</u>
<u>SGS</u>	<u>\$0.5032</u>
<u>MGS</u>	<u>\$0.3306</u>
<u>LGS</u>	<u>\$0.0996</u>

To the extent permitted under the customer's discounted rate contract, the Company may recover ongoing increases to the initial AVC charge from such customers.

~~\*Interest will be applied in accordance with the applicable law.~~

ISSUED: \_\_\_\_\_

EFFECTIVE: \_\_\_\_\_

**PROFORMA  
GAS -- PA PUC No. S-2**

**PEOPLES NATURAL GAS COMPANY LLC**

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

Joint application for Approval of the Transfer of Membership Interests, Transfer of  
Certain Assets, and Certain Associated Gas Supply Agreements Pursuant to Sections  
1102(a)(3) and 2204(e) of the Public Utility Code

**ISSUED:**

**By: Morgan K. O'Brien  
President  
375 North Shore Drive, Suite 600  
Pittsburgh, PA 15212**

**EFFECTIVE:**

**NOTICE**

PEOPLES NATURAL GAS COMPANY LLC

PROFORMA TO GAS—PA PUC NO. S-2  
NINTH REVISED PAGE NO. 2  
CANCELLING EIGHTH REVISED PAGE NO. 2

**LIST OF CHANGES**

Page No.	Section	Modification
3	Table of Contents	Updated to reflect addition of page 2A.
8	OFO Procedures	Removed reference to Rate Schedule ST.
12	Rule 8. Procedures when a NGS Exlts the System	Modification of existng language to reflect discontinuance of on system storage service.
19	Rate P-1 -- Assignment of Pennsylvania Produced Supplies	Language added to identify and include variable costs of purchased PA gas supplies delivered from the Allegheny Valley Connector pipeline system.  Correction to remove 'capacity' and replace it with 'supplies'. The use of 'capacity' was included in error.
19	Rate P-1 -- Assignment of Upstream Pipeline Capacity	Modification to reflect the addition of 'Equitrans' (Proposed New Assignment) and 'Texas Eastern (TETCO) (Existng Assignment)'  Modification to remove reference to 'pipelines upstream of DTI'.
20	Rate P-1 -- Assignment of Capacity	Replace 'standby' with 'capacity' in order to reflect common terminology throughout the Tariff.
20	Rate P-1 -- Assignment of On-System Storage Capacity	Language removed to reflect discontinuance of the assignment of on-system storage service. A comparable level of storage will be provided to P-1 suppliers on the Allegheny Valley Connector through the Assignment of Upstream Pipeline Capacity section of Rate P-1.
20A	Rate P-1 -- Assignment of Other Supplies	Page added to accommodate new section entitled 'Assignment of Other Supplies'.  Section added to reflect the availability of other assigned gas supplies under a proposed gas supply contract with the Company.
21	Rate P-1 -- Determination of Assignment Quantities	Modification of existing language to reflect the availability of other assigned gas supplies under a proposed gas supply contract with the Company and the discontinuance of on system storage service.
22	Rate P-1 -- Nomination of Assigned Pennsylvania-Produced Supplies	Modification to delete existing language to reflect the Company's past and continuing practice that locally assigned production does not require a nomination by the receiving NGS.
23	P-1 -- Nomination of Local gas Volumes	Modification of existing language to reflect the ability of locally produced gas to be delivered into the Company's system directly and through the Allegheny Valley Connector pipeline system.
23	P-1 -- Nomination of On System Storage	Modification of existing language to reflect the discontinuance of on system storage service.
24	Page Intentionally Left Blank	
25	Page Intentionally Left Blank	
26	Rate P-1 -- Buyback Provisions	Modification of existing language to reflect the discontinuance of on system storage service.
26	Rate P-1 -- Nomination of Pool-to-Pool Volumes	Correction of misspelling of the word 'Consumption' in paragraph 1 of this section.
26	Rate P-1 -- Nomination of Pool-to-Pool Volumes	Modification of existing language to reflect the discontinuance of on system storage service.
27	Storage Gas Transfers	Deletion of language referring to transfer of storage inventories to reflect the discontinuance of on system storage service.
31	Rate NP-1 -- 2. Assignment of Capacity	Language added to reflect the rules of Capacity Assignment on the Allegheny Valley Connector.

ISSUED: January 31, 2013

EFFECTIVE: April 1, 2013

LIST OF CHANGES (cont.)

Page No.	Section	Modification
31A	Rate NP-1 – 3. Nomination Procedures	Nomination procedures updated to include reference to gas supplies that are produced directly into the Company's system.
32	Rate NP-1 – 3. Nomination Procedures	Modification to reflect the ability of locally produced gas to be delivered into the Company's system directly and through the Allegheny Valley Connector pipeline system.
32	Rate NP-1 – 3. Nomination Procedures	Deletion of language related to the nomination of on system storage volumes to reflect the discontinuance of on system storage service.
33	Rate NP-1 – 3. Nomination Procedures	Deletion of language related to the nomination of on system storage volumes to reflect the discontinuance of on system storage service.
34	Rate NP-1 – 4. Terms and Conditions for Non-Priority One Pool Access to BB&A Volumes	Language added to describe the Company's process for making BB&A volumes available to NGSS.
34A	Rate NP-1 – 4. Terms and Conditions for Non-Priority One Pool Access to BB&A Volumes	Replace 'capacity' with 'volumes'.  Modification to replace reference to 'gas in inventory' with 'allocated BB&A volumes'.
35	Rate NP-1 – 4. Terms and Conditions for Non-Priority One Pool Access to BB&A Volumes	Replace 'capacity' with 'volumes'.
35A	Rate NP-1 -- 6. Reconciliation of Local Gas Volumes	Language modified to add 'delivered to the Company' in reference to actual local gas volumes.
36	Rate LGA – Local Gas Aggregation Service	Language added to reference gas 'delivered into the Company's system' throughout the LGA rate schedule.

ISSUED:

EFFECTIVE:

PEOPLES NATURAL GAS COMPANY LLC SUPPLEMENT NO. 5 PROFORMA TO GAS—PA PUC NO. S-2  
SECOND REVISED PAGE NO. 3  
CANCELLING FIRST REVISED PAGE NO. 3

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ISSUED: December 30, 2011

EFFECTIVE: February 28, 2012

RULES AND REGULATIONS

**4. Operational Flow Orders**

**a. Issuance of OFOs**

The Company may issue, in its sole discretion, an OFO (Operational Flow Order) in any of the following circumstances: To the extent possible, the Company will provide a 24-hour prior notice of an OFO in situations where a prior indication of the need to issue an OFO exists.

- i. to alleviate conditions that threaten the operational integrity of the Company's system; or
- ii. to maintain pressures necessary for the Company's operations; or
- iii. to insure adequate flowing supplies are delivered to specific receipt points on the Company's system; or
- iv. to alleviate operational problems arising from overdeliveries or underdeliveries by NGSs or customers transporting supplies for their own consumption ("Direct End User"), in violation of their agreements or Company tariffs.

**b. OFO Procedures**

In the event of the issuance of an OFO, NGSs and Direct End Users (or a Supplier that the Direct End User has arranged with and designated to the Company to receive notification of the OFO) will be directed to maintain its supply according to the steps set forth below.

- i. The NGS or the Direct End User must adjust supply nominations, including any Pool-to-Pool Volumes to equal Aggregate Daily Consumption Volume, with gas delivered at the points specified by the Company. The Company shall provide such estimates no later than 10:00 am of the same day.
- ii. Upon the NGS or Direct End User request, the Company will consider, if time permits, adjustments to the Aggregate Daily Consumption Volume or the Daily Available Volume to the extent such adjustment, in the Company's discretion, benefits system operations during the OFO event and if such adjustment is confirmable the Company.
- iii. During an OFO, to the extent the NGS or a Direct End User has gas in storage, the maximum storage withdrawal shall equal the maximum withdrawal requirements as defined in the Company's Retail tariff under its Rate Schedule ST or any further (C) limitation as the Company in its discretion finds necessary to impose in accordance with reasonable and standard industry practice during the OFO event.



PEOPLES NATURAL GAS COMPANY LLC SUPPLEMENT NO. 3-PROFORMA TO GAS—PA PUC NO. 8-2  
FIRST REVISED PAGE NO. 12  
CANCELLING ORIGINAL PAGE NO. 12

**RULES AND REGULATIONS**

**7. Bonding Requirement**

In addition to any creditworthiness requirements as set forth in Rule 6, the Company may also (C) require that the NGS post a performance bond or any other security suitable to the Company, to cover any costs associated with the NGS prematurely discontinuing service to customers or the NGS default of payments of Commission imposed financial penalties and restitution to customers. The amount of the performance bond or other security shall be equal to \$2 times the volumes the NGS is expected to serve during the month of January. The level of the bond shall be recalculated annually.

The bonding requirement will be waived for that portion of the NGS's load used to serve Non-Priority One ratepayers whose annual consumption is 300 Mcf or more, but in such circumstance, the Company shall not be responsible to provide those ratepayers service as supplier of last resort and the Company shall have none of the obligations arising under Section 2207(a) and (k) of the Public Utility Code. The Company may waive the bonding requirement related to delivery failure for the NGS that demonstrates to the Company's satisfaction that it will assign the gas supply contract to the Company in the event of a default. With regard to the latter, the Company, in its sole discretion, which shall not be unreasonably exercised, may waive the bonding requirement related to delivery failure if the NGS assigns its gas supply contracts acquired for purposes of serving its customers on the Company's system (and if applicable, any related financial risk management contracts) to the Company in the event the NGS prematurely discontinues service to its customers. Such waiver shall be subject to the following conditions:

- a. The NGS's supplier agrees to assign applicable gas supply to the Company.
- b. The Company is satisfied with the relevant contract assignment language and applicable reasonable terms and conditions.
- c. The Company is satisfied with the NGS's supplier's credentials or the security of supply;
- d. The NGS agrees to reimburse the Company for any losses the Company suffers as a result of agreeing to the assignment of contracts, including, but not limited to, losses from a differential in the assigned gas prices and the NGS's contracted price with its customers and losses resulting from the NGS's supplier refusing to assign the relevant gas supply

**8. Procedures when a NGS Exits the System**

Prior to exiting the Company's system the NGS shall provide the Company with two months prior notice. Upon the NGS's exit from the Company's system, the Company will serve the NGS's former customers at the Company's supplier of last resort rates, or at the agreed-to NGS price for the remainder of the billing cycle if the NGS discontinues service prior to the beginning of the next billing cycle. Any differences between the cost incurred by the Company and the NGS's price shall be recovered from the NGS. Any capacity or supplies previously assigned to the NGS will revert to the Company, including gas held in storage. If the NGS had used capacity not assigned by the (C) Company to bring gas on to the Company's system, then the NGS agrees to offer to assign said capacity, including gas held in storage, to the Company, which the Company may, at its sole discretion, accept or reject.

Balancing for NP-1 and P-1 pools of both Interstate and local supplies for the exiting NGS's final month of service shall be performed in accordance with the "Monthly Balancing" provisions under Rate NP-1. No imbalance price multipliers will be applied. Remaining on-system storage balances for exiting (C) NGSs, not used to offset final imbalances, shall be subject to the buyback provision under Rate P-1.

ISSUED: June 28, 2014

EFFECTIVE: June 28, 2014

PEOPLES NATURAL GAS COMPANY LLC

PROFORMA TO GAS—PA PUC NO. S-2  
ORIGINAL PAGE NO. 19

**RATE P-1**  
**PRIORITY ONE POOLING SERVICE**

**AVAILABILITY**

Service under this rate schedule is available to any Priority One Pool Operator who has entered into a Priority One Pooling Agreement with the Company and demonstrates to the Company's satisfaction that it has met the Company's creditworthiness standards and bonding requirements. Ratepayers must assign their rights provided under the applicable transportation rate schedules to said Pool Operators.

**RULES AND CONDITIONS**

**1. Assignment of Capacity** \_\_\_\_\_ (C)

Pool Operators who take service under this rate schedule 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 commodity service requirements. Assigned capacity shall be subject to recall to the extent that the Pool Operator is unable to deliver necessary gas supplies, in which case the Company will provide for the delivery of necessary gas supplies pursuant to the terms of the standby rate schedule. More specific terms with respect to capacity assignment requirements are set forth in the following sections. However, such additional terms with respect to capacity assignment requirements shall be subject to review in the Company's annual Section 1307(f) proceeding.

**Assignment of Pennsylvania—Produced Supplies** \_\_\_\_\_ (C)

Pennsylvania gas produced from wells under gas purchase contracts for sale to the Company and for ultimate delivery into the Company's system shall be assigned or sold to the NGS as agent for \_\_\_\_\_ (C) the ratepayer of the NGS's Priority-One Pool. The assignment shall be structured at a monthly weighted average purchase cost of the assigned Pennsylvania-produced supplies. Such \_\_\_\_\_ (C) purchased gas cost shall include any volumetric delivery and fuel charges incurred by the \_\_\_\_\_ (C) Company for local production volumes delivered to the Company via interstate pipelines. The \_\_\_\_\_ (C) term of the assignment shall be from the first month in which the NGS renders commodity service to the customer until the NGS's supply agreement with customer expires, or as otherwise provided herein.

Assigned Pennsylvania-produced supplies shall be recallable by the Company only under the following circumstances:

- (1) the ratepayer on whose behalf the capacity supplies have been assigned is no longer \_\_\_\_\_ (C) served by the NGS or
- (2) the NGS has failed to comply with terms and conditions set forth herein.

**Assignment of Upstream Pipeline Capacity** \_\_\_\_\_ (C)

This section applies to the Company's upstream pipeline capacity on Dominion Transmission, Inc. ("DTI"), pipelines upstream of DTI, Texas Eastern (TETCO), Equitrans, and any other pipelines on \_\_\_\_\_ (C) which the Company may contract for capacity from time to time, excluding Equitrans, Inc. and \_\_\_\_\_ (C) National Fuel Gas Supply Corporation.

Consistent with FERC rules and regulations for capacity releases under state retail choice programs, \_\_\_\_\_ (C) upstream pipeline firm transportation capacity held by the Company shall be assigned to the NGS as agent for the customers of the NGS's Priority-One Pool. The assignment shall be structured as a release of capacity at the full maximum rates paid by the Company. The term of the release shall be on a seasonal basis, commencing with the first month in which the NGS rendered commodity service

ISSUED: October 28, 2010

EFFECTIVE: June 10, 2011

PEOPLES NATURAL GAS COMPANY LLC

PROFORMA TO GAS—PA PUC NO. S-2  
ORIGINAL PAGE NO. 20

**RATE P-1**  
**PRIORITY ONE POOLING SERVICE**

**1. Assignment of Capacity (continued)** (C)

to the customer to the earlier of the end of the seasonal period (Winter releases shall terminate March 31 and summer releases shall terminate October 31.) or the termination date of the contract(s) between the Company and the upstream pipeline or the last month in which the NGS renders commodity service to the customer on whose behalf the capacity had been assigned; provided however, the Company may in its discretion release such capacity on a monthly basis. The NGS must comply with all upstream pipeline requirements to become an eligible shipper on the upstream pipeline system. The NGS is responsible for paying the upstream pipeline directly for capacity assigned under this provision, which payments shall include all applicable pipeline surcharges. To the extent the NGS's customers are paying equivalent standby capacity charges in accordance with the (C)  
Company's Retail Tariff, the Company will reimburse the NGS for these pipeline charges in the (C)  
same manner. (C)

The firm transportation capacity released pursuant to the previous section shall be recallable by the Company only under the following circumstances:

- a. the customer on whose behalf the capacity has been assigned is no longer served by the NGS or
- b. the NGS has failed to comply with the terms and conditions set forth herein.

Consistent with FERC rules and regulations for capacity releases under state retail choice programs, Upstream pipeline storage capacity held by the Company shall be assigned to the NGS as agent for the ratepayers of the NGS's Priority-One Pool. The assignment shall be structured as a release of capacity at the full maximum rates paid by the Company and may be subject to conditions of release (including, but not limited to, injection and withdrawal rights) that differ from the applicable upstream pipeline storage service. The release shall terminate at the end of the then-current storage season pursuant to the applicable upstream pipeline rate schedule terms and conditions; provided however, the Company may in its discretion release such capacity on a monthly basis. The NGS is responsible for paying the upstream pipeline directly for capacity assigned under this provision, which payments shall include all pipeline surcharges. To the extent the NGS's customers are paying equivalent capacity-standby charges in accordance with the Company's tariff, the Company will reimburse (C)  
the NGS for these pipeline charges in the same manner. (C)

Capacity released pursuant to this section shall be recallable by the Company only upon failure of the NGS to comply with the terms and conditions set forth herein or in connection with a buyback of gas by the Company as set forth in paragraph 2 of this rate schedule.

Assignment of the Company's On-System Storage Capacity (C)

On-system storage capacity shall be assigned to the NGS as agent for the ratepayers of the NGS's Priority One Pool. The costs associated with such capacity shall be recovered in the volumetric rates paid by ratepayers under the GS-T rate schedule and shall not be the direct responsibility of the NGS. If the NGS turns its assigned on-system storage more than once during the year commencing April 1, the NGS will pay the appropriate injection and withdrawal charges as specified in the Company's Rate Schedule ST. The assignment shall terminate at the end of each winter period.

The on-system storage assignment made pursuant to this section shall be withdrawn by the Company only upon failure of the NGS to comply with the terms and conditions set forth herein or in connection with a buyback of gas by the Company as set forth in paragraph 2 of this rate schedule.

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EFFECTIVE: June 10, 2014

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Assignment of Other Supplies (C)

The Company reserves the right to assign or sell other gas supplies that are under contract with the Company and used to satisfy its supplier of last resort obligation to Priority-One ratepayers. To the extent that a Priority-One supplier receives an assignment of the Company's capacity it holds on the Equitrans-Sunrise System, the Company shall provide Priority-One suppliers with an option to purchase from the Company receive an assignment of a pro-rata share of the firm gas supplies available to the Company under its gas supply agreement with EQT Energy, LLC. Such purchase assignment shall also occur if the Company determines that, as a result of the Priority One ratepayer's migration from supply service provided by the Company to supply service provided by P-1 NGSs, the amount of gas supplies under long term firm purchase contracts are in excess of the usage requirements of supplier of last resort ratepayers currently served by the Company.

Such gas shall be sold assigned to the NGS as agent for the ratepayer of the NGS's Priority One Pool. The sale assignment shall be structured at the actual monthly weighted average purchase cost of the assigned supplies including any applicable fixed demand costs associated with firm purchase contracts.

Assigned sSupplies sold under this section shall be discontinued recallable by the Company under the following conditions:

1. The ratepayer on whose behalf the supplies have been sold assigned is no longer served by the NGS; or
- 4.2. The NGS has failed to comply with terms and conditions set forth herein.

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RATE P-1  
PRIORITY ONE POOLING SERVICE

**1. Assignment of Capacity (continued)**

Determination of Assignment Quantities (C)

Unless provided otherwise herein, assignments of assigned-Pennsylvania-produced and other (C) supplies, upstream pipeline firm transportation capacity, and upstream pipeline storage capacity, shall be assigned on a *pro rata* basis in accordance with the supply portfolio held by the Company at the time of assignment to serve its Priority-One customers; provided however, the Company shall not be required to assign capacity that is de minimis in nature. The Company will endeavor to accommodate a Priority-One supplier's request for particular upstream pipeline capacity on a first-come first-served basis.

The Company will evaluate the capacity and supply assignments made to the NGS as agent for ratepayers of the NGS's Priority-One Pool monthly based on the methodology set forth above. The evaluation will include an assessment of whether the upstream pipeline storage and on-system (C) storage capacity assignments are adequate to serve the needs of the customers of the Pool (C) Operator at that time. To the extent that the evaluation so indicates, revisions to the upstream pipeline storage and on-system storage capacity assignments will be made effective with the summer period. To the extent that the winter evaluation so indicates, the Company may require the NGS to secure additional reliable natural gas commodity, capacity and delivery service to meet the needs of the NGS's Customers. In addition to the preceding, the Company will evaluate the capacity assignments made pursuant to this section from time to time to ensure adequate compliance with its provisions.

Capacity assigned to the NGS hereunder by the Company may be traded with other Priority-One NGSs as long as each NGS retains an aggregate amount determined by the Company to be necessary to satisfy the total demands of the NGS's customers. Such trading may occur no more frequently than twice per calendar year unless otherwise agreed to by the Company. Any capacity trades must be reduced to writing and provided to the Company for final approval.

Any assignments made pursuant to this tariff are made subject to any order of the Commission. Should the Commission, or any body authorized by law require a disallowance in the Company's rates that is directly attributable to the Company's assigning or transferring gas supplies to the NGS pursuant to these procedures, the NGS agrees to reimburse to the Company within 30 days of notification of any monies disallowed by the Commission or such other body that are directly attributable to the NGS. The Company shall provide such notification no later than thirty (30) days after a final order is entered by the Commission, or other such body.

**2. Nomination Procedures**

Nomination of Upstream Pipeline Volumes (Transportation and Storage)

All Transportation Volumes received for the NGS's account at upstream pipeline transportation receipt points shall be nominated to the Company in advance according to the procedures outlined in this Section. Nominations shall distinguish among the following volumes delivered to the Company's system for the NGS's account: (1) upstream pipeline transportation and storage capacity assigned to the NGS by the Company and (2) all other upstream pipeline transportation and storage volumes.

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.

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**RATE P-1**  
**PRIORITY ONE POOLING SERVICE**

**2. Nomination Procedures (continued)**

Subject to the limits of the Company's operating conditions and facilities, previously confirmed nominations and timely confirmation by upstream pipelines, the Company will either confirm, in total or in part, or reject the NGS's transportation volume nomination. Confirmed assigned upstream pipeline transportation and storage volumes will be posted on the Company's Electronic nominations System.

Confirmed nominations will become effective on the date specified in the NGS's nomination and will remain in force until the last day of the current calendar month, subject to continued receipt by the Company from upstream pipeline of the confirmed volume, unless superseded by a subsequent transportation volume nomination. Nomination procedures provided for in this section shall be superseded by natural gas industry standards promulgated by FERC (i.e., GISB standards).

Nomination of Assigned Pennsylvania-Produced Supplies (C)

All assigned Pennsylvania-produced supplies received for the NGS's account at production receipt points shall be nominated to the Company in advance according to the procedures outlined in this Section.

Five business days prior to the nominations due date, the Company will provide to the NGS the volume of assigned Pennsylvania-produced supplies at the various production receipt points that the NGS should nominate for that month. The Company shall have the right to revise such nominations throughout the month, and the NGS shall be responsible for revising its nomination of assigned Pennsylvania-produced supplies on a timely basis.

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.

Nominations must conform, in content and format, with the Company's specifications for assigned Pennsylvania-produced supplies nominations, which shall include, at a minimum: the NGS's name; the NGS's company contract number; requested daily assigned Pennsylvania-produced supplies and assigned local production; and the name and telephone number of the NGS's nominations contact.

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 assigned Pennsylvania-produced supplies. Confirmed assigned Pennsylvania-produced supplies will be posted on the Company's Electronic Nominations System.

Assigned Pennsylvania-produced supplies volumes shall be considered to be first through the meter.

Confirmed nominations will become effective on the date specified in the NGS's nomination and will remain in force until the last day of the current calendar month, unless superseded by a subsequent assigned Pennsylvania-produced supplies nomination.

Nomination procedures provided for in this section shall be superseded by natural gas industry standards promulgated by FERC (i.e., GISB standards).

All Pennsylvania-produced supplies assigned or sold to the NGS for a given month will be divided by the number of days of that month and automatically credited to the pool operator's Daily Available Volumes.

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**RATE P-1**  
**PRIORITY ONE POOLING SERVICE**

**2. Nomination Procedures (continued)**

Nomination of Local Gas Volumes (C)

All local gas volumes received into the Company's system for the NGS's account at production (C) or interstate pipeline receipt points shall be nominated to the Company in advance according to (C) the procedures outlined in this Section.

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 local gas volume nominations, which shall include, at a minimum: the NGS's name; the NGS's company contract number; requested daily local gas volume to be received at each of the production receipt points; and the name and telephone number of the NGS's nominations contact.

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 local gas volume nomination. Confirmed local gas volumes will be posted on the Company's Electronic Nominations System.

Confirmed nominations will become effective on the date specified in the NGS's nomination and will remain in force until the last day of the current calendar month, unless superseded by a subsequent local gas volume nomination. Nomination procedures provided for in this section shall be superseded by natural gas industry standards promulgated by FERC (i.e., GISB standards).

Nomination of On-System Storage

All on-system storage volumes requested to be injected or withdrawn for the NGS's account shall be nominated to the Company in advance according to the procedures outlined in this Section.

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 on-system storage volume nominations, which shall include, at a minimum: the NGS's name; the NGS's company contract number; requested daily on-system storage volume; and the name and telephone number of pool operator's nominations contact.

Subject to the limitations as outlined in this Section, 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 storage volume nomination. Confirmed on-system storage volumes will be posted on the Company's Electronic Nominations System.

Confirmed nominations will become effective on the date specified in the NGS's nomination and will remain in force until the last day of the current calendar month, unless superseded by a subsequent on-system storage volume nomination. Nomination procedures provided for in this section shall be superseded by natural gas industry standards promulgated by FERC (i.e., GISB standards).

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PRIORITY ONE POOLING SERVICE

2. Nomination Procedures (continued)

Summer Period Storage Operation

The maximum quantity of gas which the NGS shall be entitled to nominate for injection on a firm basis into on-system storage on any one day is one one hundred and twenty fifth (1/125) of the on-system storage capacity assigned to the NGS when the NGS's on-system storage inventory level is less than or equal to 65 percent of capacity, and one two hundred and fourteenth (1/214) of capacity thereafter. Such injections shall be subject to interruptions or curtailment based on the failure of an upstream pipeline to deliver transportation volumes, the failure of the NGS to deliver local gas volumes, the issuance of operational flow orders by the Company, force majeure conditions, or an order of the Commission or other governmental body.

The NGS may request permission to nominate volumes for injection in excess of the amounts set forth in the preceding Section. The Company shall endeavor to inject those additional volumes into on-system storage on any day on an interruptible basis as operating conditions permit. The Company may decline such requests whenever, in its judgment, the injection of volumes in excess of the amounts set forth in the preceding Section would be detrimental to the operation of the Company's system or its ability to meet retail sales demand in a cost effective manner.

The NGS must nominate injection volumes in such a manner as to attain minimum on-system storage inventory levels, expressed as a percentage of the NGS's capacity, over the summer period in accordance with the schedule set forth below:

<u>Minimum Inventory Level as a Percentage of Capacity</u>	<u>Date by Which Inventory Must be Attained ("Target Inventory Date")</u>
40%	July 1
65%	August 1
80%	September 1
97 %	November 1

In the event the NGS is unable to attain the above inventory level by the applicable target inventory date as a result of customers initially receiving service from the NGS after the commencement of the summer period, the NGS may purchase on-system storage volumes from the Company.

Failure of the NGS otherwise to attain the above inventory level by any of the target inventory dates shall result in a concomitant reduction of the maximum quantity of gas which the NGS shall be entitled to nominate for withdrawal on a firm basis from on-system storage on any one day during the succeeding winter period. The Company shall have the right to use any capacity that becomes available due to the imposition of this provision.

Winter Period Storage Operation

Subject to the previous Section, the maximum quantity of gas which the NGS shall be entitled to nominate for withdrawal on a firm basis from on-system storage on any one day ("Demand Entitlement") shall be based on the on-system storage capacity assigned to the NGS and shall not exceed the maximum withdrawal requirements defined in the Company's Retail Tariff under its Rate ST. Such withdrawals shall be subject to interruptions or curtailment based on the issuance of operational flow orders by the Company, force majeure conditions, or an order of the Commission or other governmental body.

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PRIORITY ONE POOLING SERVICE

2. Nomination Procedures (continued)

~~The NGS's Demand Entitlement shall be reduced in accordance with the inventory-based ratchet provisions set forth below:~~

~~a. If at the end of any day, the NGS's on-system storage inventory level is less than or equal to 45% of the NGS's total capacity but greater than 20% of such volume, the NGS's Demand Entitlement shall be reduced by 40% for remaining portion of the current winter period.~~

~~b. If at the end of any day, the NGS's on-system storage inventory level is less than or equal to 20% of the NGS's total Capacity, the NGS's Demand Entitlement shall be reduced by 80% for the remaining portion of the current winter period.~~

~~The NGS may request permission to nominate volumes for withdrawal in excess of the amounts set forth above. The Company shall endeavor to withdraw these additional volumes from on-system storage on any day on an interruptible basis as operating conditions permit. The Company may decline such requests whenever, in its judgment, the withdrawal of volumes in excess of the amounts set forth in the preceding Section would be detrimental to the operation of the Company's system or its ability to meet Retail Sales Demand in a cost effective manner.~~

~~The NGS must maintain minimum on-system storage inventory levels, expressed as a percentage of the NGS's total capacity, over the winter period in accordance with the schedule set forth below:~~

<u>Date</u>	<u>Minimum On System Storage Inventory Level</u> As a percentage of Total Capacity
<u>January 31</u>	<u>45%</u>
<u>February 28</u>	<u>20%</u>

~~Failure of the NGS to maintain the minimum on-system storage inventory levels in accordance with the above schedule shall result in a further 25% reduction of the Demand Entitlement level until such time as the NGS achieves the required minimum on-system storage inventory level.~~

~~The NGS may request permission to nominate volumes for re-injection during the winter period of up to one two hundred and fourteenth (1/214) of the NGS's total capacity. The Company shall endeavor to inject those re-injection volumes into on-system storage on any day on an interruptible basis as operating conditions permit. The Company may decline such requests whenever, in its judgment, the injection of volumes in excess of the amounts set forth in the preceding section would be detrimental to the operation of the Company's system or its ability to meet retail sales demand in a cost effective manner. The Company may require winter period on-system storage re-injections under an on-system storage operational flow order in which it will indicate the total quantity of gas to be nominated in excess of the NGS's Aggregate Daily Consumption Volume for the period during which the on-system storage OFO is in effect. Adjustments to the effective Demand Entitlement level may be made by the Company at its sole discretion and in accordance with reasonable and standard industry practice based on operating conditions. Failure to comply with an on-system storage OFO may result in the Company, at its sole discretion and in accordance with reasonable and standard industry practice, reducing the NGS's Demand Entitlement levels by up to an additional 50% for the remainder of the winter period.~~

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PRIORITY ONE POOLING SERVICE

2. Nomination Procedures (continued) \_\_\_\_\_ (C)

~~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: \_\_\_\_\_ (C)

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 (C) 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 \_\_\_\_\_ (C) 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.~~ \_\_\_\_\_ (C)

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).

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**PRIORITY ONE POOLING SERVICE**

**2. Nomination Procedures (continued)**

Confirmed nominations will become effective on the date specified in the NGS's nomination and will remain in force until the last day of the current calendar month, unless superseded by a subsequent Pool-to-Pool Volume nomination.

**3. Storage Gas Transfers**

(C)

- a. Storage gas transfers may be required by the Company under the following conditions:
- i. The NGS is unable to attain the storage inventory level requirements by the applicable target inventory date as a result of ratepayers initially receiving service from the NGS after the commencement of the Summer Period and such target inventory date; or,
  - ii. The NGS is assigned ~~on-system or~~ upstream pipeline storage capacity during the (C) Winter Period as a result of ratepayers initially receiving service from the NGS during the Winter Period.
- b. The maximum volume of storage gas transfers for the applicable month shall be determined (C) as follows:
- i. ~~For assigned on-system storage capacity, the maximum storage gas transfer shall (C) be on-system storage capacity incrementally assigned for the month multiplied by the estimated beginning of the month percentage of the Company's total on-system storage inventory level to the Company's on-system storage capacity held by the Company; and~~
  - ii. For assigned upstream pipeline storage capacity, the maximum storage gas transfer shall be the upstream pipeline storage capacity incrementally assigned for the month multiplied by the estimated beginning of the month percentage of the Company's upstream pipeline storage inventory level to the Company's upstream pipeline storage capacity.

Storage gas transfers shall not be allowed if in the Company's sole discretion it determines such transfers would be detrimental to the operation of the Company's system or its ability to meet Retail Sales Demand in a cost effective manner.

The storage gas transfer price each month shall be at the Company's estimated commodity cost of storage gas for the year, plus any applicable taxes. The storage gas transfer price shall be reconciled each calendar year to take into account the actual commodity cost of gas injected into storage net of withdrawals for the current year and, as applicable, the commodity cost of gas from previous years' LIFO inventory layers. The Company shall bill such additional costs as soon as practicable. With respect to storage gas transfers from upstream pipeline storage capacity, the NGS will pay an additional charge equal to the upstream pipeline storage capacity injection and storage fuel charges.

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NON-PRIORITY ONE POOLING SERVICE

AVAILABILITY

Service under this rate schedule is available to any Non-Priority One Pool Operator who has entered into a Non-Priority One Pooling Agreement with the Company and demonstrates to the Company's satisfaction that it has met the Company's creditworthiness standards and bonding requirements. Ratepayers must assign their rights provided under the applicable transportation rate schedules to said Pool Operators.

If the Non-Priority One Pool Operator supplies Priority One ratepayers with a total annual consumption greater than 30,000 mcf, then the Non-Priority One Pool Operator shall establish a separate Priority One Pool for these ratepayers or eliminate sufficient Priority One ratepayers from the Non-Priority One Pool to reduce the total annual consumption by Priority One ratepayers to an amount less than 30,000 mcf.

RULES AND CONDITIONS

1. Scheduling of Service

All transportation volumes received for Pool Operator's account at transportation receipt points shall be nominated in advance according to the procedures set forth below. Pool Operators may not nominate volumes in excess of the total maximum daily volumes of its ratepayers as determined by the Company or as set forth in a ratepayer's transportation contract with the Company, times the number of days in the month. The Company may issue Operational Flow Orders consistent with the terms of the Company's tariff.

2. Assignment of Capacity (C)

NGSs who take service under this rate schedule must take assignment of a pro-rata or otherwise agreed upon by the Company share of the pipeline and storage capacity held by the Company on the Allegheny Valley Connector ("AVC") pipeline system, an interstate pipeline system subject to the regulation of FERC, that would otherwise be utilized by the Company to meet the ratepayer's commodity service requirements. Assigned capacity shall be subject to recall to the extent that the NGS is unable to deliver necessary gas supplies, in which case the Company will provide for the delivery of necessary gas supplies under its supplier of last resort obligation. The capacity assignment requirements shall be subject to review in the Company's annual 1307(f) proceeding.

Consistent with FERC's rules and regulations for capacity releases under state retail choice programs, upstream pipeline firm transportation capacity held by the Company on the AVC pipeline system shall be assigned to the NGS as agent for the ratepayers of the NGS's Non Priority-One Pool. The assignment shall be structured as a release of capacity at the full maximum rate paid by the Company. The term of the release shall be on a seasonal basis commencing with the first month in which the NGS renders commodity service to the ratepayer to the earlier of the end of the seasonal period (winter releases shall terminate March 31 and summer releases shall terminate October 31) or the termination date of the Company's contract for service on the AVC system or the last month in which the NGS renders commodity service to the ratepayer on whose behalf the capacity has been assigned; provided however, the Company may in its discretion release such capacity on a monthly basis.

Upstream pipeline firm storage capacity held by the Company on the AVC pipeline system may be assigned to the NGS as agent for the ratepayers of the NGS's Non Priority-One Pool. With regard to capacity that represents storage service formerly provided under Rate ST and Rate ST-SW, the Company may release storage capacity on the AVC system at less than maximum rates. The release shall terminate at the end of the then-current storage season pursuant to the applicable rate schedule terms and conditions for service on the AVC system; provided however, the Company may at its discretion release such capacity on a monthly basis. Company's release of such capacity shall, in all respects, be in accordance with the FERC Gas Tariff governing service on the AVC system and the applicable rules and regulations of FERC regarding the release of capacity, including FERC's rules for capacity releases occurring as part of a state retail choice program.

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Assignment of Capacity (Cont.)

The NGS must comply with all pipeline tariff requirements to become an eligible shipper on the AVC pipeline system. The NGS is responsible for paying the pipeline directly for capacity assigned under these provisions, which payments shall include all applicable surcharges for service on the AVC system. To the extent that the NGS's customers are paying equivalent capacity charges in accordance with the Company's Retail Tariff, the Company will reimburse the NGS's for these pipeline capacity charges.

The capacity released under this section shall be recallable by the Company under the following conditions:

1. The ratepayer on whose behalf the supplies have been assigned is no longer served by the NGS; or
- 4-2. The NGS has failed to comply with terms and conditions set forth herein.

**3. Nomination Procedures** \_\_\_\_\_ (C)

Nomination of Upstream Pipeline Volumes \_\_\_\_\_ (C)

All transportation volumes received for the NGS's account at upstream pipeline transportation receipt points shall be nominated to the Company in advance according to the procedures outlined in this Section. Unless specifically designated as Pennsylvania produced gas supplies that are produced (C) directly into the Company's system, all nominations shall be assumed to be volumes delivered to (C) the Company's system for the NGS's account from other than gas supplies produced in Pennsylvania.

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.

Subject to the limits of the Company's operating conditions and facilities, previously confirmed nominations and timely confirmation by upstream pipelines, the Company will either confirm, in total or in part, or reject the NGS's transportation volume nomination. Confirmed upstream pipeline transportation and upstream pipeline Pennsylvania gas volumes will be posted on the Company's Electronic Nominations System.

Confirmed nominations will become effective on the date specified in the NGS's nomination and will remain in force until the last day of the current calendar month, subject to continued receipt by the Company from upstream pipeline of the confirmed volume, unless superseded by a subsequent transportation volume nomination. Nomination procedures provided for in this section shall be superseded by natural gas industry standards promulgated by FERC (i.e., GTSB standards). \_\_\_\_\_ (C)

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**NON-PRIORITY ONE POOLING SERVICE**

**32. Nomination Procedures (continued)**

Nomination of Local Gas Volumes (C)

All local gas volumes received into the Company's system for the NGS's account at production (C) or interstate pipeline receipt points shall be nominated to the Company in advance according to (C) the procedures outlined in this Section.

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 local gas volume nominations, which shall include, at a minimum: the NGS's name; the NGS's company contract number; requested daily local gas volume to be received at the Production receipt points in aggregate; and the name and telephone number of the NGS's nominations contact.

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 local gas volume nomination. Confirmed local gas volumes will be posted on the Company's Electronic Nominations System.

Confirmed nominations will become effective on the date specified in the NGS's nomination and will remain in force until the last day of the current calendar month, unless superseded by a subsequent local gas volume nomination. Nomination procedures provided for in this section shall be superseded by natural gas industry standards promulgated by FERC (i.e., GISB standards).

Nomination of On-System Storage Volumes (C)

~~On-system storage volumes requested to be injected or withdrawn for the NGS's account shall be nominated to the Company in advance according to the procedures outlined in this Section and in the Company's currently effective storage provisions under Rate Schedule ST and ST-SW as outlined in the Company's retail tariff.~~

~~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 on-system storage volume nominations, which shall include, at a minimum: the NGS's name; the NGS's company contract number; requested daily on-system storage volume; the type of storage service requested ST or ST-SW, and the name and telephone number of the NGS's nominations contact.~~

~~Subject to the limitations as outlined in this Section, 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 storage volume nomination. Confirmed on-system storage volumes will be posted on the Company's Electronic Nominations System.~~

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EFFECTIVE: June 10, 2011

PEOPLES NATURAL GAS COMPANY LLC

PROFORMA TO GAS—PA PUC NO. S-2  
FIRST REVISED PAGE NO. 33  
CANCELLING ORIGINAL PAGE NO. 33

**RATE NP-1**  
**NON-PRIORITY ONE POOLING SERVICE**

**23. Nomination Procedures (continued)**

~~Confirmed nominations will become effective on the date specified in the NGS's nomination and (C) will remain in force until the last day of the current calendar month, unless superseded by a subsequent on-system storage volume nomination. Nomination procedures provided for in this section shall be superseded by natural gas industry standards promulgated by FERC (i.e., GISB standards).~~

~~The maximum amount of gas in storage the NGS may have in their pool is equal to one twelfth (C) (1/12) of the annual end use customer consumption included in the pool, unless otherwise agreed.~~

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 Non Priority-One Pool may transfer volumes to another Non Priority-One Pool or Priority-One Pool(C) that balances on the same basis. A Non-Priority One pool may also transfer storage inventory volumes to any 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 Company's name; the Company's company contract number; requested daily Pool-to-Pool Volume; source of Pool-to-Pool Volumes (Local Pa. Produced, Pa. produced via Interstate, or Interstate), name and the Company contract number of the Company from whom the Company 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).

Confirmed nominations will become effective on the date specified in the NGS's nomination and will remain in force until the last day of the current calendar month, unless superseded by a subsequent Pool-to-Pool Volume nomination.

ISSUED: June 9, 2014

EFFECTIVE: June 10, 2014

PEOPLES NATURAL GAS COMPANY LLC \_\_\_\_\_ PROFORMA TO GAS—PA PUC NO. S-2  
FIRST REVISED PAGE NO. 34  
CANCELLING ORIGINAL PAGE NO. 34

**RATE NON-PRIORITY ONE  
NON-PRIORITY ONE POOLING SERVICE**

**43. \_\_\_\_\_ Terms and Conditions for Non-Priority One Pool Access to BB&A Storage  
Volumes Capacity (C)**

**AVAILABILITY**

The Company will make available for purchase by ~~to~~ Non-Priority One pools, ~~at no additional~~ (C) ~~cost, seasonal injection, storage and withdrawal rights to on-system storage capacity ("BB&A (C) Capacity")~~ volumes used by the Company to provide balancing, banking and advancing services ("BB&A") for Non-Priority One customers.

~~The availability of such capacity shall be limited to on-system storage only and shall not include (C) off-system pipeline storage capacity used by the Company to provide BB&A services.~~

The Company will purchase BB&A volumes based on the Summer Period schedule set forth below. Such volumes shall be purchased by the Company at the first of the month Dominion Transmission Inc. Appalachia Index price as published in Inside FERC's Gas Market Report. The Company will sell BB&A volumes on the Winter Period schedule set forth below. Such monthly volumes shall be sold to Non-Priority One pools at a price equal to the sum of:

1. Weighted average cost of BB&A volumes purchased during the summer season;
2. The Company's carrying costs associated with BB&A volumes purchased by the Company to be sold to Non-Priority One pools. The rate used to calculate the carrying costs shall be based on the Company's actual short-term debt cost rate rate of return used for recovery of costs under the DSIC mechanism; and
3. Any applicable interstate pipeline volumetric charges and fuel associated with the delivery of any BB&A volumes to the Company's system.

All of the revenues generated by the sale of BB&A gas to the Non-Priority One pools shall be (C) credited to ratepayers through the 1307(f) mechanism.

The volume amount of BB&A volumes Capacity to be made available for purchase by to each (C) Non-Priority One pool will be determined based on the percentage of annual volumes served by each Non-Priority One pool to total annual volumes served by all Non-Priority One pools, based on February business of each year. The Company will inform each Non-Priority One pool of its allocation of BB&A volumes available for purchase capacity no later than nine business days (C) before the end of March and each Non-Priority One pool must inform the Company of the amount of BB&A volumes to be purchased storage capacity it will accept, up to 100 percent of its allocated (C) volumes, no later than six business days before the end of March. Any BB&A volumes Capacity (C) not accepted for purchase by a Non-Priority One pool shall be utilized by the Company and will not be made available to other Non-Priority One pools throughout the ensuing injection and withdrawal (C) winter season. The amount of BB&A volumes storage capacity accepted by a Non-Priority One (C) pool shall be final for the ensuing storage winter period year and shall fix the volume of BB&A to (C) be purchased capacity available to and which the Non-Priority One pool is obligated to utilize (C) throughout the entire injection and withdrawal winter period. (C)

ISSUED: XX/XX/XX

EFFECTIVE: XX/XX/XX



4. Terms and Conditions for Non-Priority One Pool Access to BB&A Volumes Storage Capacity (cont.) (C)

SUMMER PERIOD INJECTIONS PURCHASE (C)

~~BB&A volumes~~ Participating Non-Priority One pools' gas will be automatically injected purchased (C) by the Company according to the following schedule, with daily injection purchase volumes in a (C) given month determined by dividing the monthly amount by the number of days in the month:

April and October -  $1/12^{\text{th}}$  of allocated BB&A ~~volumes~~ capacity  
May - September -  $1/6^{\text{th}}$  of allocated BB&A ~~volumes~~ capacity

WINTER PERIOD WITHDRAWAL SALE (C)

~~BB&A volumes~~ Each participating Non-Priority One pools' BB&A storage inventory shall be (C) automatically withdrawn sold by the Company according to the following schedule, with daily (C) withdrawal volumes in a given month determined by dividing the monthly amount by the number of days in the month:

November - 9 percent of allocated BB&A volumes gas in inventory as of October 31<sup>st</sup> of the current calendar year  
December - 17 percent of allocated BB&A volumes gas in inventory as of October 31<sup>st</sup> of the current calendar year  
January - 27 percent of allocated BB&A volumes gas in inventory as of October 31<sup>st</sup> of the prior calendar year  
February - 27 percent of allocated BB&A volumes gas in inventory as of October 31<sup>st</sup> of the prior calendar year  
March - 20 percent of allocated BB&A volumes gas in inventory as of October 31<sup>st</sup> of the prior calendar year

(continued)

PEOPLES NATURAL GAS COMPANY LLC

PROFORMA TO GAS—PA PUC NO. S-2  
SECOND REVISED PAGE NO. 35  
CANCELLING FIRST REVISED PAGE NO. 35

**RATE NON-PRIORITY ONE  
NON-PRIORITY ONE POOLING SERVICE**

**3. Terms and Conditions for Non-Priority One Pool Access to BB&A Storage Volumes Capacity  
(continued) (C)**

**OTHER PROVISIONS**

Annual Level of BB&A Capacity Volumes to be Made Available for Purchase (C)  
On an ongoing annual basis, the Company shall review the total level of BB&A volumes Capacity (C) made available for sale to Non-Priority One pools and, based on changes in the total annual volumes served by all Non-Priority One pools, may revise from year to year the total level of available BB&A volumes Capacity. Any proposed revisions to the total level of BB&A volumes Capacity shall be (C) reflected in the Company's annual 1307(f) filings and will be determined by multiplying a factor of 46.7% times forecasted January Non-Priority One transportation usage. The Company shall, for a period of three years, notify active Non-Priority One suppliers of any proposed revision to the total level of BB&A volumes capacity at the time of any annual 1307(f) filing containing such a revision.

Monthly Balancing Provisions

BB&A gas volumes purchased injections and withdrawals will be considered as part of the (C) Monthly Available Volumes, with injections resulting in a reduction to Monthly Available Volumes. (C) Injections and withdrawals and will have the priority immediately following pay-back of prior month (C) advanced and banked volumes.

All Supplier Tariff provisions shall apply to Non-Priority One pool access to BB&A volumes storage (C) capacity and inventory unless otherwise modified herein.

**54. Monthly Balancing (C)**

Any difference between the customers' Aggregate Monthly Consumption Volume and the total Monthly Available Volumes shall be subject to monthly balancing.

Negative Monthly Imbalance - The negative imbalance volume will be sold by the Company at a price equal to 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.

Positive Monthly Imbalance - 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

ISSUED: December 30, 2011

EFFECTIVE: February 28, 2012

PEOPLES NATURAL GAS COMPANY LLC

PROFORMA TO GAS—PA PUC NO. S-2  
SECOND REVISED PAGE NO. 35A

CANCELLING FIRST REVISED AND ORIGINAL PAGE NO. 35A

**RATE NON-PRIORITY ONE  
NON-PRIORITY ONE POOLING SERVICE**

**65. Reconciliation of Local Gas Volumes (C)**

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 delivered to the Company are known, any discrepancies between actual and confirmed local gas (C) 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 (C) 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.

ISSUED: September 28, 2012

EFFECTIVE: October 1, 2012

PEOPLES NATURAL GAS COMPANY LLC

PROFORMA TO GAS—PA PUC NO. S-2  
ORIGINAL PAGE NO. 36

**RATE LGA**  
**LOCAL GAS AGGREGATION SERVICE**

**AVAILABILITY** \_\_\_\_\_ (C)

Service under this rate schedule is available to any Aggregator who has entered into a Local Gas Aggregation Agreement with the Company and demonstrates to the Company's satisfaction that it has met the Company's creditworthiness standards and bonding requirements.

The locally produced gas nominated out of the Local Gas Aggregation Pool will be balanced monthly with actual production delivered into the Company's system. \_\_\_\_\_ (C)

**RULES AND CONDITIONS**

**1. Points of Receipt** \_\_\_\_\_ (C)

The points of receipt for local gas aggregation shall be those metering stations identified by the Aggregator in its Measurement Operating Agreement with the Company or any other designated (C) point where gas is delivered into the Company's system. The Aggregator will pay for any \_\_\_\_\_ (C) investment costs required to receive 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.

**2. Nomination of Aggregated Production** \_\_\_\_\_ (C)

No later than five days prior to the end of each month, the Aggregator will provide the Company with its local gas aggregation nomination for the metering stations identified in the agreement or other (C) point of interconnection into the Company's system. The Company shall determine the \_\_\_\_\_ (C) reasonableness of the Aggregator's local gas aggregation nomination and will either confirm, in total or in part, or reject the Aggregator's nomination within two business days after receipt of the nomination. Once the Aggregator and the Company agree on the local gas aggregation nomination, the agreed upon volumes will be the confirmed volumes used for reconciling local gas nominations and actual production. The Aggregator may change its local gas aggregation nomination during the month in accordance with the Company's Operating Rules for Local Gas Aggregation Service. The Company may, at its discretion, ask for additional justification for any nomination, which may result in an adjustment to the nomination.

Nominations are to be transmitted to 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 which shall include, at a minimum, the Aggregator's name; contract number; requested daily local gas volume to be received; and the name and telephone number of the Aggregator's nominations contact.

**3. Reconciliation of Aggregation Volumes**

Confirmed local gas aggregation nominations will be credited to the Aggregator's account on the date specified in the Aggregator's nomination. When actual local gas aggregation volumes delivered (C) into the Company's system are known, any discrepancies between actual and local gas \_\_\_\_\_ (C) aggregation nominations will be reconciled, in the first full calendar month following the determination of actual local gas aggregation volumes (the "Adjustment Month").

The volumetric discrepancy between the actual local gas aggregation volumes and the local gas aggregation nominations will be reconciled in the Adjustment Month by adjusting the aggregator's monthly available volume in the adjustment month.

ISSUED: October 28, 2010

EFFECTIVE: June 10, 2011

# Appendix F

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Application of Peoples Natural Gas Company LLC, :  
 Peoples TWP LLC, and Equitable Gas Company, LLC for :  
 All of the Authority and the Necessary Certificates of :  
 Public Convenience (1) to Transfer All of the Issued and :  
 Outstanding Limited Liability Company Membership : Docket Nos. A-2013-2353647  
 Interest of Equitable Gas Company, LLC to PNG : A-2013-2353649  
 Companies LLC, (2) to Merge Equitable Gas Company, : A-2013-2353651  
 LLC with Peoples Natural Gas Company LLC, (3) to :  
 Transfer Certain Storage and Transmission Assets of :  
 Peoples Natural Gas Company LLC to Affiliates of EQT :  
 Corporation, (4) to Transfer Certain Assets between :  
 Equitable Gas Company, LLC and Affiliates of EQT :  
 Corporation, (5) for Approval of Certain Ownership :  
 Changes Associated with the Transaction, (6) for :  
 Approval of Certain Associated Gas Capacity and Supply :  
 Agreements, and (7) for Approval of Certain Changes in :  
 the Tariff of Peoples Natural Gas Company LLC. :

**STATEMENT OF JOINT APPLICANTS IN SUPPORT OF THE  
JOINT PETITION FOR APPROVAL OF SETTLEMENT OF ALL ISSUES**

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October 7, 2013

Counsel for Equitable Gas Company, LLC

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## I. INTRODUCTION AND BACKGROUND

Peoples Natural Gas Company LLC (“Peoples”), Peoples TWP LLC (“Peoples TWP”), and Equitable Gas Company, LLC (“Equitable”) (hereinafter, collectively the “Joint Applicants”) hereby file this Statement in Support of the Joint Petition for Approval of Settlement of All Issues (“Settlement”) in the above-captioned Joint Application proceeding requesting all necessary approvals pursuant to Sections 1102(a)(3), 1317(d), 2102(a), and 2204(e)(4) of the Public Utility Code (“Code”), 66 Pa.C.S. §§ 1102(a)(3), 1317(d), 2102(a), and 2204(e)(4), authorizing and approving: (1) the transfer of 100% of the issued and outstanding limited liability company membership interests in Equitable, an indirect subsidiary of EQT Corporation (“EQT”),<sup>1</sup> to PNG Companies LLC (“PNG”),<sup>2</sup> an indirect subsidiary of SteelRiver Infrastructure Fund North America LP (“SRIFNA”),<sup>3</sup> (2) the merger of Equitable with Peoples, a wholly-owned subsidiary of PNG, and the operation of Equitable as an operating division of PNG; (3) the transfer of certain storage and transmission assets of Peoples to EQT; (4) the transfer of certain assets and/or the exchange of certain services between EQT and Equitable; (5) certain PNG ownership changes associated with the transaction;<sup>4</sup> (6) the associated gas capacity,

<sup>1</sup> Unless otherwise specified herein, all references to “EQT” shall be deemed to also include all of its subsidiaries and affiliates.

<sup>2</sup> PNG is a limited liability company organized, validly existing, and in good standing under the laws of Delaware. PNG directly owns a 100% interest in Peoples. (Joint Applicants Exhibit MKO-1, p. 10)

<sup>3</sup> SteelRiver Infrastructure Associates LLC, the general partner of SRIFNA, and its affiliated investment management entities (collectively “SteelRiver”) manage infrastructure investments throughout North America. SRIFNA is an independent investment fund specializing in infrastructure assets. LDC Funding LLC (“LDC Funding”) is a Delaware limited liability company and a wholly-owned direct subsidiary of SRIFNA. LDC Funding directly owns a 100% interest in LDC Holdings LLC (“Holdings”), which in turn owns a 100% interest in PNG. LDC Funding also directly owns a 100% interest in LDC Holdings II LLC (“Holdings II”), which in turn owns a 100% interest in Peoples TWP. (Joint Applicants Exhibit MKO-1, p. 9-11).

<sup>4</sup> The financing for the Transaction will come from new SteelRiver managed funds, which will be accomplished through a two-step process. (Joint Applicants St. 1-S, pp. 2-3) This will require the creation of a new indirect parent of Peoples and Peoples TWP. Upon closing of the Transaction, SRIFNA will transfer its interest in LDC Funding to a newly created LDC Ventures LLC (“LDC Ventures”). A newly created SteelRiver managed fund, SteelRiver LDC Investments LP (“SRLDCI”), will own 27% of LDC Ventures and the remaining 73% interest will be owned by a new intervening entity, LDCV Holdco LLC (“LDCV Holdco”). In turn, approximately 24% of  
(Continued on next page...)

storage, interconnects, leases, and supply service agreements among Peoples, Peoples TWP, Equitable, and/or EQT set forth in the Joint Application; and (7) certain changes in Peoples' tariff necessary to carry out the transactions (hereinafter, collectively the "Transaction"). (See Joint Applicants Exhibit MKO-1)

Peoples is a limited liability company formed under the laws of the Commonwealth of Pennsylvania for the purpose of providing natural gas transmission, distribution, and supplier of last resort services subject to the Pennsylvania Public Utility Commission's ("Commission") regulatory jurisdiction. Peoples is a wholly-owned subsidiary of PNG, which is an indirect subsidiary of SRIFNA.<sup>5</sup> Peoples is a "public utility" and a "natural gas distribution company" as those terms are defined in Code Sections 102 and 2202 66 Pa.C.S. §§ 102, 2202. Peoples provides natural gas services to approximately 360,000 customers throughout its certificated territory, which includes all or portions of the following Pennsylvania counties: Allegheny, Armstrong, Beaver, Blair, Butler, Cambria, Clarion, Fayette, Greene, Indiana, Lawrence, Mercer, Somerset, Venango, Washington, and Westmoreland. (Joint Applicants Exhibit MKO-1, pp. 6-7)

Peoples TWP is a limited liability company formed under the laws of the Commonwealth of Pennsylvania for the purpose of providing natural gas transmission, distribution, and supplier of last resort services subject to the Commission's regulatory jurisdiction. Peoples TWP is a

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(...continued from previous page)

LDCV Holdco will be owned by a second new SteelRiver managed fund with the remaining approximately 76% interest in LDCV Holdco owned by SRIFNA. As a result, upon closing SRIFNA will indirectly maintain the largest voting interest (approximately 55%) in LDC Funding and all of its indirect wholly-owned subsidiaries, including Peoples (and its Equitable division after the acquisition) and Peoples TWP. (Joint Applicants St. 1, pp. 12-13; Joint Applicants St. 1-S, pp. 2-3)

<sup>5</sup> On February 1, 2010, PNG closed on its purchase of all of the issued and outstanding shares of capital stock of Peoples, which acquisition was approved by the Commission. *Joint Application for Approval of the Transfer of the Issued and Outstanding Shares of Capital Stock of the Peoples Natural Gas Company*, Docket No. A-2008-2063737 (November 19, 2009).

wholly-owned subsidiary of LDC Holdings II, which is an indirect subsidiary of SRIFNA.<sup>6</sup> Peoples TWP is a “public utility” and a “natural gas distribution company” as those terms are defined in Code Sections 102 and 2202, 66 Pa.C.S. §§ 102, 2202. Peoples TWP provides natural gas services to approximately 60,300 customers throughout its service territory, which includes all or portions of the following Pennsylvania counties: Allegheny, Armstrong, Beaver, Butler, Cambria, Clarion, Clearfield, Indiana, Jefferson, and Westmoreland. (Joint Applicants Exhibit MKO-1, pp. 7-8)

Equitable is a limited liability company formed under the laws of the Commonwealth of Pennsylvania for the purpose of providing natural gas transmission, distribution, and supplier of last resort services subject to the Commission’s regulatory jurisdiction.<sup>7</sup> Equitable is a direct, wholly-owned subsidiary of Distribution Holdco, LLC (“Holdco”), which, in turn, is a wholly-owned subsidiary of EQT Corporation. Equitable is a “public utility” and a “natural gas distribution company” as those terms are defined in Code Sections 102 and 2202, 66 Pa.C.S. §§ 102, 2202. Equitable provides natural gas services to approximately 260,000 customers throughout its Pennsylvania certificated territory, which includes all or portions of the following Pennsylvania counties: Allegheny, Armstrong, Beaver, Butler, Clarion, Greene, Indiana, Jefferson, Washington, and Westmoreland. (Joint Applicants Exhibit MKO-1, pp. 8-9)

On March 19, 2013, the Joint Applicants filed the above-reference Joint Application with the Commission. The following parties either protested the Joint Application or intervened in

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<sup>6</sup> On May 24, 2011, LDC Holdings II closed on its purchase of all of the issued and outstanding shares of capital stock of TWP, which acquisition was approved by the Commission. *Joint Application of T.W. Phillips Gas and Oil Company, TWP INC., and LDC Holdings II LLC for approval of a change of control of T.W. Phillips and Oil Company from TWP INC. to LDC Holdings II LLC, an indirect subsidiary of SteelRiver Infrastructure Fund North America LP*, Docket No. A-2010-2210326 (May 23, 2011).

<sup>7</sup> Equitable was a regulated operating division of Equitable Resources, Inc., prior to a holding company reorganization approved by the Commission at Docket No. A-121100F0006, which became effective July 1, 2008.

the proceeding: the Bureau of Investigation and Enforcement (“I&E”) of the Commission; the Office of Consumer Advocate (“OCA”); the Office of Small Business Advocate (“OSBA”); Pennsylvania Independent Oil & Gas Association (“PIOGA”); Dominion Retail, Inc. and Interstate Gas Supply, Inc. (collectively “NGS Parties”); Utility Workers Union of America, Local 666 (“UWUA”); The Pennsylvania State University (“PSU”); Snyder Brothers, Inc. (“Snyder Brothers”); United Steelworkers International Union, Local 12050 (“Steelworkers”); International Brotherhood of Electrical Workers, Local 1956 (“IBEW”); Peoples-Equitable Merger Intervenors (“PEMI”); United States Steel Corporation (“US Steel”); and Citizens for Pennsylvania’s Future (“PennFuture”).<sup>8</sup>

The active parties engaged in extensive discovery, held numerous settlement conferences, and exchanged numerous settlement proposals and counter-proposals. As a result of these conferences and efforts, all active parties other than PennFuture reached a settlement in principle prior to the September 11, 2013 evidentiary hearing that fully resolved all issues related to the Transaction (“Transaction Issues”), except for PennFuture’s proposal that the Joint Applicants be required to implement a five-year, \$220 million demand side management (“DSM”) plan as a condition of the Commission’s approval of the Transaction (“PennFuture Issues”). Therefore, PennFuture was the only active party that took no position on the settlement in principle of the Transaction Issues.<sup>9</sup>

Following the conclusion of the evidentiary hearing, the Joint Applicants and PennFuture continued to engage in additional settlement discussions in an effort to resolve the remaining

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<sup>8</sup> The procedural history for this matter is set forth in Section II of the Settlement, which is incorporated herein.

<sup>9</sup> PSU, PEMI, UWUA, IBEW, PennFuture, and United Steelworkers are not parties to the settlement of the Transaction Issues but do not oppose the Settlement. PennFuture’s non-objection to settlement of the Transaction Issues is contingent on the ALJ’s and Commission’s approval of the proposed settlement of the PennFuture Issues.

PennFuture Issues. As a result of these efforts, the Joint Applicants and PennFuture reached a settlement in principle that fully resolved the PennFuture Issues.<sup>10</sup>

As a result of the extensive efforts described above, the active parties have fully resolved all of the issues raised in this proceeding. Concurrent with their respective Statements in Support, the Signatory Parties filed the Settlement. The Joint Applicants submit that the Settlement is in the public interest and should be approved. As explained below, the Transaction described in the Joint Application, subject to the terms and conditions contained in the Settlement, will affirmatively promote the public interest in a substantial way, as required by *City of York v. Pa. PUC*, 449 Pa. 136, 295 A.2d 825 (1972), and also satisfies the ten public interest considerations that the Commission set forth in its Order in *Application of Penn Estates Utilities, Inc.*, Docket No. A-210072F0003, *et al.* (Oct. 2, 2006) (regarding factors to be considered in acquisitions by investment funds).

Further, as required by Section 2210(a)(1) of the Natural Gas Choice and Competition Act, 66 Pa.C.S. § 2210(a)(1), the Transaction, subject to the terms and conditions contained in the Settlement, will not result in any anti-competitive or discriminatory conduct, including unlawful exercise of market power in the retail natural gas supply market. In addition, as required by Section 2210(a)(2) of the Natural Gas Choice and Competition Act, 66 Pa.C.S. § 2210(a)(2), the Transaction, subject to the terms and conditions contained in the Settlement, will not produce any unreasonable adverse effect on the employees of the Joint Applicants or on any authorized collective bargaining agent representing those employees.

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<sup>10</sup> I&E, OCA, OSBA, PIOGA, NGS Parties, Snyder Brothers, US Steel, PSU, PEMI, UWUA, IBEW, and Steelworkers are not parties to the settlement of the PennFuture Issues, but have indicated that they do not oppose the Settlement.

Finally, the associated gas capacity, storage, interconnects, leases, and supply service agreements among Peoples, Peoples TWP, Equitable, and/or EQT set forth in the Joint Application, and as modified by the terms of the Settlement, are necessary to facilitate the transition of ownership and to secure sufficient capacity to meet existing and future customer demand of Peoples, Peoples TWP, and Equitable following the Closing of the Transaction (the “Closing”). Therefore, these agreements, as modified by the terms of the Settlement, should be approved pursuant to Sections 1317(d), 2102(a), and 2204(e)(4) of the Public Utility Code, 66 Pa.C.S. §§ 1317(d), 2102(a), and 2204(e)(4).

The Settlement, if approved, will resolve all of the issues raised by the active parties in this proceeding. Given the diverse interests of the parties and the active role they have taken in this proceeding, the fact that they have resolved their respective issues in this proceeding, in and of itself, provides strong evidence that the Settlement is reasonable and in the public interest, particularly. The Settlement was achieved only after a comprehensive investigation of the transactions proposed in the Joint Application. In addition to informal discovery, the Joint Applicants responded to hundreds of formal discovery requests, many of which had multiple subparts. The active parties to the proceeding served six rounds of testimony, including the Joint Applicants’ direct testimony, the Joint Applicants’ supplemental direct testimony, other parties’ direct testimony, rebuttal testimony, surrebuttal testimony, and rejoinder outlines. The Signatory Parties participated in numerous settlement discussions and formal negotiations, which ultimately led to the Settlement. Finally, the Signatory Parties in this proceeding, and their counsel, have considerable experience in acquisition 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 in this proceeding on the settled issues.

The Settlement reflects a carefully balanced compromise of the interests of the Joint Applicants, their customers, and the Signatory Parties. For the reasons more fully explained below, the Transaction, as modified by the Settlement is in the best interest of, and will produce substantial benefits for, the Joint Applicants and their customers. Therefore, the Joint Applicants respectfully request that the Honorable Administrative Law Judge Mark A. Hoyer (“ALJ”) recommend that the Commission approve, and that the Commission approve, the Joint Application subject to the terms and conditions contained in the Settlement, without modification. The Joint Applicants submit this Statement in Support to explain the numerous reasons that support these conclusions.

## **II. COMMISSION POLICY FAVORS SETTLEMENT**

Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. Settlements lessen the time and expense that 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. PUC v. York Water Co.*, Docket No. R-00049165 (Oct. 4, 2004); *Pa. PUC v. C.S. Water and Sewer Assocs.*, 74 Pa. P.U.C. 767 (1991). For the following reasons, the Joint Applicants believe that the Transaction, as modified by the Settlement, is just, reasonable, and in the public interest and, therefore, should be approved without modification.

### III. THE SETTLEMENT OF THE TRANSACTION ISSUES IS IN THE PUBLIC INTEREST

#### A. THE TRANSACTION WILL BENEFIT THE PUBLIC IN SUBSTANTIAL WAYS

The Commission may issue a certificate of public convenience upon a finding that “the granting of such certificate is necessary or proper for the service, accommodation, convenience, or safety of the public.” 66 Pa.C.S. § 1103(a). This standard requires the Commission to find that the Transaction will “affirmatively promote the service, accommodation, convenience, or safety of the public in some substantial way.” *City of York v. Pa. PUC*, 449 Pa. 136, 151, 295 A.2d 825, 828 (1972).<sup>11</sup> The Joint Applicants submit that all criteria necessary for approval of the Transaction pursuant to the Public Utility Code have been met, and that the Transaction will benefit the Joint Applicants’ customers, employees, and the communities they serve.

##### 1. The Realignment of Assets and Businesses Will Produce Substantial Public Benefits for Customers

At the Closing, Equitable will be merged into Peoples, with Peoples as the surviving entity and Equitable initially operated as a new separate operating division of Peoples. (Joint Applicants Statement No. 2, p. 12) The Transaction provides for (1) the payment of cash (including investments by Peoples in assets to be transferred from Peoples to EQT), (2) the transfer of certain assets by Peoples to EQT, (3) the exchange of certain assets between EQT and Equitable, and (4) certain other supply, capacity, interconnect, and service agreements. (Joint Applicants Statement No. 2, pp. 12-13) The Transaction is designed to better align PNG and EQT with their respective principle business activities. The Transaction will allow Peoples to

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<sup>11</sup> The “substantial public interest” standard is satisfied by a simple preponderance of the evidence of benefits, and such burden can be met by showing a likelihood or probability of public benefits that need not be quantified or guaranteed. *Popowsky v. Pa. PUC*, 594 Pa. 583, 611, 937 A.2d 1040, 1057 (2007). Further, the substantial public benefit test does not require that every customer receive a benefit from the Proposed Transaction. *Id.*, at 617-18, 937 A.2d at 1061.



focus on state regulated distribution of natural gas to its customers. It also will allow EQT to focus on the exploration, production, storage, gathering, and transportation of natural gas.

As part of the Transaction, Peoples will transfer certain transmission pipeline and storage assets to EQT, which will be owned by Allegheny Valley Connector, LLC (“AVC” or the “AVC pipeline”) and operated by Equitrans, L.P. (Joint Applicants Ex. MKO-1, Appendix A, Exhibit A; Joint Applicants Statement No. 3-R, p. 4) Similarly, the EQT Asset Exchange Agreement, as modified by the terms of the Settlement, provides for the transfer of various assets between certain EQT entities in order to realign those assets consistent with the goal of providing Equitable with the assets needed to focus on continuing to provide distribution services in a safe, reliable and cost-effective manner, while transferring from Equitable those assets that are not needed for that purpose. (Joint Applicants Ex. MKO-1, Appendix A, Ex. L; Settlement ¶ 99)

EQT, with the pipeline and storage assets acquired from Peoples and the transfer of its distribution business to PNG, will be focused primarily on transportation, storage, exploration, gathering, and production activities. The transferred assets will be used by EQT to serve the Peoples’ system and to move more local production to the interstate market, which will encourage local production and improve competition by providing access to additional sources of local natural gas. This re-alignment of business interest is consistent with the goals of EQT’s public shareholders interested in investing in such activities. (Joint Applicants Statement No. 3, pp. 9-10)

By re-aligning PNG’s and EQT’s assets and businesses with their respective principle business interest, the Transaction will permit Peoples to achieve the following substantial affirmative benefits: (1) a unique opportunity to avoid capital costs by avoiding duplicative replacement of overlapping cast iron and bare steel mains owned by the Joint Applicants; (2) the

opportunity to achieve significant operational and management efficiencies; (3) the opportunity to improve retail supply competition by combining the Peoples and Equitable markets and instituting uniform policies and practices for supply choice; and (4) the opportunity to expand development of Pennsylvania natural gas and related infrastructure through a series of supply and capacity agreements that will increase access to and capacity to use Pennsylvania produced natural gas. (Joint Applicants Statement No. 2, p. 17) These benefits will be explained below.

**a. Avoided Pipeline Replacement Costs**

An important substantial affirmative benefit of the Transaction is the avoided capital costs by combining Peoples and Equitable. Combining the two companies is expected to avoid replacement of the two companies' overlapping pipeline systems resulting in significant amounts of avoided capital expenditures that would otherwise be needed to maintain and/or replace duplicative pipelines. (Joint Applicants Statement No. 2, p. 18)

Presently, there are many miles of duplicative pipelines on the Peoples, Peoples TWP, and Equitable systems, a significant number of which are located on the same streets. The Transaction will help both Peoples and Equitable avoid the need to replace duplicative pipelines. (Joint Applicants Statement No. 2, p. 18) The estimated avoided pipeline replacement cost is \$162 million. This estimate was prepared and presented on the record by an independent expert with access to detailed information and maps containing actual pipeline locations, ages and type of pipeline material, and recent pipeline replacement costs experienced by the Joint Applicants. In addition, there is approximately \$750,000 in current year pipeline extension costs for new or improved services that can be expected to be avoided. Finally, there are approximately \$50,000 in annual leak surveillance costs that can be expected to be avoided as coincidental pipe is eliminated. (Joint Applicants Statement No. 11, p. 4)

The ability to avoid these replacement costs will result in a lower total rate base than would be the case if the companies were not combined. These savings will reduce the amount of future rate increases, which is a substantial benefit to the customers of both Peoples and Equitable. It also will avoid undue inconvenience to the general public by avoiding the duplicative disruption that would otherwise occur if the companies were to stay separate. (Joint Applicants Statement No. 2, p. 19)

In addition, under the terms of the Settlement, Peoples commits to continue its acceleration of replacing higher risk pipe with a revised focus solely on its distribution and gathering assets. Peoples will file a revised Long Term Infrastructure Improvement Plan (“LTIIIP”) that will address how Peoples will avoid the replacement of duplicative pipe following the merger. Pursuant to the Settlement, this LTIIIP will provide for a level of investment for the Peoples Division for the period 2015 through 2019 that is consistent in aggregate amount with the annual average amount of \$80 million under Peoples’ Commission approved current LTIIIP. Peoples also will accelerate capital expenditures for the Equitable Division from \$33 million in 2014 to at least \$45 million in 2017, 2018 and 2019 as evidenced by the filing of a revised LTIIIP or Asset Optimization Plan. (Settlement ¶¶ 34, 62)

The combination of the avoidance of having to replace duplicative pipe with the acceleration of pipe replacement will result in both systems becoming more cost efficient, safer and more reliable at an earlier date.

**b. Synergy Savings from Operational and Management Efficiencies**

Another substantial affirmative benefit of the Transaction will be the operational and management efficiencies that are expected to be realized over a transition period by operating Equitable as a division of Peoples. Peoples will initially operate Peoples’ and Equitable’s

facilities as separate operating divisions with separate rates. (Joint Applicants St. 2, p. 15) Post-closing, Peoples will maintain separate accounting for the Peoples Division and Equitable Division operations sufficient to provide all Commission required financial statements. PNG also will provide the Commission and statutory parties with reasonable access to the books and records, officers and staff of PNG and its subsidiaries. (Settlement ¶¶ 47-48) Costs will be allocated between the Peoples and Equitable Divisions using procedures and factors approved under Peoples' approved affiliated interest agreements. (Settlement ¶ 53)

However, Peoples will merge the operations and management of the Peoples Division and the Equitable Division upon the Closing into a single management and operations unit. This will allow the utilities to commence the process of eliminating the existing redundancies and inefficiencies resulting from separate ownership and operation. (Joint Applicants Statement 2, p. 16) After Closing, Peoples will combine accounting, treasury, human resources, information technology, purchasing, legal, and rates functions for both the Peoples Division and the Equitable Division during a transition process. This will reduce the overall management and administrative costs of the merged utilities over time. (Joint Applicants Statement No. 2, pp. 20-21)

Peoples estimates that the synergy savings from merging the operations and management of the Peoples Division and the Equitable Division will be at least \$10 to \$20 million annually, net of costs to achieve, and will be achieved in two to four years from Closing. (Joint Applicants Statement No. 2-R, p. 21; OCA Statement No. 1, p. 26) Therefore, the Transaction will result in substantial synergy savings for the Peoples and Equitable Divisions and ultimately will result in lower rates for their customers than would be the case under separate ownership of the companies.

**c. Improved Retail Supply Competition**

Under Section 2210(a)(1) of the Public Utility Code, the Commission, in conjunction with the proper exercise of its authority to approve the acquisition of a natural gas utility, is to consider whether such transaction is likely to result in anticompetitive or discriminatory conduct, including unlawful exercise of market power, which will prevent retail customers from obtaining the benefits of a properly functioning and effectively competitive retail natural gas market. 66 Pa.C.S. § 2210(a)(1). For the reasons explained below, the Transaction will not result in anti-competitive or discriminatory conduct in the retail market for natural gas in Pennsylvania. The Transaction will not have any adverse effect on the retail natural gas market in Pennsylvania. To the contrary, it will have a positive effect on retail competition.

Under the terms of the Settlement, Peoples will begin a review of the existing transportation program processes and procedures on Equitable and convene a collaborative, which will include all interested stakeholders, within 12 months following Closing to develop a strategy to promote retail supply competition in the combined Peoples/Equitable service areas. Peoples further agrees to a target filing date of possible tariff changes resulting from this collaborative within three months following the date the collaborative is convened. (Settlement ¶¶ 81, 92)

Although Equitable and Peoples both have active natural gas suppliers (“NGSs”) serving customers on their systems, competition has been more robust on Peoples’ system than on Equitable’s system. Under the terms of the Settlement, Peoples agrees to implement the transportation policies and procedures that have permitted Peoples to encourage retail supply competition. Within six months following Closing, Peoples will implement an Energy Choice outreach program for Equitable customers and begin using the Peoples’ Electronic Data Transfer/Electronic Bulletin Board/Nominations System and related processes. (Settlement ¶ 93)

Under the Settlement, within 30 days following Closing, Peoples will provide Aged Receivables reporting on behalf of suppliers that are receiving commodity billing services from the Peoples Division. (Settlement ¶ 94) Peoples also will, within one year of the date of Closing, review and seek to revise the Purchase of Receivables program of Equitable and take steps necessary to make it consistent in design and rate structure with that of the Peoples Division. (Settlement ¶ 96)

Also, within 6 months of approval of the Settlement, Peoples will convene a collaborative to include input of interested stakeholders, to discuss all aspects of a proposed new and moving customer referral program within 12 months of Closing. (Settlement ¶ 95) A new and moving customer program is intended to alert new and moving customers of their opportunity to choose a retail supplier and facilitate that process when they contact the company to establish service. This program is consistent with the Commission's recently completed Investigation into Pennsylvania's Retail Electricity Market at Docket No. I-2011-2237952, as well as the Commission's recently announced investigation concerning retail natural gas competition. *Investigation of Pennsylvania's Retail Natural Gas Supply Market*, Docket No. I-2013-2381742 (Sept. 12, 2013)

Finally, under the terms of the Settlement, Peoples and EQT have agreed to certain measures to ensure that suppliers, marketers, and producers continue to have access to sufficient transportation and storage capacity on the transferred assets. (Settlement ¶¶ 83, 101) These measures are designed to help ensure that NGSs, marketers, and producers can continue to deliver local gas directly into the AVC assets and to deliver gas off system. Peoples has also agreed to provide NGSs with access to a similar level of balancing flexibilities and BB&A (banking, balancing and advancing) benefits that they enjoy today (Settlement ¶¶ 84, 88).

Peoples and PIOGA also have agreed to undertake an initiative using the Peoples Division PES PRC funds to create interconnections between the Equitable and Peoples Divisions that are designed to increase the use of local gas supplies and add more flexibility for suppliers on both systems. (Settlement ¶ 87)

**d. Expanded Use of Pennsylvania Produced Natural Gas and Community Benefits**

Another substantial affirmative benefit of the Transaction is that it will encourage further development of Pennsylvania produced gas by creating the opportunity to use existing and new pipelines to move Pennsylvania produced gas to the customers of Peoples and Equitable, and to allow excess local gas to flow to the interstate market. The Transaction will provide EQT with \$720 million of new capital, as well as revenue streams from the commercial agreements, that will be invested in EQT's core business to, among other things, help further develop Pennsylvania production and pipeline capacity to move more local natural gas to the Joint Applicants and the interstate market. Some of that significant investment by EQT in Pennsylvania is spurred by the commercial agreements themselves. For instance, it is EQT's current expectation that it will meet the substantial production requirements under the commercial agreements through its own production, which will require EQT to deploy substantial capital to drill and produce gas from existing and new wells. (Joint Applicants Statement No. 3R, p. 10). Similarly, and as discussed below, it is anticipated that EQT will invest multi-millions of dollars in the assets being transferred from Peoples to EQT in order to not only maintain service to Peoples but to help move more Pennsylvania produced gas to other markets. These investments are a significant benefit for the natural gas competitive market.

Moreover, these types of investments are beneficial to the Commonwealth because they also will infuse local gas producing communities with additional resources as a result of

production and related activities. There is a ripple effect from these investments as other industries supported by EQT's investments (i.e. service providers, local businesses within EQT's supply chain, etc.) create employment opportunities, which, in turn, provide people with additional wages to be spent in Pennsylvania. (Joint Applicants Statement No. 3, p. 12). Similarly, EQT makes significant royalty payments to Pennsylvania landowners/mineral owners and additional gas production efforts by EQT contribute to the Marcellus Shale impact fee payments under Act 13. (*Id.*) Thus, these types of significant investments by EQT in Pennsylvania will stimulate the economy and provide substantial economic benefits to the public. (Joint Applicants Statement No. 2, pp. 22-24; Joint Applicants Statement No. 3, p. 13)

As explained above, Peoples will transfer certain transmission pipeline and storage assets to EQT as part of the Transaction. These assets fit squarely within the growth opportunities for EQT and provide it with the needed existing infrastructure, when coupled with EQT's additional investment and expertise, to further the exploration, production, transport and storage of locally available gas. (Joint Applicants Statement No. 3, p. 13) These transferred assets will not only help avoid what could have been duplicative investments by EQT, but also provide a solid platform for EQT to make additional capital investments in order to move more Marcellus and other locally available gas to Peoples' end-users as well as the interstate markets. EQT plans to invest multi-millions of dollars in these assets in order to not only maintain the level of service to Peoples but also expand the capabilities of these assets to move more Pennsylvania produced gas to other markets. Thus, these midstream assets, when infused with the additional investment and expertise of EQT, will be critical to facilitate the exploration, production, transportation, and use of gas that is not currently occurring in that area. (Joint Applicants Statement No. 3, p. 14)



As part of the Transaction, the Joint Applicants have entered into a series of agreements that provide for interconnections, capacity, transportation, and supply arrangements with EQT.<sup>12</sup> EQT currently is the only pipeline that has both the requisite pipeline paths to provide the pipeline capacity and access to local production needed to meet Peoples' procurement strategy. (Joint Applicants Statement No. 2-R, p. 15) Combined, these agreements will provide long-term access to a continuous supply of local Pennsylvania produced natural gas. These agreements will diversify Peoples' current heavy reliance on storage by approximately 50% by replacing storage on Dominion Transmission, Inc. and increasing reliance on Pennsylvania produced gas. Further, the NAESB agreements provide a call option that will allow the Peoples and Equitable Divisions to call on supply on 24 hours' notice at a market indexed price. These agreements will create a firm and secure supply of Pennsylvania produced gas on peak winter days. (Joint Applicants Statement No. 5, pp. 5-7, 23; Joint Applicants Statement No. 5-R, p. 3) By allowing Peoples, Peoples TWP, Equitable, and their respective customers to rely primarily on Pennsylvania produced gas, these agreements will encourage the development of Pennsylvania produced gas and produce significant community benefits.

Under the terms of the Settlement, Peoples agreed that it will endeavor, wherever operationally feasible, to utilize locally produced gas supplies. (Settlement ¶ 85) Peoples will identify opportunities to displace gas that is being sourced from interstate pipelines with local

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<sup>12</sup> As part of the Transaction, the Joint Applicants have entered into or expect to enter into the following arms-length agreements with EQT and its subsidiaries that require Commission approval: Sunrise Transportation Agreement (Joint Applicants Ex. MKO-1, Appendix A, Exhibit B); Sunrise Transportation and Storage Agreement (Joint Applicants Ex. MKO-1, Appendix A, Exhibit C); Peoples NAESB (Joint Applicants Ex. MKO-1, Appendix A, Exhibit D); PTWP Northern Lateral Capacity Lease (Joint Applicants Ex. MKO-1, Appendix A, Exhibit H); PTWP Northern Lateral Transportation Agreement (Joint Applicants Ex. MKO-1, Appendix A, Exhibit I); Peoples Asset Transportation and Storage Agreement (Joint Applicants Ex. MKO-1, Appendix A, Exhibit K); Equitable NAESB (Joint Applicants Ex. MKO-1, Appendix A, Exhibit M); and Extension Agreement (Joint Applicants Ex. MKO-1, Appendix A, Exhibit N). The details of these agreements are explained in Joint Applicants Statement Nos. 3 and 5. As explained therein, these agreements are necessary to facilitate the transition of ownership, ensure sufficient capacity to meet current and projected customer demand, and increase use of Pennsylvania produced gas.

supplies produced into the Peoples Division system, as well as to identify areas of possible new production for redelivery to an alternate section of the Peoples Division distribution system through the AVC or other means to displace gas sourced from interstate pipelines. (Settlement ¶ 86) Peoples also has agreed to undertake an initiative using the Peoples Division PES PRC funds to create interconnections between the Equitable and Peoples Divisions that are designed to increase the use of local gas supplies and add more flexibility for NGSs on both systems. Peoples also agreed that it will, consistent with its least cost mandate and where operationally feasible, examine ways to facilitate the movement of incremental local gas supplies between the Peoples and Equitable Divisions through gas displacement arrangements. (Settlement ¶ 87)

The Transaction also will have a positive impact on the local community and the economy of the Commonwealth. As explained above, the Transaction will enhance production of Pennsylvania gas and expansion of pipeline infrastructure. This will both directly and indirectly result in new jobs within the Commonwealth. Increased production of Pennsylvania gas and the expansion of pipeline infrastructure also will support communities in western Pennsylvania by increasing tax revenues at both the state and local government levels. (Joint Applicants Statement No. 2, pp. 22-24; Joint Applicants Statement No. 3, p. 13)

Under the terms of the Settlement, SteelRiver will continue to maintain Peoples' corporate headquarters in Peoples' service area and in or near Pittsburgh, Pennsylvania. Peoples agrees not to move its headquarters outside of Peoples' service territory for at least a ten year period after Closing and will only do so after that time upon application to and approval by the Commission. (Settlement ¶ 58) Peoples also will maintain field offices in its service territory and staffing levels that are sufficient to provide safe and reliable service. (Settlement ¶ 59) Services that are currently performed for Equitable outside of the Equitable service area in

Pennsylvania, such as call center support, customer billing and payment and customer relations, will be returned to the Peoples service area within 5 years. (Settlement ¶ 79) Finally, for a period of not less than five years, Peoples will provide corporate contributions and community support in southwestern Pennsylvania in a total amount that is at least equivalent to the amount provided by Peoples and Equitable in 2012. (Settlement ¶ 78)

## **2. Additional Affirmative Public Benefits Produced by the Settlement**

### **a. Rate Protections and Effects**

Under the terms of the Settlement, Peoples will not claim, in any future rate proceedings, Transaction and Transition Costs to complete the Transaction and any related tax effect for such items shall also be excluded in setting rates. (Settlement ¶ 27) Peoples also will not defer any Transaction or Transition Costs, such costs shall be borne exclusively by Peoples' shareholders. (Settlement ¶ 29) Likewise, EQT will not claim any Transaction and Transition Costs in any rates under the FERC-regulated agreements for services to be provided to Peoples from the storage and pipeline assets transferred from Peoples to EQT. (Settlement ¶ 27)

As explained above, approximately \$93 million in rate base assets as of December 31, 2012 will be transferred from Peoples to EQT. (Joint Applicants Statement No. 2, pp. 12-13; Joint Applicants Statement No. 3, pp. 14-15) Under the terms of the Settlement, the existing base rates of Peoples will be reduced on one day's notice following the Closing to reflect the transfer of Peoples' transmission and storage capacity to EQT. (Settlement ¶ 30) Peoples' DSIC rate also will be reduced at Closing to reflect any amounts included in DSIC related to improvements made by Peoples to the transferred assets from December 31, 2013 to the Closing. (Settlement ¶ 34) The Peoples Division PGC rates to sales and transportation customers will be adjusted on one day's notice following the Closing to reflect the charges for services to be provided to Peoples by EQT's FERC-regulated pipeline, AVC. The Peoples' base rate and DSIC

reductions and the increase in PGC charges for AVC pipeline services to sales and transportation customers are designed to produce essentially no change in charges to customers. The Peoples Division and Equitable Division PGC rates shall be adjusted to reflect the new agreements for capacity and supply through the normal process of quarterly and annual filings under Section 1307(f) of the Public Utility Code, 66 Pa.C.S. § 1307(f). (Settlement ¶ 35; Joint Applicants Statement No. 4, pp. 7-21)

The Peoples Division adjusted base rates and Equitable's current base rates adopted for the Equitable Division will be capped until January 1, 2018, unless there are substantial changes in regulation or federal tax rates or policy. (Settlement ¶ 31) Further, Peoples agrees that, if it files a general base rate case with new rates becoming effective after the expiration of the rate cap ending January 1, 2018, but prior to January 1, 2019, Peoples will demonstrate that its claim includes at least \$15 million of synergy savings resulting from the Transaction. (Settlement ¶ 31) In addition, Peoples will not request a capital structure for ratemaking purposes that is outside the range of capital structures employed by comparable gas distribution companies. (Settlement ¶ 38) These provisions provide substantial benefits to customers by providing both base rate stability and guaranteed synergy savings.

Effective with the Closing, the Peoples Division and Equitable Division rates for collections under the DSIC mechanism will be frozen at the current levels until such time as Peoples files a new combined LTIP or Asset Optimization plan for 2015 through 2019 that addresses the effects of the Transaction including how redundant facilities will be handled. Peoples revised LTIP will take into account the transferred assets and the improvements to be made to those assets. (Settlement ¶ 34)

The combination of the base rate caps, synergy savings, commitments to infrastructure investments and the authorization to continue to apply charges to both Divisions under the DSIC mechanism will allow Peoples' to maintain the Peoples' Division accelerated infrastructure investment and accelerate investment for the Equitable Division.

In order to achieve approval of the Transaction from the Federal Trade Commission Peoples committed to maintain gas-on-gas discounts for Peoples and Equitable's customers for five years after Closing. Under the terms of the Settlement, Peoples agrees to phase out gas-on-gas competition. (Settlement ¶ 33) The combination of Peoples and Equitable will be a major step in eliminating gas on gas competition and moving customers that have discounted rates to cost of service rates. Peoples is committed to moving tariff rates for these customers to cost of service in the first distribution rate case following the five-year extension to offset the effect of the loss of these discounts to customers. (Joint Applicants Statement 4-R, pp. 8-9)

Finally, it must be noted that the Transaction likely will result in rates for Peoples' and Equitable's customers that will be lower than if the companies remained on a stand-alone basis. One of the primary benefits of the Transaction is the avoidance of duplicative capital costs that would otherwise be required by Peoples and Equitable individually. Combining the two companies is expected to avoid the duplicative replacement of overlapping pipeline facilities, resulting in significant amounts of avoided capital expenditures that otherwise would be needed to maintain and/or replace duplicative pipelines. Another significant benefit of the combination of Peoples and Equitable would be more efficient operations. Over a period of years beginning with the Closing, operating efficiencies are expected to be achieved through the consolidation of administrative functions, field operations and offices throughout the overlapping territories, consolidated leak detection and One-Call processes, lower contractor costs, and improved

productivity through implementation of standardized operations processes and use of mobile dispatch and GPS technology across all operating districts. Over time, these savings will result in rates lower than if the companies continued to be owned and operated on a stand-alone basis. (Joint Applicants Statement No. 2, pp. 18-19)

**b. Customer Service**

Another substantial affirmative benefit of the Transaction, as modified by the Settlement, is that Peoples will commit to achieve and maintain specific quality of service metrics for its Peoples and Equitable Divisions:

- (a) Call Center: 82% calls answered within 30 seconds;
- (b) Call Center: Average Busy-out Rate less than 0.25%;
- (c) Call Center: Average Call Abandonment Rate that is no higher than 3% for 2014-2016 and 2.5% for 2017-2018;
- (d) Percent response within 60 minutes to emergency calls of at least 98.5% for 2014-2016 and 99% for 2017-2018; and,
- (e) Peoples TWP agrees to extend the customer service metrics agreed to in the Steel River acquisition of Peoples TWP, at Docket No. A-2010-2210326, for an additional two years commencing January 1, 2014.

(Settlement ¶ 66, Appendix D)

Peoples will provide a report to the statutory parties each calendar year following assumption of such functions by the staff of Peoples or its affiliates regarding its achievement of the service quality metrics. Such reports shall continue for three calendar years after assumption of such functions by the staff of Peoples or its affiliates. If the Company has not achieved an identified metric, the report will explain the reasons for the failure and the Company's detailed

plan to reach the service quality metric. Peoples will then convene a collaborative with OCA, I&E and the OSBA to discuss such report. (Settlement ¶ 67)

Peoples committed to improve Customer Service when SRIFNA purchased Peoples and has met or exceeded the goals established and/or approved by the Commission as a condition of that acquisition. This same expertise and enthusiasm will be applied to the Equitable acquisition and combination with Peoples. (Joint Applicants Statement No. 7, p. 13) To that end, Peoples has committed to assess and identify areas for improvement of customer service for Equitable customers within 180 days of Closing. Its review will outline cost effective systems for improvement of customer service and expected service improvements. (Settlement ¶ 68)

**c. Low Income Program**

Another substantial benefit of the Transaction, as modified by the Settlement, is Peoples' commitment to improve programs offered to assist its income disadvantaged customers and other customers that may have difficulty paying their bills. Under the terms of the Settlement, Peoples will establish a Universal Service Advisory Group that will include community based organizations ("CBOs"), Low-Income Advocates, the OCA and other interested stakeholders and will meet quarterly to discuss all universal service issues, including recommendations concerning: Low Income Usage Reduction Program ("LIURP"), LIURP eligibility, Earned Income Tax Credit ("EITC") concerns, and landlord issues that may present a barrier to customer participation. (Settlement ¶ 73) Peoples will develop and employ best practices from the experience of Peoples and Equitable under their universal service programs and those of other companies identified by the Universal Service Advisory Group. (Joint Applicants Statement No. 4-R, p. 28)

Peoples will continue to fund Equitable's Customer Assistance Program ("CAP") consistent with its needs analysis approved in conjunction with Equitable's currently approved

Universal Services Plan. (Settlement ¶ 72) Peoples will manage Equitable's CAP program similar to that of Peoples in that it will partner with an agency that: (a) can substantially increase the number of intake sites; (b) is an administrator of utility CAP programs for the electric distribution companies or natural gas distribution companies in their territory; (c) recruits and partners with multi-service agencies; and, (d) uses a case management system to track and monitor referrals and enrollments into utility programs. (Settlement ¶ 74)

Under the terms of the Settlement, the shareholders of Peoples and Peoples TWP will commit to increase its total donation (administrative and matching) to the Dollar Energy Fund by 10% for the next 5 years following Closing. Peoples will review possible ways to increase outreach to customers to attempt to increase customer contributions and will provide a report to the Commission and OCA. (Settlement ¶ 76)

Finally, under the terms of the Settlement, Peoples will increase expenditures for the Peoples (by \$150,000 per year) and Equitable Divisions (by \$100,000 per year) on LIURP in the first 4 years after Closing. Peoples TWP also will increase expenditures (by \$25,000 per year) on LIURP for a period of four years, 2014 through 2017. These increases will be funded by shareholders for the 4 year period. Any funds not used in one year will roll-over into the next calendar year. Funding on this basis will continue until the effective date of rates set in the next base rate proceeding. (Settlement ¶ 77)

**d. Effect on Employees**

Under Section 2210(a)(2) of the Public Utility Code in conjunction with its consideration of the disposition of assets of natural gas distribution companies, the Commission is to consider the effects of the Transaction on employees. 66 Pa.C.S. § 2210(a)(2). For the reasons explained below, the Transaction, as modified by the Settlement, will produce substantial affirmative benefits for the employees of Peoples and Equitable.



SteelRiver and Peoples are committed to local management and local staff. A substantial affirmative benefit of the Transaction is the opportunity to utilize the experience and knowledge of existing Equitable employees by integrating them into the Peoples' organization to maintain the current level of service. SteelRiver and Peoples do not expect any of the current union workers in the operations area to lose their positions under the combined companies. In addition, because of the number of anticipated retirements expected at Peoples, having the highly skilled Equitable union work force being added to Peoples' employee base will enhance the company's ability to continue to provide a high level of safe and reliable services while still meeting all of the operational needs to run a large combined system. (Joint Applicants Statement No. 2, p. 28)

Under the terms of the Settlement, Peoples commits to maintain field offices in its service territory and staffing levels that are sufficient to provide safe and reliable service. (Settlement ¶ 59) Further, in order to maintain the skilled workforce currently in place at Equitable, Peoples has committed to maintain levels of total compensation and benefits for any of the Equitable employees it retains at levels comparable to those in effect immediately prior to Closing for at least one year after the closing date. (Joint Applicants Statement No. 2, p. 29) Also, the collective bargaining agreement with Equitable's union employees will continue in effect unless a new agreement or arrangement is mutually agreed upon. (Settlement ¶ 60; Joint Applicants Statement No. 2, p. 29)

Finally, for a period of four years after Closing, Peoples will provide one year of job placement assistance from date of termination for any employees of Equitable or Peoples who will be in need of such assistance due to the planned reorganizations of the workforce. Such job placement assistance will be consistent in kind and quality with the best practices of similar industries. (Settlement ¶ 61)

**B. GOODWIN AND TOMBAUGH SYSTEMS**

As part of the Transaction, Peoples and Equitable have entered into agreements with EQT to purchase gathering facilities in Pennsylvania known as the Goodwin and Tombaugh Systems. The Goodwin System consists of approximately 249 miles of pipeline delivering gas to a total of 776 Equitable field line customers or customers served from Equitable's distribution pipelines that are fed by the Goodwin System. (Joint Applicants Statement No. 5-S, p. 2) The Tombaugh System consists of approximately 107 miles of pipeline delivering gas to a total of 769 Equitable field line customers or customers served from Equitable's distribution pipelines that are fed by the Tombaugh System. (Joint Applicants Statement No. 5-S, pp. 2-3)

The Goodwin and Tombaugh Systems are primarily gathering systems developed to aggregate producer supplies from wells and delivering that product to customers. Overtime production on these Systems has declined and the balance between customer usage and supply became insufficient to meet the customer's needs. Interconnects were built to provide supplemental gas supply transported on interstate pipelines and delivered to Goodwin and Tombaugh only when local gas supply was unable to keep up with customer demand. Without this additional supply, current Equitable customers connected to these field lines and interconnected distribution pipelines would be without service. These distribution pipelines connected to Goodwin and Tombaugh have no alternative supply source and could not have gas service without these interconnects. (Joint Applicants Statement No. 5-S, p. 3)

EQT seeks to transfer the Goodwin and Tombaugh Systems because their current operation and use does not support continued operation as part of EQT's midstream business. Based on declining and current volume of gas gathered by these Systems, the primary purpose of these Systems is to serve the approximately 1545 Equitable customers. EQT seeks to give

Equitable an opportunity to acquire these Systems as an alternative to abandonment. (Joint Applicants Statement No. 3-R, pp. 27-28)

The proposed transfer of these Systems to Equitable was the subject of a prior proceeding before the Commission at Docket No. R-2012-2312577. Certain parties, including I&E, have opposed the transfer of the Goodwin and Tombaugh Systems to Peoples' Equitable Division, contending that these Systems were potentially unsafe and would be costly to repair or replace. Since the dismissal of that proceeding, EQT has completed a leak survey of the entirety of these Systems and has engaged in an accelerated leak repair program. (Joint Applicants Statement No. 10, pp. 4-5)

As a path to resolve these concerns without the need to immediately abandon the customers served by these Systems, the Signatory Parties have agreed to certain provisions in the Settlement that provide for the assessment and improvement of the Goodwin and Tombaugh Systems, funded by a \$5 million contribution from EQT, subject to the oversight of the Commission's Gas Safety Division. EQT has committed to continuing to repair leaks before Closing and will provide monthly reporting of leak repairs to the Commission's Gas Safety Division. (Settlement ¶ 65) Further, the Settlement provides for Peoples to present a plan to the Commission, after consultation with the Commission's Gas Safety Division, OCA and OSBA, estimating the additional funds necessary, if any, to provide safe and reliable service from these Systems. In such filed plan, Peoples will make a recommendation whether to proceed with rehabilitation of all or some of the Systems and/or with abandonment of some or all of the customers served off the Systems. The plan will be subject to the Commission's review and approval. (Settlement ¶ 65) This approach provides a reasonable basis for Peoples' staff experienced in repairing gathering lines and reducing lost and unaccounted for gas, working with

the Commission's Bureau of Gas Safety, to evaluate these Systems and recommend to the Commission how to proceed.

**C. SRIFNA AND PEOPLES HAVE THE TECHNICAL, LEGAL, AND FINANCIAL FITNESS TO OWN AND OPERATE EQUITABLE**

Under Sections 1102 and 1103 of the Public Utility Code, 66 Pa.C.S. §§ 1102, 1103, the Joint Applicants must demonstrate that the party to whom the assets and service obligations are being transferred is technically, legally, and financially fit. *See Seaboard Tank Lines*, 502 A.2d 762, 764 (Pa. Cmwlth. 1985); *Warminster Township Mun. Auth. v. Pa. PUC*, 138 A.2d 240, 243 (Pa. Super. 1958). At the Closing, as modified by the terms and conditions of the Settlement, Equitable will be merged with and into Peoples, with Peoples as the surviving entity. Initially, Equitable will be operated as a new separate operating division of Peoples and indirectly by SRIFNA. For the reasons explained below, Peoples and SRIFNA are technically, legally, and financially fit to own and operate Equitable, as required by Section 1102 and 1103 of the Public Utility Code.

**1. Technical Fitness**

The Commission previously found SteelRiver to be technically fit in both the Peoples and Peoples TWP acquisition proceedings. SteelRiver has not experienced any significant changes in its management and technical expertise since the Commission approved the acquisitions and SteelRiver took control of Peoples on February 1, 2010, and Peoples TWP on May 23, 2011. The acquisitions have strengthened SteelRiver's management team by providing leaders in gas distribution businesses with significant Pennsylvania experience. SteelRiver has assembled a team with extensive experience in regulated and unregulated infrastructure activities. Further, SteelRiver currently is operating Peoples and Peoples TWP, Commission-regulated public utilities, in the public interest having met all commitments made in both acquisition proceedings

and substantially increased infrastructure spending for both companies. (Joint Applicants Statement No. 1, p. 23)

SteelRiver also owns and manages other significant regulated infrastructure assets, including Diversified Port Holdings LLC, Trans Bay Cable, Patriot Rail, and Natural Gas Pipeline Company of America. SteelRiver has successfully operated these entities and effectively managed all technical issues that have arisen with regard to these entities. (Joint Applicants Statement No. 1, p. 23)

## **2. Legal Fitness**

The Commission previously found SteelRiver and PNG to be legally fit in both the Peoples and the Peoples TWP acquisition proceedings. Since SteelRiver took control of Peoples on February 1, 2010, and Peoples TWP on May 23, 2011, these companies have not experienced any significant issues in complying with the Pennsylvania Public Utility Code and the Commission's regulations and orders. SteelRiver and PNG are in compliance with all federal and state laws, and have never been prosecuted or indicted for criminal activity in this country or any other country. SteelRiver does not do business in countries that have been designated by the United States Department of State as state sponsors of terrorism. (Joint Applicants Statement No. 1, p. 24)

SteelRiver has engaged outside law firms to handle specialized matters, including ongoing compliance with the Commission's regulations, rules, and orders. Additionally, SteelRiver has access to an internal team of legal counsel responsible for ensuring compliance with all applicable laws. (Joint Applicants Statement No. 1, p. 24)

## **3. Financial Fitness**

The Commission has previously found SteelRiver to be financially fit in the Peoples and Peoples TWP acquisition proceedings. Since the Commission approved the acquisitions,

SteelRiver has not experienced any significant changes in its conservative approach to investments. SteelRiver and its investors are financially strong and generally risk adverse. SteelRiver investors, who are primarily pension funds and insurance companies, have a conservative approach to investments and their conservative investment philosophy is reflected in the goals of SteelRiver. SteelRiver, on behalf of its investors, seeks a stable, steady and fair return on an investment to be held for a significant period of time. (Joint Applicants Statement No. 1, p. 17)

SteelRiver and SRIFNA's ownership and operation of Peoples and Peoples TWP demonstrates their commitment to invest significant capital resources to further improve customer service, customer satisfaction, and pipeline infrastructure, while maintaining reasonable and competitive rates. Under SteelRiver management, given access to capital through SRIFNA's capital investments and cost effective debt raisings, Peoples and Peoples TWP have met, and in some cases exceeded, all of the commitments agreed to in the applicable acquisition proceedings. Moreover, Peoples has successfully completed two general rate proceedings following completion of the SRIFNA acquisition enabling Peoples to continue to invest in its gas distribution system to improve customer service on an accelerated basis relative to periods preceding SteelRiver's ownership. SteelRiver and SRIFNA's ownership and operation of Peoples and Peoples TWP clearly demonstrate that SteelRiver, its managed funds, and PNG are financially fit to own and operate Equitable. Similar to Peoples and Peoples TWP, access to significant capital resources under SteelRiver's ownership will be available to support Equitable's ongoing operations and implement changes where improvements are appropriate. (Joint Applicants Statement No. 1, p. 18)

**D. THE PENN ESTATES CRITERIA**

In addition to the above-mentioned substantial affirmative benefits, the Transaction, as modified by the Settlement, satisfies the ten public interest considerations that the Commission set forth in its Order in *Application of Penn Estates Utilities, Inc.*, Docket No. A-210072F0003, *et al.* (Order entered October 2, 2006), as summarized next.

**1. Capital Will Continue to Be Expended for Ongoing Operations**

SteelRiver has significant experience and success in accessing capital and financial markets and this access has been one of the key attributes of its successful infrastructure management and growth. Access to significant capital resources through SteelRiver ownership will enhance the ability to further improve customer satisfaction, service provided to customers, and its pipeline infrastructure, while maintaining reasonable and competitive rates. Overall, SteelRiver's and PNG's immediate attention will be given to customer service, financial and regulatory management, human resource programs, and the accelerated replacement of dated infrastructure. (Joint Applicants Statement No. 1, p. 19)

Further, as explained above, the Transaction will result in avoided capital needed to replace duplicative/overlapping pipelines on the Peoples and Equitable systems. PNG and SteelRiver are committed to a cost-effective program of reinvestment with best available technologies and organizational practices.

**2. Corporate Governance Will Not Be Impaired**

SteelRiver and its portfolio companies have internal corporate governance policies and requirements and are subject to an internal code of conduct that explicitly lays out standards and requirements relating to conduct in the workplace and interactions with stakeholders and business partners. SteelRiver's affiliated investment advisor is also subject to the reporting and regulatory requirement of the Investment Advisors Act of 1940, 15 U.S.C. §§ 80b-1, *et seq.*

(Joint Applicants Statement No. 1, pp. 10-11) SteelRiver and Peoples do not have Sarbanes-Oxley reporting requirements. Although avoidance of these reporting requirements will shield ratepayers from the associated costs, protection will still be provided by the internal code of conduct, annual audits, and the filing by Peoples and Equitable of all required financial statements with lenders and the Commission.

### **3. SRIFNA and Peoples Intend to Be a Long-Term Owner of Equitable**

SteelRiver and Peoples intend to be a long-term owner of Equitable. SteelRiver is currently a long-term owner and manager of major infrastructure assets, including utility, energy, and transmission businesses. Through the acquisition of Equitable and the previous acquisition of Peoples and Peoples TWP, SteelRiver is demonstrating its continued long-term commitment to all of western Pennsylvania. (Joint Applicants Statement No. 1, p. 11)

### **4. SRIFNA Has Substantial Experience in Owning Utilities**

Equitable will be acquired by PNG, which is an indirect subsidiary of SRIFNA and operated by SteelRiver. SteelRiver is a financially strong, diversified owner and manager of utility and infrastructure assets in the United States, including Peoples and Peoples TWP. The ability to access the resources and personnel at SteelRiver provides a solid background in long-term infrastructure ownership, management, and operation. (Joint Applicants Statement No. 1, pp. 9, 22-23)

### **5. The Joint Applicants' Existing Presence in Southwestern Pennsylvania will be Retained**

Under the terms of the Settlement, SteelRiver will continue to maintain Peoples' corporate headquarters in Peoples' service area and in or near Pittsburgh, Pennsylvania. Peoples agrees not to move its headquarters outside of Peoples' service territory for at least a ten year period after Closing and will only do so after that time upon application to and approval by the



Commission. (Settlement ¶ 58) Peoples also will maintain field offices in its service territory and staffing levels that are sufficient to provide safe and reliable service. (Settlement ¶ 59) Services that are currently performed for Equitable outside of the Equitable service area in Pennsylvania, such as call center support, customer billing and payment and customer relations, will be returned to the Peoples service area within 5 years. (Settlement ¶ 79) Finally, for a period of not less than five years, Peoples will provide corporate contributions and community support in southwestern Pennsylvania in a total amount that is at least equivalent to the amount provided by Peoples (\$1.0 million) and Equitable (\$400,000) in 2012. (Settlement ¶ 78)

#### **6. There Will Not Be Complex Affiliated Relationships Involved**

Peoples, including its Equitable Division, and Peoples TWP will be ring fenced from other companies owned by SteelRiver managed funds as described in the Joint Application. (Settlement ¶ 41) Under the terms of the Settlement, Peoples shall not do the following except as approved by the Commission upon a showing of net benefit to retail customers:

- (a) guarantee the debt or credit instruments of PNG, LDC Holdings, LDC Funding, or any affiliate not regulated by the Commission;
- (b) mortgage utility assets on behalf of PNG, LDC Holdings, LDC Funding, or any affiliate other than in conjunction with financing provided by PNG to Peoples; or
- (c) loan money or otherwise extend credit to PNG, LDC Holdings, LDC Funding, or any affiliate for a term of one year or more.

(Settlement ¶ 43) These ring-fencing measures will shelter Peoples, Equitable, and Peoples TWP if any of SRIFNA's other investments become subject to adverse economic circumstances.

Peoples also will maintain reasonable accounting controls and pricing protocols to govern transactions with affiliates, and provide the Commission and the statutory parties with reasonable access to the books, records and personnel of Peoples' affiliates where necessary for the

Commission to adequately review Peoples' purchases of goods or services from affiliates. (Settlement ¶ 46) Peoples will seek Commission approval of all new or amended agreements with affiliates consistent with Chapter 21 of the Public Utility Code. (Settlement ¶ 50)

#### **7. Fees Paid to and Services Performed by Affiliates**

Peoples will seek Commission approval of all new or amended agreements with affiliates consistent with Chapter 21 of the Public Utility Code. (Settlement ¶ 50) Peoples' cost allocations between its Peoples and Equitable Divisions and affiliates will follow the standards and allocation methodologies that have been previously approved by the Commission, at Docket No. G-2012-2290014, with regard to affiliate charges under the Peoples Service Corporation, LLC Agreement. (Settlement ¶ 53)

#### **8. The Settlement Commits to Limits on the Joint Applicants Use of Leverage and Other Capital Structure Protections**

Under the terms of the Settlement, Peoples agrees that post-Closing the capital structure of Peoples will be maintained at an approximate level of 50% debt and 50% equity. (Settlement ¶ 30) Peoples will not request a capital structure for ratemaking purposes which is outside the range of capital structures employed by comparable gas distribution companies. (Settlement ¶ 38) For a four-year period following Closing, Peoples will provide thirty (30) day's prior notice to the Commission and the statutory parties if it intends to make a distribution to PNG which distribution will cause its actual debt ratio, excluding working capital facilities, to exceed 55% of total capitalization. (Settlement ¶ 39) Further, LDC Holdings' consolidated long term debt ratio as a percent of total capitalization shall not exceed 60% for any period longer than one year absent approval from the Commission. (Settlement ¶ 40) Finally, Peoples' dividends to PNG shall be limited to a level that maintains a maximum debt ratio of 55%, excluding working capital facilities, unless approved by the Commission. (Settlement ¶ 42)

## 9. The Settlement Ensures Transparency on Corporate Structure Issues

Peoples shall maintain reasonable accounting controls and pricing protocols to govern transactions with affiliates and between Peoples' divisions, and provide the Commission and statutory parties with reasonable access to the books, records and personnel of Peoples' affiliates where necessary for the Commission to adequately review Peoples' purchases of goods or services from affiliates. (Settlement ¶ 46) Peoples also will maintain separate accounting for the Peoples Division and Equitable Division operations sufficient to provide all Commission required financial reporting. Separate accounting records will also be maintained for operations in West Virginia and Kentucky. (Settlement ¶ 47) Finally, PNG and its subsidiaries shall provide the statutory parties with a copy of any reports filed with the US Securities and Exchange Commission upon request. (Settlement ¶ 51)

## 10. Creditworthiness

PNG is an indirect subsidiary of LDC Funding, which is a direct, wholly-owned subsidiary of SRIFNA. SRIFNA is a financially strong, diversified owner and manager of utility and infrastructure assets, including Peoples and Peoples TWP, that is fully capable of maintaining and enhancing the level of service and customer satisfaction provided by Equitable, and supporting improvements to service where appropriate. SteelRiver currently manages infrastructure investments throughout North America, with capital under management in excess of \$3.8 billion. (Joint Applicants Statement No. 1, pp. 4-5, 9)

## IV. THE SETTLEMENT OF THE PENNFUTURE ISSUES IS IN THE PUBLIC INTEREST

In this proceeding, PennFuture has proposed that the Peoples and Equitable Divisions adopt a five-year, \$220 million DSM plan. Under PennFuture's proposed DSM plan, the

Peoples and Equitable Divisions would be required to achieve incremental annual gas savings reaching a projected cumulative savings target of 39.1 million therms annually by 2018. (PennFuture St. No. 1, p. 23) PennFuture's proposed DSM plan claims that the Peoples and Equitable Divisions can provide net gas cost benefits of over \$100 million to select customers by adopting a DSM program that would charge all customers \$220 million over the next five years. (PennFuture St. 1, p. 10)<sup>13</sup>

The Joint Applicants questioned the efficacy of the PennFuture DSM proposal because of the lack of independent analysis of the Peoples and Equitable systems and service territories to determine whether a DSM program could achieve the savings projected by PennFuture. As elicited through cross-examination, PennFuture did not undertake an independent study or analysis specific to the Peoples and Equitable service territories to determine the proper size and scope of a DSM plan or whether a \$220 million expenditure will produce the level of usage reductions projected in PennFuture's proposed DSM plan. (Tr. 120) Specifically, PennFuture did not study the following aspects of the service territories of the Peoples and Equitable Divisions: (1) what would be the avoided cost of gas in the Peoples and Equitable Divisions' service territories resulting from any reduced usage (Tr. 120); (2) the housing stock or the estimated number of homes that could be retrofitted annually (Tr. 121; 124); (3) the number of rental units or the number of rental units where the tenant is responsible for paying the gas bill (Tr. 123); (4) the age of commercial structures (Tr. 122); (5) the amount of energy efficiency installations that previously have been completed by industrial customers (Tr. 122); or (6) the number of qualified contractors necessary to complete the work required to achieve set specific savings targets (Tr. 125).

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<sup>13</sup> Customers would be expected to contribute an additional \$60 million, resulting in total costs of \$284 million. (PennFuture St. 1, p. 9)

The Joint Applicants support energy efficiency. However, PennFuture's proposed DSM plan is based on assumptions and not on any independent analysis of the circumstances in the Peoples and Equitable service territories. In order to provide for an analysis that addresses the deficiencies in PennFuture's DSM proposal and to develop a DSM plan with the proper size and scope for the Peoples and Equitable service territories, the Joint Applicants and PennFuture have agreed to the following:

109. Within 36 months of Closing, Peoples will organize and engage in a collaborative of demand side management ("DSM") stakeholders. This group will include OCA, OSBA, I&E, PennFuture, any interested party to this proceeding, and any interested large customer of Peoples.

(a) Notice of the commencement of the collaborative and of an opportunity to participate will be provided.

(b) The stakeholders will provide recommendations concerning the scope of the study and qualifications of a third-party independent contractor to perform the study.

110. No later than 42 months after the Closing, Peoples will select and retain an experienced, third-party independent contractor to conduct a study and develop recommended approaches to a cost-effective Energy Efficiency and Conservation Plan for Peoples' customers. The cost of the study will be funded by Peoples, and Peoples will not seek recovery of the study cost in rates. The study will:

(a) Identify potential programs for each rate class of customers;

(b) Evaluate different levels of funding and the expected benefits derived by the various levels;

(c) Include analysis of programs offered by other gas program administrators, either utility or non-utility, including but not limited to, Philadelphia Gas Works, Columbia Gas, National Grid operating in New York and Massachusetts, Northeast Utilities, UIL, Vermont Gas, Wisconsin

Focus on Energy, Pacific Gas & Electric, and Southern California Gas; and

(d) Include a review of actual costs to implement programs as well as the actual energy savings realized in these programs.

111. No later than 45 months after the Closing, Peoples will provide a copy of the study to the DSM stakeholders and the parties to this proceeding.

112. No later than 48 months after the Closing, Peoples will make a filing with the Commission that will seek approval to implement an Energy Efficiency and Conservation Plan that falls within the range of recommendations supported by the DSM study and provides a cost recovery mechanism acceptable to Peoples.

113. A copy of the filing will be served on the DSM stakeholders and the parties to this proceeding.

114. Any party to this proceeding will be free to support the filing, seek modifications to the filing or oppose the filing before the Commission.

(Settlement ¶¶ 109-114)

These provisions will provide important information regarding the proper size and scope of a DSM plan for the Peoples and Equitable Divisions that can be implemented in a cost-effective manner. These provisions also allow interested parties to participate in the development of an appropriate and cost-effective DSM plan that is specifically tailored for the Peoples and Equitable service territories. However, the parties to this proceeding will retain the right to comment on and oppose the DSM filing. Further, and importantly, these provisions of the PennFuture Settlement provide for the development of the proper size and scope of a DSM plan for each rate class. These settlement provisions address the primary concerns raised by the Joint Applicants in this proceeding.

## V. CONCLUSION

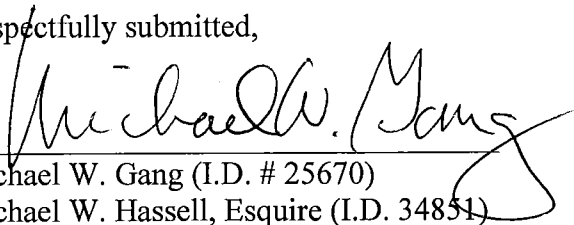
Based on the foregoing, the Settlement is in the public interest and should be approved without modification. The Transaction described in the Joint Application, subject to the terms and conditions contained in the Settlement, is necessary and proper for the service, accommodation, convenience, or safety of the public, as required by Section 1103 of the Public Utility Code, 66 Pa.C.S. § 1103. It is clear that the Transaction, subject to the terms and conditions contained in the Settlement, will affirmatively promote the public interest in a substantial way, as required by *City of York v. Pa. PUC*, 449 Pa. 136, 295 A.2d 825 (1972).

The Transaction, subject to the terms and conditions contained in the Settlement: (1) will not result in any anti-competitive or discriminatory conduct, including the unlawful exercise of market power in the retail natural gas market, as required by Section 2210(a)(1) of the Natural Gas Choice and Competition Act, 66 Pa.C.S. § 2210(a)(1); and (2) will not produce any unreasonable adverse effect on the employees of the Joint Applicants or on any authorized collective bargaining agent representing those employees, as required by Section 2210(a)(2) of the Natural Gas Choice and Competition Act, 66 Pa.C.S. § 2210(a)(2).

Each of the components of the Settlement are integral and critical, and any revision to the Settlement would likely upset the carefully constructed balance that will permit the acquisition pursuant to the terms of the Master Purchase Agreement and that will deliver substantial public benefits to customers. Any additional amendment or condition could limit the ability of Peoples and its Equitable Division to provide an improved level of customer service and its ability to make the infrastructure investments that are necessary to maintain and improve service to customers. Alternatively, such an amendment or condition could precipitate a termination of the Transaction under the terms of the Master Purchase Agreement.

WHEREFORE, Peoples Natural Gas Company LLC, Peoples TWP LLC, and Equitable Gas Company, LLC respectfully request that Administrative Law Judge Mark A. Hoyer recommend approval of, and the Pennsylvania Public Utility Commission approve, the Joint Application subject to the terms and conditions of the Joint Petition for Approval of Settlement of All Issues without modification.

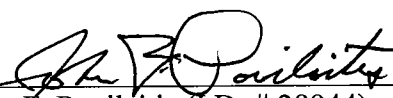
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# Appendix G

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Application of Peoples Natural Gas	:	
Company LLC, Peoples TWP LLC, and	:	
Equitable Gas Company, LLC for all of	:	
the Authority and the Necessary	:	
Certificates of Public Convenience (1) to	:	
transfer all of the Issued and Outstanding	:	
Limited Liability Company Membership	:	
Interest in Equitable Gas Company, LLC	:	
to PNG Companies LLC, (2) to Merge	:	Docket Nos. A-2013-2353647
Equitable Gas Company, LLC with the	:	A-2013-2353649
Peoples Natural Gas Company, LLC. (3)	:	A-2013-2353651
to Transfer Certain Storage and	:	
Transmission Assets of Peoples Natural	:	
Gas Company, LLC to Affiliates of EQT	:	
Corporation, (4) to Transfer Certain	:	
Assets Between Equitable Gas	:	
Company, LLC and Affiliates of EQT	:	
Corporation, (5) for Approval of Certain	:	
Ownership Changes Associated with the	:	
Transaction, (6) for Approval of Certain	:	
Associated Gas Capacity and Supply	:	
Agreements, and (7) for Approval of	:	
Certain Changes in the Tariff of Peoples	:	
Natural Gas Company LLC.	:	

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**BUREAU OF INVESTIGATION AND ENFORCEMENT  
STATEMENT IN SUPPORT OF  
JOINT PETITION FOR APPROVAL  
OF NON-UNANIMOUS SETTLEMENT**

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**TO ADMINISTRATIVE LAW JUDGE MARK HOYER:**

The Bureau of Investigation and Enforcement (“I&E”)of the Pennsylvania Public Utility Commission (“Commission”), by and through its Prosecutors Allison C. Kaster and Carrie B. Wright, hereby respectfully submits that the terms and conditions of the foregoing Joint Petition for Approval of Non-Unanimous Settlement (“Joint Petition” or “Settlement”) are in the public interest and represent a fair and just balance of the interests of Peoples Natural Gas Company LLC (“Peoples”), Peoples TWP LLC (“Peoples TWP”), Equitable Gas Company, LLC (“Equitable”) (collectively “Joint Applicants”) and their customers.

**I. BACKGROUND**

1. On March 19, 2013, the Joint Applicants filed with the Commission the Joint Application requesting all necessary approvals authorizing: (1) the transfer of 100% of the issued and outstanding limited liability company membership interests in Equitable, an indirect subsidiary of EQT Corporation (“EQT”), to PNG Companies LLC (“PNG”), an indirect subsidiary of SteelRiver Infrastructure Fund North America LP (“SRIFNA”); (2) the merger of Equitable with Peoples, a wholly-owned subsidiary of PNG, and the operation of Equitable as an operating division of PNG; (3) the transfer of certain storage and transmission assets of Peoples to EQT; (4) the transfer of certain assets and/or the exchange of certain services between EQT and Equitable; (5) certain PNG ownership changes associated with the transaction; (6) the associated gas capacity, storage, interconnects, leases, and supply service agreements among Peoples, Peoples

TWP, Equitable, and/or EQT set forth in the Joint Application; and (7) certain changes in Peoples' tariff necessary to carry out the transactions.

2. On April 8, 2013, I&E entered a Notice of Appearance. The Office of Small Business Advocate ("OSBA") filed a Notice of Intervention and Protest on April 10, 2013, and the Office of Consumer Advocate ("OCA") filed a Notice of Intervention and Protest on April 11, 2013. In addition, Protests and Petitions to Intervene were filed by the following: Dominion Retail, Inc. and Interstate Gas Supply, Inc. (collectively "NGSS"); Utility Workers Union of America, Local 666; Pennsylvania State University, Snyder Brothers, Inc., United Steelworkers International Union, Local 12050; International Brotherhood of Electrical Workers, Local 1956; Peoples-Equitable Merger Intervenors; Pennsylvania Independent Oil and Gas Association; United States Steel Corporation; Retail Energy Supply Association; Dominion Transmission Inc.; and, PennFuture.

3. On April 17, 2013 and May 29, 2013, the Joint Applicants served direct testimonies and accompanying exhibits.

4. Administrative Law Judge Mark Hoyer convened a Prehearing Conference on May 9, 2013. At that time, a litigation schedule was developed that provided for the filing of testimony, hearings, and briefs.

5. On July 24, 2013, I&E served the following direct testimony: I&E Statement No. 1, I&E Exhibit No. 1, I&E Statement No. 2, and I&E Exhibit No. 2.

6. On September 6, 2013, I&E served the following Surrebuttal testimony: I&E Statement No. 1-SR, I&E Exhibit No. 1-SR, I&E Statement No. 2-SR, and I&E Exhibit No. 2-SR.

7. An evidentiary hearing was held on September 11, 2013. At the evidentiary hearing, the ALJ was notified that a non-unanimous settlement in principle had been reached. I&E moved the testimonies and exhibits identified above into the record.

8. The parties undertook extensive formal and informal discovery during this proceeding.

9. In accordance with Commission policy favoring settlements, 52 Pa. Code § 5.231, the signatory parties to the Joint Petition were successful in achieving a settlement of all issues utilizing the discovery and settlement negotiation process.

## **II. LEGAL STANDARD**

10. The Public Utility Code mandates that Commission approval, in the form of a certificate of public convenience, must be obtained prior to offering or abandoning public utility service or transferring certain property. 66 Pa. C.S. § 1102(a). Section 1102(a)(3) of the Public Utility Code states that a certificate of public convenience is necessary:

For any public utility or an affiliated interest of a public utility...to acquire from, or to transfer to, any person or corporation...by any method or device whatsoever, including the sale or transfer of stock and including a consolidation, merger, sale or lease, the title to or the possession or use of, any tangible or intangible property used or useful in the public service.

To obtain a certificate of public convenience, the evidence must show that the acquisition is “necessary or proper for the service accommodation, convenience, or safety of the public.” 66 Pa. C.S. § 1103(a). This standard was interpreted by the Supreme Court, which found that there must be a showing that a merger will “affirmatively promote the service, accommodation, convenience or safety of the public in some substantial way.” *City of York v. Pa. PUC*, 295 A. 2d 825, 828 (Pa. 1972). Additionally, when granting a certificate of public convenience the Commission “may impose such conditions as it may deem to be just and reasonable.” 66 Pa. C.S. § 1103(a).

11. Section 2210 of the Code requires the Commission to consider the impact of the proposed acquisition on the competitive retail natural gas market. 66 Pa. C.S. § 2210. Under this section, the Commission is to consider whether the proposed merger is likely to result in anticompetitive or discriminatory conduct, including the unlawful exercise of market power, which will prevent retail gas customers from obtaining the benefit of a properly functioning and effectively competitive retail natural gas market. Further, Section 2210 provides that the Commission shall consider the impact of any proposed merger on the disposition of employees and on any collective bargaining agent representing those employees. 66 Pa. C.S. § 2210(a)(2).

12. For the reasons discussed herein, I&E maintains that Commission approval of the Settlement will provide substantial public benefits for the Joint Applicants and their respective customers. Accordingly, I&E maintains that the Settlement satisfies the legal requirements necessary for Commission approval.

### III. TERMS AND CONDITIONS OF SETTLEMENT

13. It is the policy of the Commission to encourage settlements. 52 Pa. Code § 5.231. The Commission issued the following policy statement that articulates general settlement guidelines and procedures for major rate cases:

In the Commission's judgment, the results achieved from a negotiated settlement or stipulation, or both, in which the interested parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding. It is also the Commission's judgment that the public interest will benefit by the adoption of §§ 69.402—69.406 and this section which establish guidelines and procedures designed to encourage full and partial settlements as well as stipulations in major section 1308(d) general rate increase cases.

52 Pa. Code § 69.401.

14. The policy statement highlights the importance of settlement in Commission proceedings. The instant Application was filed on March 19, 2013, and over the past seven months the parties engaged in extensive formal and informal discovery, preparation of testimony and lengthy settlement discussions. All signatories to the Joint Petition actively participated in and vigorously represented their respective positions during the course of the settlement process. As such, the issues raised by I&E have been satisfactorily resolved through discovery and discussions with the parties and are incorporated in the Joint Petition. I&E represents that the Settlement satisfies all applicable legal standards and results in terms that are preferable to those that may have been achieved at the end of a fully litigated proceeding. Accordingly, for the reasons articulated below, I&E maintains that the proposed Settlement is in the public interest and

requests that the following terms be approved by the ALJ and the Commission without modification:

**A. FINANCIAL CONDITIONS (Joint Petition ¶¶ 25-45)**

15. Acquisition Premium, Transaction and Transition Costs (Joint Petition ¶¶ 25-29): The Settlement provides that the acquisition premium, transaction and transition costs will be excluded from recovery in rates. SteelRiver indicates that the transition costs in this proceeding are minimal because Equitable already has the facilities and personnel to provide gas service to its customers; however, the transaction costs related to this transaction could be significant. Joint Applicants St. No. 1, p. 15. Insulating ratepayers from paying the costs related to this Transaction provides a substantial public benefit.

16. Rate Base (Joint Petition ¶ 30): The Settlement provides that Peoples current rate base will be reduced on one day's notice to reflect the transfer of transmission and storage assets from Peoples to EQT. Peoples will remove these transferred assets from its rate base and reduce rates by an amount representing the revenue requirement associated with these assets as well as any revenue requirement amounts associated with the transferred assets that are included in its DSIC recovery mechanism. Joint Applicants' St. No. 4, p. 7. This rate base reduction is in the public interest as it ensures that customers do not continue to pay for assets that will no longer remain in Peoples rate base after Closing.

17. Stay Out (Joint Petition ¶ 31): With the exceptions noted in the Joint Petition, the settling parties agree that Peoples will not increase distribution base rates



prior to January 1, 2018. The agreed upon stay out applies only to general base rate increases under § 1308(d) of the Public Utility Code and has no application to STAS filings, annual § 1307(f) filings or Distribution System Improvement Charge recovery. Further, the Settlement provides that if Peoples files a general rate case with new rates becoming effective after January 1, 2018 but prior to January 1, 2019, Peoples will demonstrate a least \$15 million of synergy savings resulting from this Transaction. If this demonstration is not made, the difference will be imputed in setting rates. This term provides substantial benefit to ratepayers because it will allow Peoples to focus on synergies resulting from the acquisition without the distraction and expense of filing a rate proceeding in the interim. Best operating practices can be shared and duplicative facilities can be identified during the agreed upon stay out period. Combining the neighboring systems with an expanded customer base creates economies of scale that, in all likelihood, will lead to increased opportunities for savings. In the event that those savings do not materialize, the Settlement protects ratepayers because \$15 million of synergy savings will be imputed if new rates become effective between January 1, 2018 and January 1, 2019. Therefore, the stay out period is in the public interest as it provides an extensive period of rate stability for customers and allows Peoples adequate time to identify and implement savings resulting from this Transaction.

18. Gas-on-Gas Competition (Joint Petition ¶¶ 32-33): The Settlement provides that Peoples and Peoples TWP agree to impute revenues for customers who receive discounted distribution rates due to gas-on-gas competition if the Commission determines that NGDCs must absorb such discounts in the currently pending

Investigation at Docket No. I-2012-2320323. Discounted distribution rates arising from gas-on-gas competition were of concern in this proceeding because Peoples and Equitable pledged to maintain all existing discounted distribution rate contracts for a minimum period of five years from the Closing of the Transaction. Joint Applicants St. No. 2, p. 30. The merit of such discounts is currently being addressed in a separate proceeding; therefore, I&E did not make a recommendation regarding the Joint Applicants intent to continue providing these discounted distribution rates for the proposed five year period. However, I&E recommended that the Commission affirm that the recovery of any revenue shortfall from other customers in future rate proceedings is not guaranteed pending the outcome of the ongoing Investigation and that Peoples is at risk for any revenue shortfall arising from the rate discounts during the proposed five year period. I&E St. No. 1, p. 33. This settlement term is in the public interest because it ensures that the Commission's acceptance of the proposed five year discount extension is not an endorsement of this controversial rate discounting practice and there is no guarantee of recovery from distribution customers.

The Settlement also provides that Peoples will phase out gas-on-gas competition in the first rate case post Closing. The Joint Applicants recognize that "the combination of Peoples and Equitable will be a major step in eliminating gas on gas competition and moving customers that have discounted rates to cost of service rates." Joint Applicants St. No. 4-R, p. 8. As stated above, I&E believes that this discounting practice is appropriately addressed in the ongoing generic Investigation and I&E will review Peoples proposed move to cost of service in its next base rate proceeding.

19. Purchased Gas Cost Rates (Joint Petition ¶¶ 35-36): The Settlement provides that the Peoples Division purchased gas cost (“PGC”) rates will be adjusted on one day’s notice after Closing to reflect the charges for services provided by Equitrans on the Allegheny Valley Connector (“AVC”). The AVC refers to the transmission and storage assets transferred from Peoples to EQT as part of this Transaction. Specifically, Peoples will transfer the Gamble-Hayden Storage Facilities, Webster Storage Facilities, Truittsburg Storage Facilities, and the Rager Mountain Storage Facilities as well as approximately 200 miles of high pressure transmission pipeline along with the associated interstate pipeline interconnect facilities, relay compressor facilities, information technology assets, and other miscellaneous facilities to EQT. Those costs are currently being recovered through base rates; however, post-Closing Peoples will recover the transportation and storage costs for the use of the AVC through Rider B which currently provides for the recovery of PGC related expenses. Joint Applicants’ St. No. 4, pp. 16-17. Therefore, adjusting PGC rates on one day’s notice pursuant to the Settlement to reflect the AVC charges is appropriate because the costs will be removed from base rates and recovered through the 1307(f) mechanism.

The parties further agree that the AVC agreement will have an initial 20 year term and Peoples will have the Right of First Refusal beyond that 20 year period. Joint Petition ¶ 36. I&E recommended that the AVC be reduced from 20 years to 5 years in length. I&E St. No. 1, pp. 26-32, I&E St. No. 1-SR, pp. 25-32. I&E was concerned about the proposed 20 year term because residential gas sales are currently declining and are predicted to continue to decline, gas procurement contracts are typically under 5 years

in length and because there is uncertainty in projecting sales and capacity needs 20 years in the future. In contrast, OCA expressed concern that the proposed 20 year term was too short and that concern was similarly shared by NGSs. OCA St. No. 1-SR, p. 4, NGS St. No. 1, p. 14. Given that continued service on the AVC is critical to Peoples' operations, I&E agreed through the Settlement process to the proposed 20 year contract length. Joint Applicants St. No. 4, p. 6. However, under the Settlement, Peoples will demonstrate that these agreements comply with its least cost procurement obligation annually in its Section 1307(f) filings and Peoples has the right to conduct an annual audit of the computation of any charges under the AVC agreement that will be provided to I&E, OCA and OSBA. Joint Petition ¶ 35. Accordingly, the 1307(f) process will provide the parties an opportunity to review the AVC charges and ensure compliance with the least cost procurement obligation. If Peoples does not satisfy that obligation, the parties have the right to pursue the issue in PGC proceedings. Therefore, I&E maintains that these PGC provisions contained in the Settlement are in the public interest as they ensure that customers will continue to receive necessary commodity, capacity and storage services, but does not diminish Peoples obligation to provide those services at least cost as required by the Public Utility Code. 66 Pa. C.S. § 1318(a).

20. Corporate Protections (Joint Petition ¶¶ 37-43): The Settlement contains a number of measures to ensure that regulated customers will be protected from the risk of affiliated businesses that are not regulated by the Commission. These safeguards are in the public interest as they aid in insulating Peoples and its customers from the risks associated with unregulated affiliates. In particular, the Joint Petition provides that: (1)

Peoples will issue and maintain debt held by investors not affiliated with SteelRiver or its affiliates unless the Commission determines ratepayers will experience a net benefit from any other proposal; (2) Peoples will not request a capital structure for ratemaking purposes that is outside the range of comparable gas distribution companies; (3) Peoples will provide thirty days' notice if it intends to make a distribution to PNG which will cause its actual debt ratio to exceed 55% of total capitalization; (4) Peoples dividends to PNG is limited to a level that maintains a maximum debt ratio of 55% unless otherwise approved by the Commission. The Joint Petition further provides that Peoples will not do the following unless expressly authorized by the Commission upon showing a net benefit to retail customers: (1) guarantee the debt or credit instruments of any affiliate not regulated by the Commission; (2) mortgage utility assets on behalf of any affiliate not regulated by the Commission other than in conjunction with the financing provided by PNG to Peoples; and, (3) loan money or extend credit to any affiliate for a term of one year or more. By providing for Commission approval in advance of certain transfers of funds, interested parties can monitor any changes and such protections provide accounting and pricing protocols that allow the Commission to perform its regulatory oversight functions. These safeguards, negotiated as part of the Joint Petition, are above and beyond the protections that otherwise may have been implemented had this proceeding been fully litigated. Such measures are in the public interest as they aid in insulating the Peoples and Peoples TWP from the risks associated with non-jurisdictional operations.

**B. BOOKS AND RECORDS** (Joint Petition ¶¶ 46-52)

21. Separate Accounting (Joint Petition ¶ 47): The Settlement provides that Peoples will maintain separate accounting for the Peoples Division and Equitable Division sufficient to provide all Commission required financial statements. Maintaining separate accounting records is appropriate because, while the day to day operations of the two utilities will be combined, Equitable will initially be operated as a separate division of Peoples. Therefore, the separately tracking revenues and expenses is in the public interest until the Peoples and Equitable tariffs are merged at some point in the future.

**C. MANAGEMENT** (Joint Petition ¶¶ 56-61)

22. Corporate Headquarters and Employment Levels (Joint Petition ¶¶ 58-61): The Joint Applicants commit to not move its headquarters outside Peoples' service territory for at least a ten year period after closing this transaction. Joint Petition ¶ 58. Peoples further commits to maintain field offices in its service territory at staffing levels that are sufficient to provide safe and reliable service. Joint Petition ¶ 59. Moreover, for a period of four years after Closing, Peoples agrees to provide job placement assistance as specified in the Settlement to assist employees whose jobs are impacted by the merger. Joint Petition ¶ 61. These commitments are in the public interest as they provide protections for employees while at the same time do not unreasonably restrict the flexibility Peoples needs to efficiently provide adequate and reasonable service to its customers. Decisions about the size and location of workforce are largely within the utility's discretion. It is well settled that the Commission does not have the authority to micromanage a utility and Pennsylvania appellate courts have ruled that utilities, not the

Commission, have the right to make such business decisions. *Northern Pennsylvania Power Company v. Pa. P.U.C.*, 333 Pa. 265, 268, 5 A.2d 133, 134-135 ("The Public Utility Commission is not a super board of directors for the public utility companies of the State and it has no right of management over them. . . . The company manages its own affairs to the fullest extent consistent with the protection of the public's interest, and only as to such matters is the commission authorized to intervene, and then only for the special purposes mentioned in the act"). Through the Settlement, the parties guaranteed these important workforce protections while still allowing Peoples flexibility to operate its utilities.

**D. RELIABILITY, PIPE REPLACEMENT AND LOST AND UNACCOUNTED FOR GAS (Joint Petition ¶¶ 62-65)**

23. Pipe Replacement (Joint Petition ¶ 62): The Settlement demonstrates a commitment on behalf of the Joint Applicants to pipeline replacement. Peoples revised Long Term Infrastructure Improvement Program plan ("LTIIIP") filed in 2014 will provide a level of investment for the Peoples Division that is consistent in aggregate amount with the annual average of \$80 million under the current Commission approved LTIIIP. Therefore, the Settlement guarantees that the Peoples Division infrastructure investments will not be reduced as a result of this Transaction. Further, the Settlement provides that Peoples will accelerate capital expenditures for the Equitable Division from \$33 million in 2014 to at least \$45 million in 2017-2019. This increase is important because in Equitable's recent LTIIIP proceeding, at Docket No. P-2013-2342745, Commissioners Cawley and Gardner issued a dissenting statement indicating that

Equitable's capital spending did not satisfy the criteria established by the Legislature and the Commission to accelerate infrastructure replacement investment. The Commissioners noted that Equitable's capital spending decreased from \$45.8 million in 2008 to \$28.9 million in 2012 and indicated that Equitable's DSIC eligible infrastructure replacement will remain relatively flat. Accordingly, the Settlement, which requires Peoples to increase the Equitable Division's capital expenditures to at least \$45 million in 2017-2019, demonstrates Peoples commitment to infrastructure replacement as mandated by the Legislature and the Commission.

24. Leak Detection and Repair (Joint Petition ¶ 63): With the exceptions noted in paragraph 63, Peoples commits to continue operating expenditures for leak detection and repair at least at 2012 levels. Peoples further commits that best practices to reduce lost and unaccounted for gas ("UFG") will be adopted. This Settlement term ensures that Peoples will continue to devote financial resources to detect and repair leaks. This commitment is in the public interest because efforts to detect and reduce lost gas should not be diminished as a result of this Transaction. By sharing best practices between the merged utilities, the goal is that lost gas will be reduced on both the Peoples and Equitable systems. I&E supports this goal as it is beneficial to ratepayers from a cost and safety perspective.

25. Rights of Way (Joint Petition ¶ 64): The Settlement provides that Section 5.7 of the Asset Exchange Agreement will be removed from the Transaction and EQT expressly acknowledges that it has none of the rights set forth therein. Section 5.7 permitted EQT an option to access or modify Peoples TWP rights of way ("ROW") in



order to construct gas pipelines adjacent to Peoples TWP Northern Lateral pipeline. I&E maintained that it was not in the public interest for EQT to access ROW that may have been acquired by eminent domain or under the threat of eminent domain. I&E St. No. 2, pp. 20-22, I&E St. No. 2-SR, pp. 20-24. Further, I&E was concerned about the potential customer confusion that may arise if Peoples TWP negotiates modifications to its existing ROW on behalf of EQT. I&E maintained that it was appropriate for EQT to directly negotiate with landowners to acquire its own ROW without assistance from the regulated utility. Accordingly, this Settlement term is in the public interest because EQT acknowledges that it does not have the rights set forth in Section 5.7 of the Asset Exchange Agreement to access or modify Peoples TWP's existing ROW.

26. Goodwin and Tombaugh Gathering Systems (Joint Petition ¶ 65): I&E raised concerns about the potential safety and financial consequences surrounding the Joint Applicants proposal to transfer the Goodwin and Tombaugh Gathering Systems (“Gathering Systems”) from EQT to Peoples. I&E's concerns stemmed from the high lost and unaccounted for gas levels reported on the gathering lines and the number of leaks that were discovered during the recently conducted leak survey. Specifically, in 2012, the Goodwin system had 83% UFG and the Tombaugh system had 63%. I&E Ex. No. 2, Sch. 5. Additionally, 445 leaks were discovered on the Gathering Systems at the conclusion of the leak survey completed on May 14, 2013. I&E Ex. No. 2, Sch. 2. The Joint Applicants do not currently know what it will cost to repair the Gathering Systems and bring UFG into an acceptable range. I&E St. No. 2, pp. 9-10. I&E expressed concern that the repair cost could be significant and did not believe that it was in the

public interest to burden distribution system customers with the cost to repair these Gathering Systems. I&E St. No. 2, p. 13. Because of these safety and financial concerns, I&E recommended that the Goodwin and Tombaugh systems not be transferred from EQT to Equitable as part of this Transaction. I&E St. No. 1, p. 4, I&E St. No. 2, p. 7. However, after extensive negotiations, I&E maintains that permitting the Gathering Systems to transfer with the conditions that are detailed in the Settlement adequately protects both Peoples and its customers for the reasons discussed below.

a. Safety:

The Public Utility Code mandates that utilities must provide safe, adequate and reliable service. 66 Pa. C.S. § 1501. While natural gas is undoubtedly a reasonably priced and efficient way to heat a home, it can be extremely dangerous if facilities are not properly maintained. The high levels of UFG and reported leaks indicated to I&E that the Gathering Systems had not been properly maintained, which created a potential safety hazard for those receiving service from or living near these gathering lines. I&E St. No. 1, p. 6, I&E St. No. 2, p. 11-12. Therefore, I&E approached this Settlement to ensure that customers served from the Gathering Systems, above all, be provided safe and reliable gas service.

The Settlement contains several safety provisions that EQT will implement before the Gathering Systems are transferred. First, the Settlement provides that EQT will continue to repair leaks on the Gathering Systems before Closing. Joint Petition ¶ 65(a). I&E expressed concern in this proceeding that expending capital and resources to repair leaks and reduce UFG on the Gathering Systems has not historically been a priority for

EQT. I&E St. No. 2, p. 10. However, through Settlement, EQT has committed to continue its leak repair efforts until Closing which should help reduce UFG on the Gathering Systems when the transfer occurs. Second, the Settlement provides that EQT will allow the Bureau of Investigation and Enforcement's Gas Safety Division access to the Gathering Systems to inspect for safety concerns during the period up to Closing. Joint Petition ¶ 65(b). This term is important because the Gathering Systems are not jurisdictional pipelines; therefore, without this Settlement term, Gas Safety would not have the authority to inspect these gathering lines. There are approximately 1500 jurisdictional customers who receive service from these Gathering Systems and, in order for these customers to be served safely, the lines must be maintained, leaks must be repaired, and UFG levels must be decreased. Allowing Gas Safety to be actively involved between now and Closing helps ensure that these Gathering Systems, although non-jurisdictional, are operated safely.

In addition, Peoples has made numerous commitments to ensure that the Gathering Systems are operated safely after the Gathering Systems are transferred. First, Peoples has committed to assessing the Gathering Systems facilities in order to develop and implement an initial plan, in conjunction with the Bureau of Investigation and Enforcement's Gas Safety Division, to address improvements. Joint Petition ¶ 65(e)(i). Attached as Appendix C to the Settlement is a multistep process Peoples intends to implement to analyze the Gathering Systems and develop a course of action to repair the lines. I&E is satisfied that Peoples is the proper entity to assess, repair, and maintain

these Gathering Systems. Second, Peoples has agreed that the Commission's Gas Safety Division will be permitted access to the Gathering Systems to conduct safety inspections and to observe and verify improvements. Joint Petition ¶ 65(e)(ii). This term is important because, even after the Gathering Systems are transferred, the gathering lines are not jurisdictional and Gas Safety would not have the authority to inspect these lines. Peoples agreement to provide Gas Safety access to the Gathering Systems would not have been possible without express agreement through the Settlement.

Accordingly, the Settlement is in the public interest because it contains commitments from EQT and Peoples that are designed to reduce leaks and UFG in order to ensure that customers served off the Gathering Systems receive safe and reliable service.

b. Cost Recovery:

In addition to the safety concerns presented above, I&E was concern about the potential cost to ratepayers if the Gathering Systems were permitted to transfer to Peoples. I&E maintained that it was not in the public interest to transfer neglected assets to a jurisdictional utility and require ratepayers to fund the repair costs. I&E St. No. 2, pp. 7-12. However, the Settlement contains several provisions that ensure customers will not be an unlimited funding source.

First, on Closing, the Gathering Systems will be transferred to PNG Gathering, LLC, which is a newly created subsidiary of PNG. Joint Petition ¶ 65(c). The Joint Applicants originally sought to transfer the Gathering Systems directly to Peoples and

recover the cost to repair the gathering lines from ratepayers. However, through the Settlement, the parties agree that the Gathering Systems will first be transferred to an unregulated affiliate during the analysis phase described in Appendix C. Transferring the Gathering Systems to an unregulated entity ensures that costs incurred to repair and rehabilitate the Gathering Systems will not be immediately included in rate base and recovered from ratepayers. Moreover, it allows time to discover the source of the UFG and repair leaks before requesting Commission approval to transfer Goodwin and Tombaugh to Peoples. This analysis period is important because the Joint Applicants do not currently know what it will cost to repair, replace, or rehabilitate these Gathering Systems. I&E St. No. 2, pp. 9-10. I&E was concerned that the cost could be significant because I&E witness Ralph Graeser estimated that it costs \$500,000 to \$1,000,000 per mile to replace gathering pipeline. I&E St. No. 1, p. 6. Because of the potential cost, I&E maintains that it is not in the public interest to immediately transfer the Gathering Systems to Peoples. Instead, it is appropriate to transfer the Gathering Systems to an unregulated entity as proposed in Settlement in order to give Peoples time to learn the cause of the UFG and determine the extent of the leaks. Once this analysis is complete, Peoples can make an informed recommendation to the Commission concerning rehabilitation or abandonment of the Gathering Systems.

Second, EQT will provide \$5 million to PNG Gathering for use in connection with the Gathering Systems. Joint Petition ¶ 65(d). EQT's \$5 million contribution will be used to complete the assessment process presented in Attachment C. Joint Petition

¶ 65(c). It was important to I&E that EQT share some of the cost that will be incurred to analyze the Gathering Systems. As noted above, I&E did not believe it was in the public interest for a non-jurisdictional entity to allow its assets to fall into disrepair, transfer those assets to a jurisdictional utility and require jurisdictional ratepayers to pay for the necessary repairs. Accordingly, it is appropriate that the assessment phase of the Gathering Systems be funded by EQT's \$5 million contribution rather than by jurisdictional customers.

Third, the parties have agreed to an economic test to determine whether the Gathering Systems should be transferred to Peoples. Joint Petition ¶ 65(f). The parties agree that the Gathering Systems may be transferred to Peoples if the amount of additional investment necessary to provide safe and reliable service from the Gathering Systems is equal to or less than the sum of the remaining portion of the EQT Contribution, the estimated \$12 million cost to convert customers to alternative fuels, the estimated incremental rate base investment of \$6 million that would be supported by revenues from the approximately 1,500 customers served by the Gathering Systems, and any additional investment supported by incremental revenues on the Gathering Systems facilities. If this economic test is satisfied and the Commission approves transfer of the Gathering Systems, Peoples Equitable Division will be permitted to include in rate base the investments it makes to improve the Gathering Systems. Therefore, if the economic threshold is met, the parties agree that it is in the public interest to transfer the Gathering Systems to Peoples and Peoples will be permitted to recover its investments from

ratepayers. However, if the economic test is not satisfied, the Settlement provides that Peoples will recommend not to further invest in the Gathering Systems. This term is a substantial benefit because it ensures that ratepayers will not be an unlimited source of funding to repair the Gathering Systems. Given that the Joint Applicants do not currently know how much it will cost to reduce UFG on the Gathering Systems, it was important to I&E to protect ratepayers from becoming a blank check to fund some untold millions in repairs that may be needed. Accordingly, this Settlement term is a substantial benefit because it protects ratepayers from funding unlimited repair costs and protects Peoples from the risk of not recovering its investments.

**E. CUSTOMER SERVICE (Joint Petition ¶¶ 66-71)**

27. The Settlement reflects a commitment to service quality and reliability by articulating specific commitments to improve and maintain customer service. The Settlement requires Peoples to achieve the customer service metrics presented in paragraph 66 in each of the next five years. Furthermore, for three calendar years, Peoples will provide annual reports analyzing its progress in achieving the customer service thresholds set forth in the Settlement. If a specific metric is not met, Peoples will convene a collaborative with OCA, OSBA and I&E to discuss the report and will provide a detailed plan to achieve the metric. This process allows the opportunity for parties to discuss and implement mutually agreed upon steps. However, if the parties fail to reach an agreement, the Settlement expressly holds that a party can seek Commission review of the contested point. These Settlement terms represent a substantial benefit as it

demonstrates a commitment to service quality and allows the parties to have ongoing review of Peoples progress by providing the opportunity to recommend measures to ensure compliance with the agreed upon standards. I&E understands that the Joint Applicants will focus on creating synergy savings once this Transaction is consummated; however, these commitments obtained through Settlement ensure that customer service will not be degraded for Peoples and Equitable customers.

**F. UNIVERSAL SERVICE** (Joint Petition ¶¶ 72-77)

28. LIURP Funding (Joint Petition ¶ 77): Peoples agrees to increase Low Income Usage Reduction Program (“LIURP”) funding in the first four years after Closing. Specifically, beginning January 1, 2014, Peoples Division will increase its LIURP funding by \$150,000 per year to \$1,250,000 annually. The Equitable Division LIURP funding will increase by \$100,000, resulting in a total LIURP budget of \$800,000 per year in each of the four years. Similarly, Peoples TWP LIURP budget will be increased by \$25,000. These increases will be funded by shareholders for the four year period. These shareholder funded LIURP increases are a substantial public benefit as it will contribute to the reduction of energy use and ultimately lower bills for low income customers.

**G. COMMUNITY COMMITMENT** (Joint Petition ¶¶ 78-80)

29. Corporate Contributions (Joint Petition ¶ 78): Peoples commits to continue corporate contributions and community support in southwestern Pennsylvania that is at least equivalent to 2012 levels of \$1 million for Peoples and \$400,000 for Equitable.



I&E maintains that this term is in the public interest as it ensures that corporate contributions in this region will not be adversely impacted by this Transaction.

30. Outside Services (Joint Petition ¶ 79): Peoples commits to bring services that are currently performed outside of Equitable's service area (i.e. call center, billing) into the Peoples service area within 5 years.

31. Diversity Policy (Joint Petition ¶ 80): The Commission recognizes the importance of diversity as evidenced by its policy statement which encourages major jurisdictional utilities to incorporate diversity in their business strategy in connection with the procurement of goods and services. 66 Pa. Code § 69.801. The express assurance contained in the Settlement that the Commission's diversity policy will be adhered to is in the public interest because providing economic opportunities to diverse businesses demonstrates a continued commitment to community and civic involvement.

#### **H. RETAIL SUPPLY COMPETITION (Joint Petition ¶ 81)**

32. Peoples agrees to convene a collaborative with interest parties within 12 months of Closing to develop a strategy to further promote retail natural gas supply competition in its service territory. Although both Equitable and Peoples have active natural gas suppliers serving customers on their systems, competition has been more evident on Peoples' system. A potential benefit of this Transaction is that the policies in place for Peoples that have resulted in more competition will be extended to Equitable. Accordingly, convening a collaborative will provide an opportunity to allow interested

parties to develop ways to enhance retail natural gas competition in Western Pennsylvania.

#### **IV. CONCLUSION**

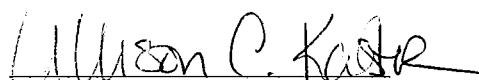
33. Based upon I&E's analysis of the filing, acceptance of this proposed Settlement is in the public interest. Resolution of this case by settlement rather than litigation will avoid the substantial time and effort involved in continuing to formally pursue all issues in this proceeding at the risk of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

34. 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.

35. If the ALJ recommends 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 ALJ in the Recommended Decision. I&E also reserves the right to file Reply Exceptions to any Exceptions that may be filed.

**WHEREFORE**, the Commission's Bureau of Investigation and Enforcement represents that it supports the Settlement as being in the public interest and respectfully requests that Administrative Law Judge Mark Hoyer and the Commission approve the terms and conditions contained in the foregoing Joint Petition for Non-Unanimous Settlement without modification.

Respectfully submitted,



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Dated: October 7, 2013

# Appendix H

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Application of Peoples Natural Gas	:	
Company LLC, Peoples TWP LLC, and	:	
Equitable Gas Company, LLC for All of	:	
the Authority and the Necessary Certificates	:	
of Public Convenience (1) to Transfer All	:	
of the Issued and Outstanding Limited	:	
Liability Company Membership Interest of	:	
Equitable Gas Company, LLC to PNG	:	Docket Nos. A-2013-2353647
Companies LLC, (2) to Merge Equitable	:	A-2013-2353649
Gas Company, LLC with Peoples Natural Gas	:	A-2013-2353651
Company LLC, (3) to Transfer Certain	:	
Storage and Transmission Assets of Peoples	:	
Natural Gas Company LLC to Affiliates	:	
of EQT Corporation, (4) to Transfer Certain	:	
Assets between Equitable Gas Company,	:	
LLC and Affiliates of EQT Corporation,	:	
(5) for Approval of Certain Ownership	:	
Changes Associated with the Transaction,	:	
(6) for Approval of Certain Associated Gas	:	
Capacity and Supply Agreements, and	:	
(7) for Approval of Certain Changes in the	:	
Tariff of Peoples Natural Gas Company LLC	:	

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

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The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Approval of Settlement of all Issues (Settlement) respectfully requests that the terms and conditions of the Settlement be approved by Administrative Law Judge Mark A. Hoyer (ALJ Hoyer) and the Pennsylvania Public Utility Commission (Commission). This request is based

upon the OCA's conclusion that the proposed Settlement is in the public interest and is in the interest of the customers of Equitable Gas Company, LLC, Peoples TWP, LLC and Peoples Natural Gas Company, LLC.

## I. INTRODUCTION

On March 19, 2013, Equitable Gas Company, LLC (Equitable), Peoples TWP LLC (Peoples TWP) and Peoples Natural Gas Company LLC (Peoples LLC) (collectively, the Applicants) filed the instant Application seeking Commission approval of the following: (1) the transfer of 100% of the issued and outstanding limited liability company membership interests in Equitable, an indirect subsidiary of EQT Corporation (EQT), to PNG Companies LLC (PNG), an indirect subsidiary of SteelRiver Infrastructure Fund North America LP (SRIFNA); (2) the merger of Equitable with Peoples LLC, a wholly-owned subsidiary of PNG, and the operation of Equitable as an operating division of PNG; (3) the transfer of certain storage and transmission assets of Peoples LLC to EQT; (4) the transfer of certain assets and or the exchange of certain services between EQT and Equitable; (5) certain PNG ownership changes associated with the transaction; (6) certain associated gas capacity, storage, interconnects, leases, and supply service agreements among Peoples LLC, Peoples TWP, Equitable, and or EQT; and (7) certain changes in Peoples LLC's tariff necessary to carry out the proposed transactions. The Applicants further seek all other approvals or certificates appropriate, customary, or necessary under the Code to carry out the transactions contemplated in this Application in a lawful manner.<sup>1</sup>

Through this Application, PNG will merge Peoples LLC and Equitable, although Equitable will initially operate as a separate division. If the Application is approved, the

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<sup>1</sup> In the Joint Petition for Settlement the term "Peoples" refers to both the Peoples Division and the Equitable Division as those entities will exist after the merger. In this Statement in Support, the OCA refers to "Peoples LLC", "Equitable" and "Peoples TWP" as the separate NGDCs for purposes of explaining how certain Settlement provisions specifically apply to those NGDCs. When referring to commitments made in the Settlement, the OCA will use the term "Peoples" and adopt the same definition as put forth in the Joint Petition for Settlement.

Applicants state that PNG will focus on the regulated distribution utility businesses of Peoples LLC, Peoples TWP, and Equitable while EQT will focus on transportation, storage, gathering, exploration and production businesses. To achieve this reorganization, under the transaction numerous assets, rights and commercial agreements will be transferred. Further, under the terms of the asset purchase agreement, PNG will pay EQT \$720 million, which includes \$100 million of pipeline improvements.

On April 15, 2013, the OCA filed its Protest in this matter. On April 8 and April 13, 2013, respectively, the Bureau of Investigation and Enforcement and the Office of Small Business Advocate each filed a Notice of Appearance in this matter. Numerous other parties also filed Protests and/or Petitions to Intervene in this matter, including: Retail Energy Supply Association; Dominion Transmission, Inc.; United Steel Workers International Union, Local 12050; Dominion Retail & Interstate Gas Supply; US Steel Corp.; Pennsylvania Independent Oil & Gas Association; Peoples-Equitable Merger Interveners; Utility Workers Union of America Local 666; Snyder Brothers, Inc.; and Pennsylvania State University.

ALJ Hoyer was assigned to this proceeding. On April 24, 2013, ALJ Hoyer notified the parties that a Prehearing Conference would take place on May 9, 2013. A Prehearing Conference was convened on May 9, 2013. At that time the parties agreed to a procedural schedule and also certain modifications to the discovery rules. In its Prehearing Memorandum, the OCA indicated that it had received four public input hearing requests. The OCA requested one telephonic public input hearing because of the size of the Applicants' service territories. In a June 12, 2013 Order, ALJ Hoyer confirmed that one telephonic public input hearing would be held on July 10, 2013, and ordered the Applicants to provide public notification of same. The OCA participated in the telephonic public input hearing on July 10,

2013. Several citizens participated and provided on-the-record testimony for the Commission to consider in this matter.

Consistent with its Protest and Prehearing Memorandum in this matter, the OCA preliminarily identified a number of issues presented by the Application that would require investigation and analysis, as follows:

a. Affirmative Ratepayer Benefits: The Application and its proposals may not demonstrate that this merger will provide substantial, affirmative ratepayer benefits in accordance with Pennsylvania law. The request for merger approval should not be approved unless and until the Applicants can demonstrate and provide affirmative, substantial ratepayer benefits from this merger such as through rate reductions, rate stability and enhanced quality of service.

b. Merger Savings/Synergies: The OCA submits that the Applicants' proposal must be examined to determine if the proposed merger will result in synergies and savings that will provide substantial, affirmative benefits to ratepayers. The Applicants' estimates of savings must be thoroughly reviewed and substantiated.

c. Costs to Achieve: Additional information regarding the costs to achieve the merger is necessary before the Commission can determine that these costs are reasonable. In addition, the allocation of costs to achieve between ratepayers and shareholders, and between corporate functions and subsidiaries, must be examined to determine whether ratepayers are receiving an appropriate share of the net benefits anticipated from this merger.

d. Quality of Service: The Application provides no specific proposal to ensure that quality of service to Equitable, Peoples TWP and Peoples ratepayers improves because of this merger. Therefore, the OCA submits that the Commission must, at a minimum,



ensure that quality of service, including reliability, customer service, and billing service, are enhanced as a result of the merger.

e. Impact on Rates: The Application provides that Equitable's retail tariff in effect at the time the proposed transaction occurs will be adopted by Peoples and will remain in full force and effect. The OCA submits that the Commission must examine the impact the proposed merger will have on the delivery rates and purchased gas cost rates for the companies.

f. Market Power and Effects on Competitive Markets: Under Section 2210, the Commission must examine the effect of this merger on the competitive retail natural gas market. The impact on the market should be further explored to assure that the merger does not negatively impact the retail market.

g. Natural Gas Purchasing: As natural gas distribution companies, Equitable, Peoples and Peoples TWP are required to obtain natural gas on behalf of their customers under a least-cost procurement policy. 66 Pa. C.S. §§ 1307(f), 1317 and 1318. Therefore, such purchases must be just and reasonable. The OCA submits that the Commission should determine if this merger will affect the Applicants' purchasing practices.

h. Corporate Structure: The proposed corporate structure raises several issues that should be explored and resolved prior to approval of the merger. For example, appropriate accounting protocols to prevent cross-subsidization must be in place. In addition, appropriate Codes of Conduct must be in place to govern the relationships between the operating companies. The proposed corporate structure also must be reviewed to assure that there are no adverse tax effects.

i. Universal Service: The Application does not discuss the continuation and improvement of Equitable, Peoples or Peoples TWP's universal service programs. The

Commission must examine the universal service programs to ensure that these programs receive appropriate funding and local management attention and to assure that the programs continue to improve to meet the needs of low-income and payment troubled customers in Equitable, Peoples and Peoples TWP's service territories. It is also important to maintain and enhance the participation of local community-based organizations in the development and implementation of these programs.

j. Continuation of PUC Jurisdiction: Post corporate-restructuring, the Commission must ensure that it retains sufficient jurisdiction, as well as access to appropriate books and records of all subsidiaries, to ensure the continued provision of safe, adequate and reliable service in Pennsylvania, to ensure against inappropriate cross subsidies at the expense of Pennsylvania consumers, and to support workable and viable competitive markets for retail natural gas supply.

In order to adequately investigate these issues and others that became evident throughout the course of this matter, the OCA's expert witnesses, Richard S. Hahn and Nancy Brockway submitted 10 sets of formal discovery to the Applicants. The OCA also engaged in extensive informal discovery with the Applicants on a wide range of issues presented by the Application. In accord with the procedural schedule established for this matter, on July 24, 2013, the OCA submitted OCA Statement No. 1, the Direct Testimony of Richard S. Hahn in Public and Highly Confidential versions. The OCA also submitted OCA Statement No. 2, the Direct Testimony of Nancy Brockway. Other intervenors also submitted direct testimony on that date, including the Office of Small Business Advocate (OSBA), the Bureau of Investigation and Enforcement (BI&E), Dominion Retail, Inc., and Interstate Gas Supply, Inc., (Dominion/IGS),

Snyder Brothers, the Pennsylvania Independent Oil and Gas Association (PIOGA) and Citizens for Pennsylvania's Future (PennFuture).

On August 19, 2013, rebuttal testimony was submitted by the Applicants, Dominion/IGS and OSBA. On September 6, 2013, the OCA submitted OCA Statement 1-SR, the Surrebuttal Testimony of Mr. Hahn and OCA Statement 2-SR, the Surrebuttal Testimony of Ms. Brockway. Other parties also submitted surrebuttal testimony on that date, including the Applicants, OSBA, BI&E, PennFuture, Dominion/IGS, Snyder Brothers and PIOGA. Evidentiary hearings were scheduled for September 11, 12 and 13.

During the course of this proceeding, the parties engaged in extensive negotiations. As a result of those discussions, OSBA, BI&E, OCA, Dominion/IGS, Snyder Brothers, PIOGA and the Applicants (Settling Parties) reached a Settlement, prior to the start of evidentiary hearings, as to all issues the aforementioned intervenors had raised in this matter. On September 11, 2013, ALJ Hoyer held a one-day evidentiary hearing where the Settling Parties submitted testimony into the record. During the evidentiary hearing, PennFuture's witness Mr. Plunkett appeared for purposes of cross examination by the Applicants and OSBA.

In accord with ALJ Hoyer's directions, a Joint Petition for Settlement (Joint Petition) and Statements in Support from the Settling Parties are due on or before September 25, 2013. The OCA submits this Statement in Support to provide its views on why this Settlement is in the public interest and in the best interests of the consumers of Peoples LLC, Equitable and Peoples TWP.

## II. TERMS AND CONDITIONS OF JOINT SETTLEMENT AGREEMENT

For a merger to be approved by the Commission, it must present substantial affirmative benefits to the public. City of York v. Pa. PUC, 295 A.2d 825, 828 (Pa. 1973);

Popowsky v. Pa. PUC, 937 A.2d 1040 (Pa. 2007). The comprehensive nature of this Settlement satisfies that standard. The Settling Parties have addressed and proposed a number of key benefits within the Settlement document, including a cap on base rates for both Peoples LLC and Equitable until January 1, 2018, an accelerated level of capital spending on the replacement of high risk pipes with a revised focus solely on distribution and gathering systems, increased commitments to customer service and reliability and increased funding for low-income programs. The Settling Parties have also provided key financial protections to insulate the regulated operations from the unregulated operations of PNG and SteelRiver. The OCA submits that the Settlement, taken as a whole, provides substantial affirmative benefits to the public, is in the public interest and consumers' interest, and therefore should be approved.

The following represents the terms of the Settlement that directly address the OCA's concerns in this case. The OCA expects that the other signatory parties will address those areas of the Settlement that apply to their issues.

A. Rate Stability (Joint Petition, ¶¶ 21, 22, 23, 25, 26, 27 and 41).

As OCA witness Richard Hahn testified, this Application presented a number of complex issues and complicated transactions. OCA St. 1 at 4.<sup>2</sup> As Mr. Hahn testified, one of the primary concerns in this matter was the potential for these complex asset transfers to have a negative impact on the rates paid by the customers of Peoples LLC and Equitable. OCA St. 1 at 10. As Mr. Hahn explained, the filing of a base rate case in the first few years after the merger is consummated would lead to higher rates for customers than would have been the case had no merger occurred. OCA St. 1 at 27-28. Specifically, the inclusion of any acquisition, transaction or transition costs to achieve the merger in rates could lead to higher costs for customers. OCA

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<sup>2</sup> All references to OCA Statement No. 1 refer to the Public Version of Mr. Hahn's Direct Testimony. OCA Statement No. 1 in Highly Confidential version will not be cited to in this document.

St. 1 at 23-24. In addition, the sale of Equitable as the transaction is structured would result in the loss of a substantial Accumulated Deferred Income Taxes (ADIT) balance in the near term that serves as an offset to rate base, which would lead to higher rates for customers in the event of a base rate filing in the next few years. OCA St. 1 at 27-28. As Mr. Hahn testified, the Applicants have provided high level estimates of potential merger savings that could serve to offset this ADIT loss, but there is no guarantee of these savings in the near term. OCA St. 1 at 30.

The OCA and other parties to this Settlement engaged in numerous and lengthy discussions with the Joint Applicants as to a mechanism for the provision of long-term rate stability for customers. The Settling Parties agreed to address these concerns in Paragraphs 21, 22, 23, 25, 26 and 27.

The Settlement provides that base rates for Peoples LLC and Equitable will be capped until at least January 1, 2018. Settlement at ¶ 27. In addition, should the merged divisions of Peoples LLC and Equitable file a combined base rate case with new rates to become effective after January 1, 2018, but prior to January 1, 2019, such rate case filing will include at least \$15 million of synergy savings. Settlement at ¶ 27. The Settlement also provides that post closing, Peoples LLC base rates will be reduced on one-days' notice to reflect the transfer of transmission and storage assets to EQT. Settlement at ¶ 26. Further, any acquisition premium, transaction, or transition costs will be excluded in setting rates in any future Commission proceeding and will also not be included in rates for the FERC-regulated agreements pertaining to the storage and transmission assets transferred to EQT. Settlement at ¶¶ 21, 22, 23 and 25. Peoples additionally agreed to provide annual reports to the Commission and the parties as to the

levels of merger savings being created during the rate cap period, consistent with the recommendation of OCA witness Hahn. Settlement at ¶ 41; OCA St. 1 at 4, 34.

These Settlement provisions provide a long-term rate cap for customers of Peoples LLC and Equitable, an immediate base rate reduction for Peoples LLC's customers, and effectively mitigate the potential for transactional costs to flow through to ratepayers at some future time. As such, the OCA submits that these agreements will provide substantial affirmative benefits for ratepayers and are in the public interest.

B. Increased Capital Spending (Joint Petition, ¶¶ 30 and 58).

One of the main areas for potential savings and synergies resulting from the combination of Equitable and Peoples LLC is the proposed elimination of replacing redundant distribution facilities. As OCA witness Hahn testified, Peoples LLC and Equitable currently have overlapping distribution pipelines in many parts of their respective service territories. OCA St. 1 at 25-27. As separate entities, Peoples LLC and Equitable each have Long Term Infrastructure Improvement Programs (LTIIP) that incorporate replacing aging distribution facilities that overlap in the same service areas. As Mr. Hahn testified, absent the merger, the two utilities would recover the costs of replacing distribution facilities, even those in overlapping areas, through the Distribution System Improvement Charge (DSIC). OCA St. 1 at 25-26. The Applicants estimate synergy savings from the avoidance of replacing redundant distribution facilities at \$10-\$20 million per year. Id. As Mr. Hahn explained, however, no detailed plan to achieve these savings was presented with the Application materials. Id. Further, and in order to

provide substantial affirmative benefits, Mr. Hahn testified that an accelerated level of capital spending should be achieved. OCA St. 1 at 4.<sup>3</sup>

The Settling Parties agreed to address these concerns in Paragraphs 30 and 58. The Settlement provides that Peoples LLC's and Equitable's DSIC rates will be frozen at their current levels until the filing of a combined LTIP or Asset Optimization Plan for calendar years 2015 through 2019. Settlement at ¶ 30. Consistent with the transfer of transmission and storage facilities to EQT, Peoples LLC commits to redirect its current proposed capital spending on transmission system infrastructure to a refocused acceleration of replacing high risk pipes on its distribution and gathering systems. Settlement at ¶ 58. For Peoples LLC, the combined LTIP will include the same aggregate amount of spending as approved in its current LTIP, approximately \$80 million per year, but with all such spending now focused solely on distribution and gathering system assets. Settlement at ¶ 58. For Equitable, the Settlement provides that a ramped up level of spending will be included in the combined LTIP, such that spending will increase from the current level of \$33 million per year to \$45 million per year over the course of the combined LTIP. Settlement at ¶ 58.

The commitments made to further accelerate the replacement of high risk pipes for these two NGDCs, with overlapping service territories are substantial. Peoples LLC will continue its replacement of high risk pipe at the same spending levels currently authorized by the Commission, but with a concentrated focus on its distribution and gathering system assets, as transmission and storage assets are being transferred to EQT. For Equitable, spending levels for

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<sup>3</sup> See Joint Dissenting Statement of Commissioner Cawley and Commissioner Gardner in Re Petition for approval of its Long-Term Infrastructure Improvement Plan of Equitable Gas Company, Docket No. P-2013-2342745 (Order entered July 16, 2013) (Joint Dissent). In the Joint Dissent, Commissioners Cawley and Gardner explained that Equitable's capital spending in 2008 was \$45.8 million, but had declined to \$28.9 million in 2012, and that Equitable's proposed LTIP showed a decrease in overall annual pipe replacement for the 2013-2017 period. Joint Dissent at 1.

the replacement of high risk pipe will be substantially increased over the term of the combined LTIIP. Further, the combined LTIIP will eliminate the need to replace redundant facilities and thus will provide much greater levels of high risk pipe replacement than either NGDC could have achieved on its own. Moreover, as the Settlement is structured, these increased spending levels will remain in place regardless of whether Peoples LLC or Equitable reach their individual DSIC caps prior to the time when a combined base rate case with new rates would become effective. The OCA submits that these agreements will provide substantial affirmative benefits for ratepayers and are in the public interest.

C. Asset Transfer Protection (Joint Petition, ¶¶ 26, 31 and 32).

As part of the transaction, certain transmission and storage assets known as the Allegheny Valley Connector (AVC) will be transferred from Peoples LLC to EQT, and following the transfer EQT will provide capacity and supply to Peoples LLC and Equitable through a long-term agreement. As OCA witness Hahn testified, the stated value of the AVC assets being transferred from Peoples LLC to EQT is \$93 million. OCA St. 1 at 10-15. Mr. Hahn testified that this transfer of assets raised several concerns. First, the Application was unclear as to how the capital structure of Peoples LLC would be affected by the transfer of \$93 million of assets out of rate base with no apparent corresponding level of debt reduction for Peoples LLC. OCA St. 1 at 10-15. Mr. Hahn recommended that PNG should ensure that Peoples LLC's capital structure not be adversely affected by this transfer of assets, such that any levels of debt held by Peoples LLC to support the AVC assets would be extinguished upon the transfer. OCA St. 1 at 14-15.

The Settling parties agreed to address this concern in Paragraph 26, as the Settlement provides that Peoples LLC's capital structure after the transfer of the AVC assets will



remain at an approximate 50% debt and 50% equity level. Settlement at ¶ 26. Mr. Hahn also testified as to his concerns over possible increased costs for the long-term capacity and supply contracts being proposed between EQT and Peoples through the use of the AVC assets. OCA St. 1 at 21-23. Mr. Hahn testified that ratepayers should pay no more for the use of these assets after the transfer to EQT, than they would have paid had these assets remained in Peoples LLC's rate base. Id.

The OCA engaged in extensive formal and informal discovery and had numerous discussions with the Applicants as to the proposed transfer of the AVC assets, specifically in regards to how the charges for these long-term contracts would be assessed and charged to ratepayers and what protections were built into the contracts to avoid price escalations. The OCA also had concerns as to the adequacy and continuation of supply at the end of the initial 20-year contract term. The Settling Parties agreed to address these concerns in Paragraphs 31 and 32.

The Settlement provides that Peoples will have the obligation on a going forward basis to establish that the AVC contracts comport with its least cost procurement obligation under Section 1307(f) of the Public Utility Code. Settlement at ¶ 31. Peoples will have the ability to conduct annual audits of how the charges under the AVC contract are being determined, and will provide reports of same to I&E, OSBA and OCA. Id. Further, to ensure that capacity and supply constraint issues will not emerge at the end of the initial 20-year contract term, Peoples negotiated a Right of First Refusal for the continued use of the AVC assets at that time if such an arrangement would be reasonably necessary and commercially acceptable. Settlement at ¶ 32. With the additional commitments and safeguards contained in

the Settlement as to the AVC asset transfer, the OCA submits that a reasonable resolution as to its concerns in this matter has been reached.

D. Financial Protections (Joint Petition, ¶¶ 33, 34, 35, 36, 37, 38 and 39).

OCA witness Hahn testified that certain financial protections and safeguards should be put in place in order to separate regulated operations like Peoples TWP, Peoples LLC and Equitable from the unregulated operations of affiliates of PNG and SteelRiver. OCA St. 1 at 24. Such safeguards are typically referred to as “ring-fencing” measures, and include such provisions as prohibiting the regulated entities from guaranteeing the debt of unregulated affiliates, pledging assets as collateral for funding of unregulated affiliates’ operations, maintaining separate debt and credit ratings, and limiting cash and other contributions from the regulated entities to parent companies. OCA St. 1 at 24.

In the rebuttal testimony of Peoples witness Morgan O’Brien, many of Mr. Hahn’s recommendations as to ring-fencing measures were accepted by Peoples; however, as Mr. Hahn discussed in his Surrebuttal Testimony there was some lack of clarity as to whether those commitments extended only to Peoples LLC, or also included Equitable and Peoples TWP. OCA St. 1-SR at 3. The Settling Parties agreed to address these concerns in Paragraphs 33 through 39. The Settlement provisions therein contain an entire slate of ring-fencing measures, specifically including Peoples and Peoples TWP, that directly address the OCA’s concerns in this regard. Settlement at ¶¶ 33-39. As such, the OCA submits that the financial protections embodied in the Settlement are in the public interest.

E. The Goodwin and Tombaugh Gathering Systems (Joint Petition, ¶ 61).

As part of the transaction, the Goodwin and Tombaugh gathering systems were proposed to be transferred from EQT to Peoples. This matter has been the subject of great controversy between the parties, and in fact the issue of transferring these assets was fully litigated in a prior proceeding before the Commission.<sup>4</sup> OCA witness Hahn testified as to the concerns over the transfer of these assets. OCA St. 1 at 15-21.

As Mr. Hahn explained, the gathering systems currently have high levels of lost and unaccounted for gas (LUFG), appear to be in need of rehabilitation and repair efforts at undetermined levels of cost, and yet are also currently serving over 1500 natural gas customers. OCA St. 1 at 15-21. Mr. Hahn recommended that the Applicants should bear the necessary expense to rehabilitate the gathering systems in order to continue service to the current customers, and that the gathering systems should not be transferred to Peoples such that the costs of repair and rehabilitation would be included in rates. OCA St. 1 at 15-21.

Consistent with the OCA's position in the case below, a thorough and systematic inspection and analysis of these gathering systems should be conducted before any final decision can be reasonably reached as to the ultimate disposition of these assets. The Settling Parties engaged in extensive formal and informal discovery as to this matter, and engaged in numerous, protracted settlement discussions in an effort to forge some reasonable path forward on this matter. The Settling Parties agreed to resolve this matter as set out in Paragraph 61.

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<sup>4</sup> In June of 2012, Equitable submitted a filing to the Commission seeking to acquire the Goodwin and Tombaugh gathering systems from unregulated affiliates of Equitable and EQT. See In re Equitable Gas Company, LLC Docket Nos. R-2012-2312577, G-2012-2312597, and C-2012-2315323. In that matter, a non-unanimous settlement was reached between Equitable, OSBA and OCA. I&E opposed the settlement and the matter was fully litigated before Administrative Law Judge Mary D. Long (ALJ Long). In her Recommended Decision, ALJ Long denied the Application and the settlement. Subsequently, Equitable filed a Petition to Withdraw the matter in its entirety, or alternatively to consolidate the matter with the current Merger Application. The Commission granted Equitable's request.

As to the Goodwin and Tombaugh gathering systems, the Settlement provides that the gathering systems will be initially transferred to a new entity, PNG Gathering LLC; EQT will provide \$5 million to PNG Gathering for the initial analysis, testing and improvements/repairs made during this initial inspection; the Commission's Gas Safety Division will have access to the gathering systems for safety inspections; and, after the initial assessment is complete Peoples will submit a filing to the Commission with a recommendation as to whether the gathering systems should be transferred to Peoples. Settlement at ¶ 61.

As discussed above, the Goodwin and Tombaugh matter has been a highly controversial part of this transaction. The Settlement provision as to this issue is intended to provide all parties with a thorough review and inspection of the gathering systems, to do so in a cost-effective and safe manner, to enable a reasoned decision as to the ultimate disposition of the assets, and importantly, to provide a reasonable path forward to continue the provision of natural gas service to some 1500 Pennsylvania utility customers. The OCA submits that this provision of the Settlement is a substantial step forward in positively addressing an issue of great importance to many of the Parties, and certainly to the customers receiving service from these gathering systems. As such, this agreement represents a reasonable resolution of a difficult issue and is in the public interest.

F. Gas-on-Gas Competition (Joint Petition, ¶ 29).

OCA witness Richard Hahn testified as to one of the possible benefits of the proposed transaction, the elimination of gas-on-gas competition, at least between Equitable and Peoples LLC. OCA St. 1 at 26-27. As Mr. Hahn testified as to prior Commission findings in regard to gas-on-gas competition:

The Commission has found in other proceedings that gas-on-gas competition is not in the public interest.

*Discounts arising from gas-on-gas distribution competition are not in the public interest because they have a negative impact on captive customers. When evaluating the consolidation of two natural gas distribution companies, the Commission must consider whether the proposed consolidation is likely to result in anticompetitive or discriminatory conduct, which will prevent retail gas customers from obtaining the benefits of a properly functioning and effectively competitive retail natural gas market. (66 Pa. C.S. § 2210). A properly functioning and effectively competitive retail natural gas market must be one which assures an opportunity for all customers to benefit — not just a select few.*

OCA St. 1 at 27 (footnote omitted, emphasis in original).

In Rebuttal Testimony Peoples witness Mr. Gregorini explained that post-merger, gas-on-gas competition would be phased out. Joint Applicants St. 4-R at 8. The Settling Parties agreed to incorporate this commitment in Paragraph 29. Settlement at ¶ 29. The OCA submits that this provision provides substantial affirmative public benefits, as the Commission has previously found, gas-on-gas competition is not in the public interest, has a negative impact on captive customers and is inherently discriminatory in practice as only a select few customers can benefit from it.

G. Customer Service (Joint Petition, ¶¶ 55, 62, 63 and 64).

OCA witness Nancy Brockway testified as to her concerns over the lack of any quantifiable commitments by the Joint Applicants to improve customer service as a result of the merger. OCA St. 2 at 7. Ms. Brockway specifically testified that

Any merger poses risks to customers of the merging utilities. Mergers can disrupt the ordinary ways the Applicants had done business. Mergers demand considerable time from management during the early years to meld the cultures and methods of the merging companies. Unless the Applicants put extra effort and resources into the ordinary running of the business, there is a risk that the gas operations will not receive the attention they require, at least in the first several years after a merger closes.

OCA St. 2 at 7. In her Direct Testimony, Ms. Brockway provided a thorough review of current customer service indices for Equitable, Peoples LLC and Peoples TWP. OCA St. 2 at 8-17. After review of the Applicants' current customer service indices, Ms. Brockway recommended that the Applicants should commit to the following heightened level of customer service metrics:

- a) percent of calls answered within 30 seconds = at least 82%,
- b) busy-out rate = no more than 0.25%,
- c) call abandonment rate = no higher than 2.5%, and
- d) percent response within 60 minutes to emergency calls = at least 99.00%.

OCA St. 2 at 15.

The Settling Parties agreed to address these concerns in Paragraphs 55, 62, 63 and

64. Specifically, for Peoples the Settlement provides:

Peoples will commit to achieve and maintain the following levels of performance in the following customer service metrics in each of the next five years for its Peoples and Equitable Divisions:

- (a) percent of calls answered within 30 seconds of at least 82%,
- (b) busy-out rate of no more than 0.25%,
- (c) call abandonment rate that is no higher than 3% for 2014, 2015 and 2016, and 2.5% for 2017 and 2018,
- (d) percent response within 60 minutes to emergency calls of at least 98.5% for 2014, 2015 and 2016 and 99% for 2017 and 2018.

Settlement at ¶ 62. These provisions will ensure that customers of Peoples will see measurable improvements in customer service as a result of the merger. As to Peoples TWP, the Settlement provides that the heightened customer service metrics agreed to in the SteelRiver acquisition of TWP will be extended for an additional two years. Id. Peoples has also agreed to conduct

further studies on improving customer service and to make copies of those studies available to the participants in this proceeding, and to track and provide a report to I&E, OSBA and OCA as to its progress toward achieving the agreed-to customer service metrics. Settlement at ¶¶ 63, 64. As such, the OCA submits that these provisions provide substantial affirmative benefits and are in the public interest.

H. Universal Service (Joint Petition, ¶¶ 69, 70, 72 and 73).

OCA witness Nancy Brockway testified as to her concerns over the lack of any quantifiable commitments by the Joint Applicants to improve universal service as a result of the merger. OCA St. 2 at 7. Ms. Brockway specifically testified that Peoples should establish a Universal Service Advisory Group in order to identify best practices and work towards a seamless integration of the Peoples LLC and Equitable universal service programs. OCA St. 2 at 23. In addition, Ms. Brockway testified that Peoples should include a discussion of the Earned Income Tax Credit (EITC) with potential universal service participants and also should investigate certain barriers to participation in the Low Income Usage Reduction Program (LIURP), such as housing deficiencies and landlord consent issues that preclude participation in LIURP for some customers. OCA St. 2 at 23-31. After a review of each of the Joint Applicants' current LIURP spending, Ms. Brockway also recommended increased levels of spending for each utility. OCA St. 2 at 26.

The Settling Parties agreed to address these concerns in Paragraphs 69, 70 and 73. The Settlement provides for the creation of a broad-based Universal Service Advisory Group to meet quarterly and to discuss all aspects of universal service, consistent with the recommendations of Ms. Brockway. Settlement at ¶ 69. The Settlement provides that Peoples will manage Equitable's CAP program similar to that of the current Peoples LLC program and

that it will seek to streamline and enhance the CAP program. Settlement at ¶ 70. The Settlement further provides for additional, annual LIURP funding of \$150,000 for Peoples LLC, \$100,000 for Equitable and \$25,000 for Peoples TWP for the next four years. All additional LIURP funding as just set out will be funded by shareholders of each utility. Settlement at ¶ 73.

OCA witness Brockway also testified as to the current state of each Joint Applicants' hardship fund arrangements, as administered by the Dollar Energy Fund. OCA St. 2 at 24-25. After review of each utility's current funding levels, Ms. Brockway testified that:

I recommend that, as a condition of the merger, the shareholders of each Applicant commit to increase its total donation (administrative and matching) to the Dollar Energy Fund by 10% for the next 5 years.

OCA St. 2 at 25. The Settling Parties agreed to address this concern in Paragraph 72. The Settlement provides that Ms. Brockway's recommendation is adopted in full, and that Peoples will investigate potential ways to increase customer contributions to the Dollar Energy Fund and provide a report to the Commission and the OCA on this issue. The OCA submits that these provisions provide meaningful commitments to the universal service programs for all three utilities, provide substantial affirmative benefits and are in the public interest.

I. Community Commitment (Joint Petition, ¶¶ 74 and 75).

OCA witness Brockway noted in her Direct Testimony that the Applicants had committed to maintaining at least the same level of charitable contributions for Equitable for a period of five years after closing, although no similar commitment had been made as to Peoples LLC. OCA St. 2 at 32-33. The Settling Parties agreed to address this concern in Paragraphs 74. The Settlement provides that corporate contributions and community support will remain at least at the same levels as Equitable and Peoples LLC each provided in 2012 for a period of at least 5 years. Settlement at ¶ 74. Further, the Settlement provides that certain services being performed



for Equitable outside of its Pennsylvania service territory will be returned to the Peoples service area within five years. Settlement at ¶ 75. The OCA submits that these provisions provide benefits to the local communities and are in the public interest.

J. Additional Matters (Joint Petition, ¶¶ 56, 57, 77, 88, 89, 90, 91 and 92).

Although the OCA did not directly address worker protections, competitive market issues or the conservation and energy efficiency issues raised by some of the other participants, certain provisions of the Settlement that address those concerns are of substantial importance to consumers and the public. The OCA will briefly comment on these important issues here, as further support for the Settlement.

On July 10, 2013, ALJ Hoyer held a telephonic public input hearing in this matter. Representative William Kortz testified on the record that he had concerns about employees of Peoples LLC and Equitable who might be in need of some type of job placement assistance as the new entity seeks to maximize synergies in the post-merger environment. The Settling parties agreed to address these concerns in Paragraphs 56 and 57. As the Settlement provides in the Direct Testimony of Morgan O'Brien, Peoples committed to the protection of jobs for workers covered by collective bargaining agreements. Settlement at ¶ 56. Further, the Settlement provides for job placement assistance to any employees of Peoples LLC or Equitable who may need this service in the post-merger reorganization. Settlement at ¶ 57.

In paragraphs 77, and 88 through 92, the Settling Parties have agreed to a slate of improvements to enhance retail choice activities for all stakeholders. Settlement at ¶¶ 77, 88-92. These agreements seek to enhance and streamline the exchange of information between the NGDCs and the NGSs, and also to provide additional information on shopping for customers.

These provisions should assist in the development of the competitive retail market for natural gas supply.

Paragraphs 107 through 114 of the Settlement address energy efficiency and conservation issues raised by PennFuture in this matter. Settlement at ¶¶ 107-114. The OCA has no objection to these provisions of the Settlement, and looks forward to participating in the collaborative process as provided for therein.

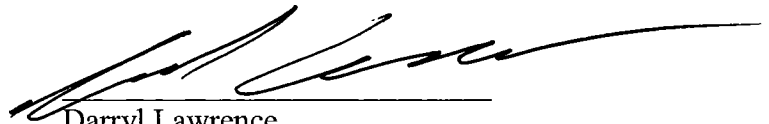
K. Conclusion.

The OCA supports the Settlement as containing substantial affirmative benefits for the public in various key areas and as providing necessary protections for the regulated operations. The Settlement effectively resolves all of the issues that the OCA raised and investigated during the course of this proceeding. Although, as with all settlements, it is a product of compromise, the OCA submits that the broad spectrum of benefits contained in the Settlement are in the public interest and should be accepted by ALJ Hoyer and the Commission.

III. CONCLUSION

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

Respectfully Submitted,



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Dated: October 7, 2013

174629

# Appendix I

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b>Joint Application of Peoples Natural Gas</b>	:	
<b>Company LLC, Peoples TWP LLC, and</b>	:	
<b>Equitable Gas Company, LLC for All of</b>	:	
<b>The Authority and the Necessary</b>	:	
<b>Certificates of Public Convenience (1) to</b>	:	
<b>Transfer All of the Issued and Outstanding</b>	:	
<b>Limited Liability Company Membership</b>	:	
<b>Interest of Equitable Gas Company, LLC to</b>	:	
<b>PNG Companies, LLC, (2) to Merge Equitable</b>	:	
<b>Gas Company, LLC with Peoples Natural Gas</b>	:	<b>Docket Nos. A-2013-2353647</b>
<b>Company LLC, (3) to Transfer Certain Storage</b>	:	<b>A-2013-2353649</b>
<b>and Transmission Assets of Peoples Natural Gas</b>	:	<b>A-2013-2353651</b>
<b>Company LLC to Affiliates of EQT Corporation,;</b>	:	
<b>(4) to Transfer Certain Assets between Equitable:</b>	:	
<b>Gas Company, LLC and Affiliates of EQT</b>	:	
<b>Corporation, (5) for Approval of Certain</b>	:	
<b>Ownership Changes Associated with the</b>	:	
<b>Transaction, (6) for Approval of Certain</b>	:	
<b>Associated Gas Capacity and Supply</b>	:	
<b>Agreements, and (7) for Approval of Certain</b>	:	
<b>Changes in the Tariff of Peoples Natural Gas</b>	:	
<b>Company LLC</b>	:	

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

**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”), Peoples TWP LLC (“Peoples TWP”), and Equitable Gas Company, LLC (“Equitable”) (hereinafter collectively “Joint Applicants”), are adequately represented and protected.

## **II. PROCEDURAL BACKGROUND**

The Application was filed by the Joint Applicants on March 19, 2013, requesting all necessary approvals authorizing: (1) the proposed transfer of membership interests and acquisition of rights of Equitable, an indirect subsidiary of EQT Corporation (“EQT”) to PNG Companies LLC (“PNG”), an indirect subsidiary of SteelRiver Infrastructure Fund North America LP (“SRIGNA”); (2) the merger of Equitable with Peoples, and the operation of Equitable as an operating division of PNG; (3) the transfer of certain storage and transmission assets of Peoples to EQT; (4) the transfer of certain assets and/or the exchange of services between EQT and Equitable; (5) certain PNG ownership changes associated with the transaction; (6) certain associated gas capacity, storage, interconnects, leases, and supply services agreements among Peoples, Peoples TWP, Equitable, and/or EQT; and (7) certain changes in Peoples’ tariff necessary to carry out the proposed transactions (collectively, the “Proposed Transaction”).

On April 8, 2013, the Commission’s Bureau of Investigation and Enforcement (“I&E”) entered a Notice of Appearance. The OSBA filed a Notice of Intervention and Protest on April 10, 2013. A Notice of Intervention and Protest was filed by the Office of Consumer Advocate (“OCA”) on April 11, 2013.

Petitions to Intervene and Protests were also filed by the Pennsylvania Independent Oil and Gas Association (“PIOGA”), Dominion Retail, Inc. and Interstate Gas Supply, Inc. (collectively “NGSs”), Utility Workers Union of America, Local 666 (“UWUA”); The Pennsylvania State University (“PSU”); Snyder Brothers, Inc.; United Steelworkers International Union, Local 12050 (“Steelworkers”); International Brotherhood of Electrical Workers, Local

1956 (“IBEW”); Peoples-Equitable Merger Intervenors (“PEMI”), and United States Steel Corporation (“US Steel”). The Retail Energy Supply Association (“RESA”) and Dominion Transmission Inc. also filed and subsequently withdrew Petitions to Intervene and therefore are no longer parties to this proceeding.

On April 17, 2013, the Joint Applicants served their Direct Testimony and accompanying exhibits.

An initial prehearing conference was held on May 9, 2013, before Administrative Law Judge (“ALJ”) Mark A. Hoyer, at which time a procedural schedule was established.

The active parties engaged in extensive formal and informal discovery, both prior to and subsequent to the initial prehearing conference.

On May 29, 2013, the Joint Applicants served Supplemental Direct testimony and accompanying exhibits.

The OSBA served the Direct, Rebuttal, and Surrebuttal Testimony of Brian Kalcic, on July 4, 2013; August 19, 2013; and September 6, 2013, respectively. These were marked as OSBA Statement No. 1, the Direct Testimony of Brian Kalcic; OSBA Statement No. 2, the Rebuttal Testimony of Brian Kalcic; and OSBA Statement No. 3, the Surrebuttal Testimony of Brian Kalcic. Direct, Rebuttal, and Surrebuttal Testimony were also served by certain other active parties.

Prior to the evidentiary hearing, the active parties reached a settlement in principle, with the exception of PennFuture. At the evidentiary hearing on September 11, 2013, the ALJ was apprised of the settlement in principle, the issues raised by PennFuture were litigated, and the parties’ testimony was admitted to the record.

Subsequent to the evidentiary hearing, the Joint Applicants and PennFuture were able to resolve the outstanding issues raised by PennFuture.

The OSBA actively participated in the settlement 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**

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 Joint Applicants’ Small C&I customers.

#### **A. Extension and/or Maintenance of Competitive Service Contracts (Joint Petition at p. 10, ¶32)**

The Joint Applicants proposed to maintain or extend certain existing discounted delivery rate contracts for a minimum of five years from the closing of the Proposed Transaction. The applicable discounts are those received by Equitable customers whose sole competitive option includes Peoples/People TWP and Peoples/Peoples TWP customers whose sole competitive option is Equitable. The Joint Applicants proposed to maintain/extend such contracts for five years from the date of closing of the Proposed Transaction, or through the end of the contract by its own terms, whichever is later.

NGS witness James L. Crist went even further than the Joint Applicants recommending that there be specific competitive protections in place to preserve competitive service contracts for those customers that currently have them and that such protections should remain in place for not five, but for twenty years.<sup>1</sup>

In his Direct Testimony, OSBA witness Brian Kalcic noted that the Joint Applicants serve 216 such customers at discounted rates that provide for an aggregate delivery discount of

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<sup>1</sup> NGS Statement No. 1 at 33.



\$15.615 million per year. This revenue shortfall is recovered from the Joint Applicants' remaining customers that pay full tariff rates for delivery service.<sup>2</sup>

Mr. Kalcic recommended that the Commission should impose a condition that requires Peoples and Peoples TWP to impute revenues contributed by competitive service customers that have a rate discount solely as a result of competition between Peoples/Peoples TWP and Equitable using the applicable full retail rate for delivery service in any base rate proceeding filed during the duration of the applicable contract extensions.<sup>3</sup>

Mr. Kalcic also explained that currently there is a pending statewide generic investigation initiated by the Commission regarding gas-on-gas competition between natural gas distribution companies ("NGDCs") at Docket Nos. P-2011-2277868 and I-2012-2320323 ("Gas-on-Gas Investigation"). This investigation will address whether or not NGDCs should be permitted to offer rate discounts in response to gas-on-gas competition as a result of overlapping service territories going forward.<sup>4</sup>

The Joint Applicants opposed the OSBA's proposed condition that the Commission require Peoples and Peoples TWP to impute revenues contributed by competitive service customers in any base rate proceeding filed during the duration of the applicable contract extensions.<sup>5</sup>

The Joint Petition resolves the extension of discounted delivery rate contracts as follows:

If the Commission determines in the Investigation at Docket No. I-2012-2320323, that all natural gas distribution companies that offer discounted distribution rates must absorb all or a portion of gas on gas discounts by the effective date of Peoples' or Peoples

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<sup>2</sup> OSBA Statement No. 1 at 5.

<sup>3</sup> *Id.* at 7.

<sup>4</sup> *Id.* at 6.

<sup>5</sup> Joint Applicants Statement No. 4R at 3-8.

TWP's next general rate proceeding, Peoples and Peoples TWP agree to impute revenues for those competitive service customers whose rate discounts are solely the result of competition between the Joint Applicants (Peoples, Peoples TWP and Equitable), to the extent required, and at the levels proscribed, by the Commission's action at Docket No. I-2012-2320323, in the test period used to establish rates. Nothing in this paragraph shall be construed to prohibit Peoples or Peoples TWP from contending in such proceeding that the tariff rates for classes of customers receiving such discounts be set at the cost to serve tariff rate.<sup>6</sup>

The OSBA determines that the Joint Petition is reasonable and in the best interest of the Joint Applicants' Small C&I customers with respect to the extension of competitive service contracts. The Joint Petition permits the Joint Applicants to extend the applicable contracts as proposed. However, if the Gas-on-Gas Investigation results in a finding that discounted rates must be absorbed by NGDCs, Peoples/Peoples TWP will be required to impute revenues for those competitive service customers whose rate discounts are the result of competition between the Joint Applicants in the test period used to establish rates. Effectively, the Joint Petition does not permit the results of the Gas-on-Gas Investigation to be trumped by the terms of the settlement in this proceeding.

**B. Long-Term Commercial Agreements  
(Joint Petition at p. 11, ¶35)**

As part of the Proposed Transaction, the Joint Applicants propose to enter into certain long-term commercial agreements with EQT and/or its subsidiaries. These agreements include the following 20-year transportation and/or storage agreements with EQT: (1) the Sunrise Transportation Agreement; (2) the Sunrise Transportation and Storage Agreement; and (3) the

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<sup>6</sup> Joint Petition at 10, ¶32.

Peoples Asset Transportation and Storage Agreement (collectively the “Commercial Agreements”).<sup>7</sup>

The Joint Applicants believe that the 20-year terms of the Commercial Agreements are necessary to ensure that capacity is available to satisfy their long-term growth forecast.<sup>8</sup>

However, Mr. Kalcic explained that changes in either the Joint Applicants’ long-term growth forecast and/or changes in the natural gas market over the next twenty years could render one or more of these long-term agreements uneconomic. Therefore, ratepayers would assume the risk of the Commercial Agreements if they are approved as proposed.<sup>9</sup>

In order to ensure that ratepayers do not bear such risk, Mr. Kalcic recommended that the Commission should impose a condition that requires Peoples and Peoples TWP to bear the burden of proof going forward that the Commercial Agreements are consistent with a least cost gas procurement policy.<sup>10</sup>

The Joint Petition resolves the issue as follows:

The Peoples Division PGC rates to sales and transportation customers will be adjusted on one day’s notice following the Closing to reflect the charges for services to be provided by Equitrans, L.P. (“Equitrans”) on the Allegheny Valley Connector (“AVC”) and adjustments to retainage rates approved in Peoples 1307(f)-2013 proceeding to remove retainage to be charged on the transferred assets as set forth in “**Appendix B**”. The Peoples Division rates shall be adjusted to reflect costs under the new agreements for capacity and supply on an actual basis in quarterly PGC filings and in the next Peoples’ Division annual PGC filing pursuant to Section 1307(f) of the Public Utility Code. The Peoples rates shall continue to be subject to reconciliation to actual costs pursuant to Section 1307(f) of the Public Utility Code.

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<sup>7</sup> OSBA Statement No. 1 at 8.

<sup>8</sup> *See, e.g.*, Joint Applicants’ Response to I&E-I-014(E) and I&E-II-031(A).

<sup>9</sup> OSBA Statement No. 1 at 9.

<sup>10</sup> *Id.*

*Peoples agrees to demonstrate that it is managing these agreements to comply with its least cost procurement obligation in its annual Section 1307(f) filings. Peoples will have the right to conduct an annual audit of the computation of any charges under the AVC agreement with the cooperation of EQT and provide that report to I&E, OCA and OSBA.*<sup>11</sup>

The OSBA determines that the Joint Petition is reasonable and in the best interest of the Joint Applicants' Small C&I customers with respect to the Commercial Agreements. As stated above, Peoples agrees to “*demonstrate that it is managing [the Commercial Agreements] to comply with its least cost procurement obligation in its annual Section 1307(f) filings.*” This agreement by Peoples reasonably resolves the OSBA's concern about the economic risks of these long-term agreements.

### **C. Retainage**

PIOGA witness Louis D. D'Amico argued in his direct testimony that marketers or producers should not be required to pay for any unaccounted for gas (“UFG”) associated with gas deliveries to the Joint Applicants' Goodwin System, where, historically, UFG levels have been shown to be excessive.<sup>12</sup> Alternatively, Mr. D'Amico recommends that if retainage is to continue to be recovered from marketers or producers operating on the Goodwin system, such retainage should be limited to some reasonable level.<sup>13</sup>

Mr. Kalcic responded that to the extent the Commission adopts PIOGA's position to limit and/or eliminate the retainage rate that applies to marketers or producers, the Commission should not permit Peoples or Peoples TWP to collect from ratepayers otherwise unrecovered UFG costs (*i.e.*, costs previously recovered from producers).

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<sup>11</sup> Joint Petition at 11, ¶35 (emphasis added).

<sup>12</sup> PIOGA Statement No. 1 at 15.

<sup>13</sup> *Id.*

The Joint Petition is reasonable and in the best interest of the Joint Applicants' Small C&I customers because it does not adopt PIOGA's position to relieve marketers' and producers' of certain retainage obligations.

**D. Demand-Side Management Program  
(Joint Petition at pp. 36-38, ¶¶107-114)**

The OSBA opposed the proposal made by PennFuture witness John J. Plunkett to implement a five-year Demand-Side Management ("DSM") program with a total budget of \$205 million to be recovered from ratepayers.<sup>14</sup> Because the settlement between the Joint Applicants and PennFuture does not implement this proposal and reserves the rights of all parties with respect to any future DSM proposals, the OSBA does not oppose it.

**E. Public Benefit**

The legal standard for approval of public utility mergers and acquisitions was determined by the Pennsylvania Supreme Court in *City of York v. Pa. P.U.C.*, 449 Pa. 136, 295 A.2d 825 (Pa. 1972) and *Popowsky v. Pennsylvania P.U.C.*, 594 Pa. 583, 937 A.2d 1040 (Pa. 2007). In *City of York*, the court stated, in relevant part:

[A] certificate of public convenience approving a merger is not to be granted unless the Commission is able to find affirmatively that public benefit will result from the merger . . . . [T]hose seeking approval of a utility merger [are required to] demonstrate more than the mere absence of any adverse effect upon the public . . . . [T]he proponents of a merger [are required to] demonstrate that the merger will affirmatively promote the 'service, accommodation, convenience, or safety of the public' in some substantial way.

In *Popowsky*, the court determined, in pertinent part:

[T]he appropriate legal framework requires a reviewing court to determine whether substantial evidence supports the Commission's finding that a merger will affirmatively promote the service, accommodation, convenience, or safety of the public in some substantial way. In conducting the underlying inquiry, the

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<sup>14</sup> OSBA Statement No. 2 at 3-4.

Commission is not required to secure legally binding commitments or to quantify benefits where this may be impractical, burdensome, or impossible; rather, the PUC properly applies a preponderance of the evidence standard to make factually-based determinations . . . concerning certification matters.

The Joint Applicants claimed a number of affirmative public benefits described in detail at pp. 41-55 of the Application and the OSBA will not repeat them here. Through extensive discovery and settlement negotiations, the OSBA determines that the Proposed Transaction, as modified by the Joint Petition, satisfies the required substantial affirmative public benefit standard.

Furthermore, settlement of this proceeding avoids the litigation of complex, competing proposals and saves the possibly significant costs of further administrative proceedings. Such costs are borne not only by the parties, but ultimately by the Joint Applicants' customers as well. Avoiding further litigation of this matter will serve judicial efficiency, and will allow the OSBA to more efficiently employ its resources in other areas. Approval of the Joint Petition is thus in the public interest.

**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 Hoyer and the Commission approve the Joint Petition in its entirety without modification.

Respectfully submitted,



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Dated: October 7, 2013

# Appendix J



BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Application of Peoples Natural Gas	:	
Company LLC, Peoples TWP LLC, and	:	
Equitable Gas Company, LLC for All of the	:	
Authority and the Necessary Certificates of	:	
Public Convenience (1) to Transfer All of the	:	Docket Nos. A-2013-2353647
Issued and Outstanding Limited Liability	:	A-2013-2353649
Company Membership Interest of Equitable Gas	:	A-2013-2353651
Company, LLC to PNG Companies LLC, (2) to	:	
Merge Equitable Gas Company, LLC with	:	
Peoples Natural Gas Company LLC, (3) to	:	
Transfer Certain Storage and Transmission	:	
Assets of Peoples Natural Gas Company LLC to	:	
Affiliates of EQT Corporation, (4) to Transfer	:	
Certain Assets between Equitable Gas	:	
Company, LLC and Affiliates of EQT	:	
Corporation, (5) for Approval of Certain	:	
Ownership Changes Associated with the	:	
Transaction, (6) for Approval of Certain	:	
Associated Gas Capacity and Supply	:	
Agreements, and (7) for Approval of Certain	:	
Changes in the Tariff of Peoples Natural Gas	:	
Company LLC.	:	

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**NATURAL GAS SUPPLIER PARTIES’  
STATEMENT IN SUPPORT OF SETTLEMENT**

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TO THE HONORABLE MARK A. HOYER, PRESIDING ADMINISTRATIVE LAW JUDGE

**AND NOW**, come Dominion Retail, Inc. d/b/a Dominion Energy Solutions (“DES”) and Interstate Gas Supply, Inc. d/b/a IGS Energy (“IGS”)(collectively “NGS Parties”), and hereby submit their Statement in Support of the Joint Petition for Approval of Settlement of All Issues (“Settlement”) being filed simultaneously herewith. The NGS Parties believe that this

Settlement is in the public interest and should be approved by the Pennsylvania Public Utility Commission (“Commission”) as presented and hereby request such relief. In support thereof, the NGS Parties state and aver as follows:

## **I. BACKGROUND**

1. This proceeding began on or about March 19, 2013, when the Joint Applicants--Peoples Natural Gas Company (“Peoples”), Peoples TWP (“TWP”), and Equitable Gas Company (“Equitable”), which is a wholly-owned subsidiary of EQT Corporation (“EQT”) filed a Joint Application as captioned above. Among other things, the Joint Application seeks Commission approval of the transfer of 100% of the issued and outstanding limited liability membership interest and Equitable to PNG Company LLC, which is an indirect subsidiary of Steel River Infrastructure from North America LP; the merger of Equitable with Peoples, which is a wholly-owned subsidiary of PNG, the operation of Equitable as a division of PNG; the transfer of a certain storage and transmission assets of Peoples to EQT (“midstream assets”), the transfer of certain assets and exchange for services between EQT and Equitable and other changes including the discontinuation of contracts for transportation and storage of natural gas with third parties.

2. The NGS Parties filed a timely Petition to Intervene which was granted at the Pre-hearing Conference held before the Presiding Administrative Law Judge Mark A. Hoyer (“ALJ”) on May 9, 2013.

3. In their Petition to Intervene, the NGS Parties identified a number of concerns with regard to the proposed transactions, chief among these being the transfer of the midstream assets currently being used by Peoples, to EQT. These midstream assets, which will be renamed as the “Allegheny Valley Connector” or “AVC” after the transaction is completed, currently are

one of the primary means of serving captive distribution customers for Peoples and NGSs operating on the Peoples system. EQT intends to expand the use of the AVC, which will become FERC regulated, to transport unconventional gas, that is, gas produced through the Marcellus Shale wells, and other gas, to interstate pipelines.

4. Also among the concerns voiced in the Pre-hearing Conference Memorandum, was the elimination of the rather substantial transportation and storage contract with DTI. The DTI contract currently is the primary source of interstate pipeline transportation and upstream storage employed by Peoples, and Peoples seeks the substitution of two new contracts with EQT (one for capacity and one for natural gas supply) under terms that the suppliers believe would be less favorable than the service being provided by DTI.

5. Another concern raised by the NGS Parties is the elimination of certain services currently provided by Peoples, including tariff storage rates ST-SW, and the modifications to other programs, including the BB&A arrangements and the NP-1 storage rate.

6. The NGS Parties further developed and expanded this list of concerns through the Direct, Rebuttal, and Surrebuttal Testimony of their witness, Mr. James L. Crist. At the same time, however, the parties engaged in settlement discussions which ultimately proved to be successful and which produced a non-unanimous settlement that included all parties but one-- PennFuture. The Non-Unanimous Settlement included an agreement among the settling parties to waive cross examination and stipulate testimony and exhibits into the record. Consequently, the only witness who was cross-examined at the hearing was Mr. Plunkett, who appeared for PennFuture. Subsequent to hearing, PennFuture achieved a separate settlement with the Joint Applicants, on which the NGS Parties take no position. Those two settlements are incorporated herein.

## II. THE SETTLEMENT

7. The Settlement contains a number of conditions which are intended to address the concerns raised by the NGS Parties and other similarly situated parties throughout the course of the litigation in this proceeding, involving the future operation of the involved NGDC's service territories and the impact on suppliers serving customers and the preservation of the competitive market, particularly on the Peoples' system. These provisions will help to ease the transition from the current mode of operation for the suppliers used for serving customers on the Peoples and the new paradigm with the elimination of the DTI transportation and storage capacity and the transfer of the midstream assets to EQT.

8. These NGS/producer focused provisions include:

- A 20-year contract requirement on the AVC Service to be provided by EQT, which includes a Right of First Refusal (Paragraph 36);
- A collaborative to address retail supply competition (Paragraph 81);
- A program that would allow NGSs to have access to some of Peoples' non-AVC capacity (Paragraph 82);
- Provisions that address a host of operational issues to ensure that service on the AVC does not radically change and importantly preventing producers from being pressured out; and, a number of other operational benefits to ensure that the suppliers are able to serve their customers using the AVC much the same way as they do today (Paragraph 83);
- A revised program to address NP-1 customer balancing without the midstream assets and on-system storage (Paragraph 84);

- A revision to the BB&A program occasioned by the transfer to EQT of the midstream assets that currently are used to provide this service (Paragraph 88);
- A collaborative to discuss a new and moving customer referral program (Paragraph 95);
- The potential to upgrade Equitable's Purchase of Receivables Program to something that looks more like that provided by Peoples (Paragraph 96);
- A program to allow suppliers more robust access to AVC storage than otherwise might be available, because the storage assets will be operated by EQT (Paragraph 101); and,
- A number of restrictions on the interaction between Homeworks and Peoples as that company will be transferred to Peoples and operated as an affiliate of Peoples (Paragraphs 102-104).

9. The general goal of these provisions is to replace and/or augment services currently provided by Peoples, with alternatives that will be necessary because a significant part of the Peoples' system, namely the midstream assets and the DTI transportation/storage contract, will be operated by a third party, or new party, as the case may be, whose primary objective will not be serving Peoples' customers, but will be to maximize its profits for services that include serving Peoples' customers.

10. Other provisions, such as the collaborative to promote retail supply competition, the new and moving customer referral programs and the review of the Equitable POR Program, are intended to improve competition, both on the Peoples' system and on the entire system that will include Peoples, TWP and Equitable. Finally, the provisions with regard to the Homeworks transfer are restrictive in nature and are designed to ensure that Peoples does not operate

Homeworks in a manner that will detrimentally affect other providers of the same sorts of services.

11. Paragraphs 82, 83, 84, 88, and 101 are necessary and reasonable to allow competitors, such as Dominion and IGS, to continue to operate on the Peoples' system in a generally unimpeded fashion relative to the way they operate today. The record in this case is replete with evidence showing that the transfer of assets and re-contracting for transport and supply with EQT, if not abated or modified, will have negative impacts on suppliers. These provisions are intended to ameliorate those negative impacts. Without these provisions it would be almost operating it like operating on a completely different system--one that did not necessarily enhance the ability of competitive suppliers to do business. In other words, without these requirements, the Peoples' system could have moved from being one of the best competitive marketplaces in the Commonwealth to one of the worst.

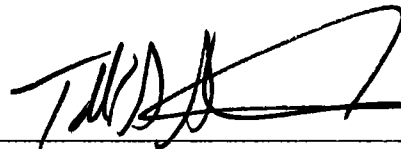
12. The operational concerns addressed in Paragraph 83 in particular, will allow suppliers that use gas produced on the Peoples' system as a continued source of low-cost supply for customers on the Peoples' system, as opposed to bringing gas in through interstate pipelines. Using locally produced gas continues to be a priority of the Commonwealth and should continue to be promoted. These operational enhancements will prevent producers currently delivering gas onto the Peoples' system from being "pressured out" by increasing pressures on the AVC, among other things. It also will allow for the continued use of existing delivery points and will provide others protections to ensure that suppliers and NGSs who own or purchase local production, will not be disadvantaged by the merger.

13. As a whole, the settlement represents a reasonable compromise that allows the merger to be consummated, while at the same time, ensuring that neither the Peoples' system,

nor the other affiliated NGDCs, will take a step backwards in terms of the ability of suppliers to fairly compete on the systems. Accordingly, the NGS Parties ask the Commission to approve this settlement without modification as being in the public interest.

**WHEREFORE**, The NGS Parties respectfully request that the Commission approve the Settlement as presented, noting that the NGS Parties take no position on Paragraphs 107-114, without modification and with all due haste.

Respectfully submitted,



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*Counsel for Dominion Retail, Inc., and  
Interstate Gas Supply, Inc.*

Dated: October 7, 2013

# Appendix K



**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Application of Peoples Natural Gas	:	
Company LLC, Peoples TWP LLC, and	:	
Equitable Gas Company, LLC for All of the	:	
Authority and the Necessary Certificates of	:	
Public Convenience (1) to Transfer All of the	:	
Issued and Outstanding Limited Liability	:	
Company Membership Interest of Equitable	:	
Gas Company, LLC and PNG Companies,	:	
LLC, (2) to Merge Equitable Gas Company,	:	
LLC with Peoples Natural Gas Company	:	Docket Nos. A-2013-2353647
LLC, (3) to Transfer Certain Storage and	:	A-2013-2353649
Transmission Assets of Peoples Natural Gas	:	A-2013-2353651
Company LLC to Affiliates of EQT	:	
Corporation, (4) to Transfer Certain Assets	:	
between Equitable Gas Company, LLC and	:	
Affiliates of EQT Corporation, (5) for	:	
Approval of Certain Ownership Changes	:	
Associated with the Transaction, (6) for	:	
Approval of Certain Associated Gas Capacity	:	
and Supply Agreements, and (7) for Approval	:	
of Certain Changes in the Tariff of Peoples	:	
Natural Gas Company LLC	:	

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

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The Pennsylvania Independent Oil & Gas Association (PIOGA) respectfully requests Commission approval of the “Joint Petition for Approval of Settlement of All Issues” (Settlement) in this proceeding. PIOGA submits this Statement in Support of approval of the Settlement to explain how the Settlement resolves issues PIOGA addressed in this proceeding.

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 (POGAM) into the Independent Oil and Gas Association of

Pennsylvania (IOGA of PA). PIOGA members include producers and marketers of both Pennsylvania “conventional” or shallow natural gas and natural gas from “unconventional” formations for delivery into the pipelines owned or operated by EQT affiliates, Peoples Natural Gas Company, LLC (Peoples) and Peoples TWP LLC (PTWP),<sup>1</sup> in particular the Peoples’ high pressure transmission pipelines to be transferred to EQT affiliate Equitrans, LP to be operated as part of the Allegheny Valley Connector (AVC) system subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC).<sup>2</sup> PIOGA also has an innovative arrangement with Peoples, the Production Enhancement Agreements (PA PES) entered into in 2002, 2005 and 2008, to increase the flow of Pennsylvania-produced conventional natural gas into the Peoples pipeline system.<sup>3</sup> The PA PES program has produced significant benefits to Peoples and its ratepayers.<sup>4</sup>

It is undisputed that PIOGA member Pennsylvania conventional natural gas has served a significant base load function in the Joint Applicants’ provision of least cost gas to their customers.<sup>5</sup> It is clear that there is continuing need for Pennsylvania-produced conventional natural gas on the Joint Applicants’ systems because of pressure or capacity constraints that prevent the transportation of the higher pressure unconventional production.<sup>6</sup> It is also undisputed – and a driver of the Transaction – that unconventional production from Pennsylvania

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<sup>1</sup> PIOGA St. No. 1 (D’Amico) at 1:5-20.

<sup>2</sup> PIOGA St. No. 1 at 3:16–4:2; 23:14-22; Jt Applicants St. No. 2 (O’Brien) at 13:12–14:7; Jt Applicants St. No. 3-R (Dalena) at 4:3-5.

<sup>3</sup> PIOGA St. No. 1 at 10:3–11:13.

<sup>4</sup> PIOGA St. No. 1 at 11:14–12:5.

<sup>5</sup> PIOGA St. No. 1 at 3:12-16; 7:1–8:3.

and West Virginia will constitute an increasingly significant portion of the Joint Applicants' least cost natural gas supply going forward.<sup>7</sup>

One of PIOGA's primary concerns in this case has been the potential adverse effects on PIOGA member conventional production into the Peoples pipelines to be transferred to Equitrans for the AVC system, because of increases in line pressures caused by increased transportation of unconventional natural gas supplies as a result of this transaction.<sup>8</sup> The Settlement resolves PIOGA's concerns in a manner PIOGA believes is reasonable under the unique circumstances of this complex and complicated transaction. The Settlement requires EQT to provide notice not required by FERC for increases in AVC system operating pressures greater than 15%<sup>9</sup> and additional notice beyond FERC requirements for increases in maximum allowable operating pressure (MAOP).<sup>10</sup> The Settlement also provides for the installation of facilities that may be necessary to maintain and enhance the current level of Pennsylvania conventional production flowing into the AVC system,<sup>11</sup> first using unspent PA PES project funds,<sup>12</sup> which satisfies PIOGA's concerns with respect to these funds.<sup>13</sup> The Settlement contains additional provisions to enhance the throughput of locally produced conventional supplies on the Peoples system which would otherwise be precluded by capacity constraints by (1) requiring Peoples to identify

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<sup>6</sup> See, e.g., PIOGA Exh. LDD-1, pp. 11, 13.

<sup>7</sup> PIOGA St. No. 1 at 8:6-22; 22:15-19; see Jt Applicants St. No. 2 at 22:8-12; 22:19-23:6; Jt Applicants St. No. 3-R at 16:17-19; Jt Applicants St. No. 5-R (Nehr) at 2:7-4:9; 15:22-16:4.

<sup>8</sup> PIOGA St. No. 1 at 21:24-22:8; 22:15-23:13; 24:11-14; PIOGA St. No. 1-S at 6:8-8:10; see Jt Applicants St. No. 3-R 16:4-9, 14-17.

<sup>9</sup> Settlement, ¶83(d)(i).

<sup>10</sup> Settlement, ¶83(d)(ii).

<sup>11</sup> Settlement, ¶83(d)(iii).

<sup>12</sup> Settlement, ¶83(d)(iv).

<sup>13</sup> PIOGA St. No. 1 at 21:18-22:8.

alternate opportunities for these deliveries<sup>14</sup> and (2) providing for the creation of interconnections between the Equitable Gas Company and Peoples systems.<sup>15</sup>

The Settlement also mitigates the potential disruption of current marketer operations on the Peoples system as a result of the transfer of Peoples transmission and storage assets to Equitrans for the AVC system through reasonable modifications to the initially proposed capacity and storage release rules and rates,<sup>16</sup> delivery points and rates<sup>17</sup> and balancing service.<sup>18</sup> Peoples has also committed to specific measures to enhance retail customer choice on the Peoples and Equitable Gas systems, including a “new and moving” customer referral program and improved Purchase of Receivables programs.<sup>19</sup> All of these provisions adequately address PIOGA’s concerns with respect to marketer operations and retail supply competition post-Closing.<sup>20</sup>

In addition to the provisions addressed above, the Settlement maintains and extends the benefits of the PA PES program for Peoples and its ratepayers and the benefits of PIOGA’s Equitable Gas Rate AGS (Appalachian Gathering Service) agreement to producers through the effective date of new base rates in Peoples next base rate case. The Settlement also provides for improved collaboration with Peoples concerning projects to maintain and enhance Pennsylvania conventional production on the Equitable Gas, Peoples and PTWP systems,<sup>21</sup> as well as

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<sup>14</sup> Settlement, ¶s84, 86.

<sup>15</sup> Settlement, ¶s85, 87.

<sup>16</sup> Settlement, ¶s82, 83(f)(i), (ii), 100, 101.

<sup>17</sup> Settlement, ¶s83(a)-(c), (e), (f)(iii), (g).

<sup>18</sup> Settlement, ¶s84, 88.

<sup>19</sup> Settlement, ¶s92-96.

<sup>20</sup> PIOGA St. No. 1 at 24:22–25:2.

<sup>21</sup> Settlement, ¶s89-91.

programs to further promote retail natural gas supply competition on the Peoples and Equitable Gas systems.<sup>22</sup>

The Settlement also comprehensively addresses the gas safety and cost issues presented by the transfer of EQT's Goodwin and Tombaugh pipeline systems and customers to Peoples. Gas safety and investigation/repair/rehabilitation cost recovery concerns were addressed in the Bureau of Investigation and Enforcement's testimony, while PIOGA's testimony addressed the extremely high lost and unaccounted for gas (LUFG) recovery from PIOGA member producers on the Goodwin system.<sup>23</sup> The Settlement adequately addresses PIOGA's concerns with respect to the high LUFG level on Goodwin by providing for gathering charges on only the "net" deliveries rather than on the "gross" deliveries<sup>24</sup> along with Peoples' commitment to expeditiously identify the reasons for these high LUFG levels and address them, as well as the funding commitments of EQT and Peoples for these efforts.<sup>25</sup>

Finally, the Settlement adequately addresses PIOGA's concern with EQT's ability to transfer assets involved in the Transaction among EQT entities<sup>26</sup> by EQT's agreement concerning the assets to be transferred to Equitable Gas Company.<sup>27</sup>

The Settlement's modifications and refinements to the Joint Applicants' initial proposal, as described in this Statement and the statements of the other Signatory Parties, are expected to ensure that the intended substantial affirmative benefits result from this Transaction. As to PIOGA's interests, this means the greater production of both unconventional and conventional

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<sup>22</sup> Settlement, ¶81.

<sup>23</sup> PIOGA St. No. 1 at 14:6-17:11; 18:1-13; PIOGA St. No. 1-S at 2:1-13; 2:22-6:5.

<sup>24</sup> Settlement, ¶98.

<sup>25</sup> Settlement, ¶s98, 65 and Appendix C.

<sup>26</sup> PIOGA St. No. 1 at 18:7-21:2.

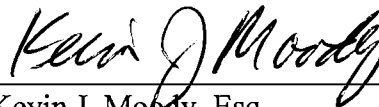
<sup>27</sup> Settlement, ¶99.

Pennsylvania natural gas and the resultant multiple beneficial effects flowing beyond the industry.<sup>28</sup>

PIOGA expressed no position on the issues raised by Citizens for Pennsylvania's Future (PennFuture) and therefore does not oppose the settlement provisions that resolve PennFuture's issues.

WHEREFORE, for the reasons set forth above, the Pennsylvania Independent Oil & Gas Association believes the public interest will be served by Commission approval of the Settlement and 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  
Harrisburg, PA 17108-1510

Dated: October 7, 2013

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<sup>28</sup> See, e.g., Jt Applicants St. No. 2 at 2:17-22; 17:10-13; 22:8-24:12; Jt Applicants St. No. 3-R at 3:13-20.

# Appendix L

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Application of Peoples Natural Gas	:	
Company LLC, Peoples TWP LLC, and	:	
Equitable Gas Company, LLC for All of	:	
the Authority and the Necessary	:	
Certificates of Public Convenience (1) to	:	Docket Nos. A-2013-2353647
Transfer All of the Issued and Outstanding	:	A-2013-2353649
Limited Liability Company Membership	:	A-2013-2353651
Interest of Equitable Gas Company, LLC to	:	
PNG Companies LLC, (2) to Merge	:	
Equitable Gas Company, LLC with	:	
Peoples Natural Gas Company LLC, (3) to	:	
Transfer Certain Storage and Transmission	:	
Assets of Peoples Natural Gas Company	:	
LLC to Affiliates of EQT Corporation, (4)	:	
to Transfer Certain Assets between	:	
Equitable Gas Company, LLC and	:	
Affiliates of EQT Corporation, (5) for	:	
Approval of Certain Ownership Changes	:	
Associated with the Transaction, (6) for	:	
Approval of Certain Associated Gas	:	
Capacity and Supply Agreements, and (7)	:	
for Approval of Certain Changes in the	:	
Tariff of Peoples Natural Gas Company	:	
LLC.	:	

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**STATEMENT OF SNYDER BROTHERS, INC.  
IN SUPPORT OF  
THE JOINT PETITION FOR APPROVAL OF SETTLEMENT OF ALL ISSUES**

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**I. BACKGROUND**

Snyder Brothers, Inc. (“Snyder Brothers”), by and through its counsel, submits that 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 October 7, 2013, reflects a settlement among the Signatory Parties with respect to the Application filed by Peoples Natural Gas Company LLC (“Peoples”), its affiliate



Peoples TWP, LLC (“PTWP”), and Equitable Gas Company (“Equitable”) (collectively, “Joint Applicants”), requesting all necessary approvals authorizing: (1) the transfer of 100% of the issued and outstanding limited liability company membership interests in Equitable, an indirect subsidiary of EQT Corporation (“EQT”)<sup>1</sup>, to PNG Companies LLC (“PNG”), an indirect subsidiary of SteelRiver Infrastructure Fund North America LP (“SRIFNA”); (2) the merger of Equitable with Peoples, a wholly-owned subsidiary of PNG, and the operation of Equitable as an operating division of PNG; (3) the transfer of certain storage and transmission assets of Peoples to EQT; (4) the transfer of certain assets and/or the exchange of certain services between EQT and Equitable; (5) certain PNG ownership changes associated with the transaction; (6) the associated gas capacity, storage, interconnects, leases, and supply service agreements among Peoples, Peoples TWP, Equitable, and/or EQT set forth in the Joint Application; and (7) certain changes in Peoples’ tariff necessary to carry out the transactions.

On April 12, 2013, Snyder Brothers filed a Petition to Intervene in the above-captioned proceeding. As noted in Snyder Brother’s Petition, Snyder Brothers is a privately-funded, independent producer of natural gas throughout many Pennsylvania counties. Snyder Brothers operates as an independent producer in the following Pennsylvania counties: Armstrong, Indiana, Clarion, Warren, Jefferson, Fayette, Westmoreland, McKean, and Clearfield Counties. Snyder Brothers’ natural gas volumes are delivered to interstate pipelines as well as to distribution systems of several natural gas utilities, including the systems of Peoples, PTWP and Equitable. In addition to its operations as an independent producer, Snyder Brothers is a licensed natural gas supplier in Pennsylvania. Snyder Brothers provides supply service to end-use consumers on both

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<sup>1</sup> Unless otherwise specified herein, all references to “EQT” shall be deemed to also include all of its subsidiaries and affiliates.

the Peoples and Equitable systems and provides supply purchase service for other producers on the Peoples and Equitable systems. Snyder Brothers operates both as a Priority One (“P-1”) supplier and a Non-Priority One (“NP-1”) supplier on Peoples’ system.

As a result of Snyder Brothers’ producer and supplier capacities on the Joint Applicants’ respective systems, Snyder Brothers identified concerns regarding the proposed transaction, including, but not limited to, the following:

1. Peoples’ proposal to eliminate current Rate ST-SW, which provides a low-cost storage option under Peoples’ current retail tariff – Supplement No. 2 to Gas – PA PUC No. 45 (“Current Retail Tariff”), from its proposed retail tariff – Pro Forma to Gas – PA PUC No. 45 (“Proposed Retail Tariff”).

2. Peoples’ request to transfer numerous transmission and storage assets to EQT’s affiliate, Equitrans, L.P. (“Equitrans”).

3. Equitrans’ intention to assess retainage charges for assigned transmission capacity on the Allegheny Valley Connector (“AVC”) system.

4. The Joint Applicants’ proposal to begin assessing a retainage factor on deliveries in and out of storage.

5. Peoples’ proposal to eliminate stored gas as an option to manage supply imbalances.

6. The cost increases associated with gas transportation and storage effected by the Peoples Asset Transportation and Storage Agreement (“Transportation & Storage Agreement”), which is a commercial agreement entered into between Peoples and Equitrans.

Snyder Brothers submits that the Joint Petition adequately addresses the aforementioned concerns. As such, Snyder Brothers concludes that the Joint Petition is in the public interest.

For reasons set forth in the Settlement, as well as those highlighted herein, Snyder Brothers respectfully requests that Administrative Law Judge (“ALJ”) Mark A. Hoyer and the Commission endorse the terms and conditions of the Joint Petition and approve the proposed transaction.

## **II. STATEMENT IN SUPPORT**

As a direct result of settlement discussions, the Signatory Parties in this proceeding have agreed upon the terms embodied in the foregoing Joint Petition.

Snyder Brothers and the consumers on the Joint Applicants’ respective systems benefit from the Settlement because, *inter alia*:

1. Peoples and Equitable will commit to cap their respective base rates until January 1, 2018.
2. Peoples will convene a collaborative conference with interested parties within 12 months of closing of the transaction in order to develop a strategy to further promote retail natural gas supply competition in the Peoples/Equitable service areas.
3. All existing upstream interstate receipt and delivery points that flow in and out of the AVC, including Truittsburg and Rural Valley, will be maintained and not taken out of service by Equitrans.
4. All existing AVC receipt and delivery points that are used to serve the Peoples Division on-system customers and Peoples’ Production Enhancement Services (“PES”) agreements will be assigned an MDQ, the sum of which will not exceed the specified total contract MDQ for services under the Peoples Asset Transportation and Storage Agreement, and designated as primary firm points as defined by the Equitrans FERC gas tariff and will not be subject to interruption by a lower priority status as set forth more fully in that tariff.

5. Peoples and EQT will modify the AVC Transportation and Storage Agreement so that all currently existing interconnection points used to serve the Peoples Division on-system and existing Peoples Division PES commitments will be subject to the negotiated rates under the Peoples Asset Transportation and Storage Agreement and will not be subject to maximum recourse rates.

6. EQT confirms that it has no immediate plans to increase the operating pressures or regulator set points on the AVC system. To the extent in the future, EQT plans to modify AVC system operating pressures or regulator set points, EQT will provide AVC shippers with advance notice of four months for any projects that are projected to increase operating pressures greater than 15%.

7. EQT will provide AVC shippers one month prior notice of any planned filing with the FERC to increase the MAOP of AVC transmission pipelines. Peoples will intervene as needed in any such FERC filing to protect its interests and the interests of its customers concerning the delivery of gas supplies into AVC receipts points that are fed from the Peoples' upstream facilities.

8. In response to a prior notice of a planned increase or an actual increase in operating pressures, regulator set points or MAOP on the AVC transmission pipeline system, Peoples will construct or modify the Peoples Division facilities to ensure that locally produced gas delivered at AVC receipts points – that are fed from the Peoples Division pipeline system – is able to flow into the AVC pipeline system. Peoples will construct or modify such facilities using Peoples Division PES - PRC funds. If additional funds are required, Peoples will utilize available annual funding from the PES revenues that was established and approved in Peoples' 2012 rate case for gathering lost and unaccounted for gas ("UFG") remediation efforts or

gathering system upgrades (“2012 PA PES Funding”). Further, to the extent that PRC and/or 2012 PA PES Funding is insufficient to cover the costs of these facilities, Peoples will make the necessary expenditures, provided they are necessary to ensure continued compliance with a least-cost procurement policy and enhanced retail supply competition on the Peoples’ system.

9. Other than the release of AVC storage (former Rate ST and ST-SW storage) to NP-1 suppliers, suppliers on the Peoples Division will receive a net zero cost release of AVC storage and transportation capacity required to supply their on-system customers and off-system PES requirements.

10. Effective upon closing of the transaction, the Peoples Division retainage rates will be adjusted to remove the volumes of fuel that will be recovered on the AVC system.

11. Peoples will assign and release AVC storage to NP-1 suppliers on the Peoples Division at a rate of \$0.83/Mcf. This rate will not be subject to change until the effective date of new rates resulting from Peoples’ next base rate case.

12. Peoples and suppliers acknowledge that there may be situations whereby suppliers have existing contracts to sell commodity supplies to their customers at the Peoples Division existing city gates. Peoples and suppliers further acknowledge that as a result of the transfer of Peoples’ midstream assets to EQT and the resulting alteration in city gate delivery points, it will be necessary, during the present term of such contracts, for Peoples to adjust the monthly commodity sales volumes charged by the affected suppliers to reflect the retainage volumes assessed to suppliers by EQT on the transferred assets, for the limited purpose of preserving the pre-asset transfer delivery points, and thus the benefits of the sale of such commodity supplies for customers and suppliers. Peoples will also work with Snyder Brothers to explore other alternatives to effectively address the situation described above and modify its tariff if required.

Prior to closing of the transaction, Peoples will notify affected customers in writing of this situation and will work with the affected suppliers and their customers on an ongoing basis to support and justify the monthly volumes adjustments described above. In the event that a customer challenges any such adjustments, Peoples will assist the affected supplier in defense of the adjustment.

13. In order to address the change in balancing flexibilities and increase in cash-out risk as a result of the transfer of the storage assets, Peoples will offer to NP-1 suppliers of the Peoples Division a new service that will allow NP-1 suppliers, at the end of the calendar month following the monthly trading period, to transfer in-place AVC storage volumes with Peoples using the NP-1 supplier's assigned and available storage capacity.

14. Peoples will endeavor, wherever operationally feasible, to utilize locally produced gas supplies.

15. In the event a new tap request or tap volume increase into the Peoples Division system is unavailable due to capacity restraints in the Peoples Division system, Peoples will (i) identify opportunities to displace gas that is being sourced from interstate pipelines with local supplies produced into the Peoples Division system; and (ii) identify areas of possible new production for redelivery to an alternate section of the Peoples Division distribution system through the AVC or other means to displace gas sourced from interstate pipelines.

16. Immediately upon closing of the transaction, Peoples will undertake an initiative using the Peoples Division PES PRC funds to create interconnections between the Equitable and Peoples Divisions that are designed to increase the use of local gas supplies and add more flexibility for suppliers on both systems. Peoples also will, consistent with its least cost mandate and where operationally feasible, examine ways to facilitate the movement of incremental local

gas supplies between the Peoples and Equitable Divisions through gas displacement arrangements.

17. Peoples will implement a restructured banking, balancing, and advancing (“BB&A”) service to allow NP-1 suppliers of the Peoples Division to maintain access to the same benefits from the BB&A storage service that they receive today.

18. Peoples will assign sufficient AVC capacity to Snyder Brothers on the transferred Peoples’ transmission and storage assets, considering producer meters and customer volumes, for both system supply and off-system transportation. Specifically, through the Settlement, Peoples agrees that (i) suppliers who have access to AVC system storage will be provided with sufficient AVC transportation and storage capacity to fill and empty their allocated share of AVC storage; (ii) suppliers who are purchasing existing local gas that is delivered directly into the AVC system without first moving through the Peoples Division lines, will be provided with sufficient AVC system transportation capacity to move their estimated supplies to the Peoples Division city-gates; and (iii) suppliers who are moving excess local production to off-system points at Truittsburg or Rural Valley, consistent with the terms of the existing PES agreement, will be provided with sufficient AVC system transportation capacity to move gas to these points.

19. Peoples will work with suppliers on the Peoples Division to resolve any ongoing tap requests on a reasonable and expedited basis.

20. To the extent that a P-1 supplier receives an assignment of Peoples’ Equitrans Sunrise pipeline capacity, Peoples will also provide the P-1 supplier with an option to receive an assignment of a pro-rata share of the firm gas supplies under the Peoples and Equitable - EQT NAESB Agreements. Such assignment will allow P-1 suppliers to purchase supplies at DTI South Point prices.

The Settlement also is in the public interest because the Signatory Parties and Commission will incur fewer expenses than they otherwise would have if the proceeding had been fully litigated.

### III. NON-OPPOSITION OF PENNFUTURE SETTLEMENT TERMS

The Joint Applicants and Citizens for Pennsylvania's Future ("PennFuture") reached a settlement of issues of importance to PennFuture. Snyder Brothers does not oppose to the settlement terms reached between the Joint Applicants and PennFuture.

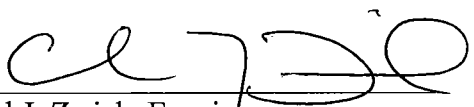
**WHEREFORE**, Snyder Brothers, Inc. respectfully requests that Administrative Law Judge Mark A. Hoyer and the Pennsylvania Public Utility Commission approve the foregoing Joint Petition for Settlement.

Respectfully submitted,

HOPKINS HELTZEL LLP

Dated: October 7, 2013

By

  
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*Counsel for Snyder Brothers, Inc.*



# Appendix M

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Application of Peoples Natural Gas Company LLC,	:	
Peoples TWP LLC and Equitable Gas Company, LLC	:	
For All of the Authority and the Necessary Certificates	:	
of Public Convenience (1) to Transfer All of the Issued and	:	
Outstanding Limited Liability Company Membership	:	
Interest in Equitable Gas Company, LLC to PNG	:	
Companies, LLC; (2) to Merge Equitable Gas Company,	:	
LLC with Peoples Natural Gas Company LLC; (3) to	:	Docket Nos. A-2013-2353647
Transfer Certain Storage and Transmission Assets of	:	A-2013-2353649
Peoples Natural Gas Company LLC to Affiliates of EQT	:	A-2103-2353651
Corporation; (4) to Transfer Certain Assets Between	:	
Equitable Gas Company, LLC and Affiliates of EQT	:	
Corporation; (5) for Approval of Certain Ownership	:	
Changes Associated with the Transaction; (6) for Approval	:	
of Certain Associated Gas Capacity and Supply	:	
Agreements; and (7) for Approval of Certain Changes in	:	
the Tariff of Peoples Natural Gas Company LLC	:	

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**STATEMENT OF UNITED STATES STEEL CORPORATION IN SUPPORT OF THE  
JOINT PETITION FOR NON-UNANIMOUS SETTLEMENT**

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TO THE HONORABLE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

In accordance with the Joint Petition for Approval of a Non-Unanimous Settlement ("Settlement") filed today by the Joint Applicants in the above-referenced proceeding, United States Steel Corporation ("U. S. Steel"), a signatory to the Settlement, hereby files this Statement in Support of the Settlement.


U. S. Steel intervened in this proceeding on April 16, 2013, in order to protect its interests as a current customer on the Equitable Gas Company ("Equitable") and prospective customer on the combined Peoples Natural Gas Company ("Peoples") system. As noted in U. S. Steel's Petition to Intervene, U. S. Steel was primarily concerned that the Joint Applicants' proposed merger may not result in substantial benefits to ratepayers, could have adversely impacted U. S.

Steel's negotiated natural gas delivery, to include the natural gas that is supplied to U. S. Steel by EQT Energy, LLC, another entity involved in the proposed transaction, and could have hindered the availability of natural gas competition for U. S. Steel's important operations. Although U. S. Steel did not submit testimony in the proceeding, U. S. Steel did actively participate and closely monitored the positions and issues presented by the Joint Applicants and other intervening parties.

U. S. Steel participated in the Settlement negotiations in this case, and has fully reviewed and accepted the terms of the Settlement. Many parties in this proceeding raised issues pertaining to natural gas competition, the impact on customer rates, and the benefits that could accrue to ratepayers as a result of the transaction. While these parties and issues may not have fully reflected U. S. Steel's unique interests in this case, U. S. Steel is satisfied that the Settlement fully resolves these issues in such a way that effectively protects and advances U. S. Steel's interests. Of note, the Settlement specifically provides assurances of long-term stability in competitive natural gas supply options by establishing the opportunity for collaborative efforts to develop a long-term strategy for promoting retail natural gas competition on the combined company's system. Further, while the Settlement reasonably addresses the treatment of certain "gas-on-gas" competitive transportation customers, nothing in the Settlement will adversely impact U. S. Steel's interests as a potential bypass customer, thereby preserving this important competitive option.

**WHEREFORE**, U. S. Steel is pleased to provide its support to the Joint Petition for Approval of a Non-Unanimous Settlement of the above-referenced proceeding. Accordingly, U. S. Steel recommends that the Settlement and the related Joint Application be approved.

Respectfully submitted,

By   
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Counsel to United States Steel Corporation

Dated: October 7, 2013

# Appendix N

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Application of Peoples Natural Gas :  
Company LLC, Peoples TWP LLC, and :  
Equitable Gas Company, LLC for All of :  
the Authority and the Necessary :  
Certificates of Public Convenience (1) to : Docket Nos. A-2013-2353647  
Transfer All of the Issued and Outstanding : A-2013-2353649  
Limited Liability Company Membership : A-2013-2353651  
Interest of Equitable Gas Company, LLC to :  
PNG Companies LLC, (2) to Merge :  
Equitable Gas Company, LLC with :  
Peoples Natural Gas Company LLC, (3) to :  
Transfer Certain Storage and Transmission :  
Assets of Peoples Natural Gas Company :  
LLC to Affiliates of EQT Corporation, (4) :  
to Transfer Certain Assets between :  
Equitable Gas Company, LLC and :  
Affiliates of EQT Corporation, (5) for :  
Approval of Certain Ownership Changes :  
Associated with the Transaction, (6) for :  
Approval of Certain Associated Gas :  
Capacity and Supply Agreements, and (7) :  
for Approval of Certain Changes in the :  
Tariff of Peoples Natural Gas Company :  
LLC. :

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**STATEMENT OF CITIZENS FOR PENNSYLVANIA’S FUTURE IN SUPPORT  
OF THE JOINT PETITION FOR APPROVAL OF SETTLEMENT OF ALL ISSUES**

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TO THE HONORABLE MARK A. HOYER, ADMINISTRATIVE LAW JUDGE (“ALJ”):

Now Comes, Citizens for Pennsylvania’s Future (“PennFuture”), by counsel, Heather M. Langeland, and hereby submits its Statement in Support of the Joint Petition for Approval of Settlement of All Issues. PennFuture believes that this Settlement is in the public interest and should be approved by the Pennsylvania Public Utility Commission (“PUC”) as presented. In support thereof, PennFuture states as follows:

## **I. Background**

1. This proceeding began on or about March 19, 2013, when the Joint Applicants: Peoples Natural Gas Company (“Peoples”), Peoples TWP (“TWP”), and Equitable Gas Company (“Equitable”) filed a Joint Application as above noted. The Application requested: (1) the proposed transfer of membership interests and acquisition rights of Equitable, an indirect subsidiary of EQT Corporation (“EQT”) to PNG Companies LLC (“PNC”), an indirect subsidiary of SteelRiver Infrastructure Fund North America LP (“SRIGNA”); (2) the merger of Equitable with Peoples, and the operation of Equitable as an operating division of PNG; (3) the transfer of certain storage and transmission assets of Peoples to EQT; (4) the transfer of certain assets and/or the exchange of services between EQT and Equitable; (5) certain PNG ownership changes associated with the transaction; (6) certain associated gas capacity, storage, interconnects, leases, and supply services agreements among Peoples, Peoples TWP, Equitable, and/or EQT; and (7) certain changes in Peoples’ tariff necessary to carry out the proposed transactions (collectively, the “Proposed Transaction”).

2. On or about May 7, 2013, PennFuture filed a Petition to Intervene in this proceeding. PennFuture, on behalf of itself and its members, has a direct interest in ensuring that the proposed merger will produce affirmative public benefits. PennFuture believes that the establishment of a cost effective Energy Efficiency and Conservation plan as a condition of merger is in the public’s interest because it will result in lower energy usage and lower utility bills for consumers from increased investment in energy efficiency programs for all customer classes.

3. PennFuture, the Office of Small Business Advocates (“OSBA”) and the Office of Consumer Advocates (“OCA”) filed Notices of Intervention and Protest. Petitions to Intervene

and Protests were also filed by the Pennsylvania Independent Oil and Gas Association (“PIOGA”), Dominion Retail, Inc. and Interstate Gas Supply, Inc. (collectively “NGSs:”), Utility Workers Union of America, Local 666 (“UWUA”), the Pennsylvania State University (“PSU”), Snyder Brothers, Inc., United Steelworkers International Union, Local 12050 (“Steelworkers”), International Brotherhood of Electrical Workers, Local 1956 (“IBEW”), Peoples-Equitable Merger Intervenors (“PEMI”), and United States Steel Corporation (“US Steel”). The Retail Energy Supply Association (RESA”) and Dominion Transmission Inc. also filed and subsequently withdrew Petitions to Intervene.

4. On April 17, 2013, the Joint Applicants served their Direct Testimony and accompanying exhibits.

5. An initial prehearing conference was held on May 9, 2013 before Administrative Law Judge (“ALJ”) Mark A. Hoyer, at which time a procedural schedule was established.

6. On or about July 24, 2013, PennFuture submitted the Direct Testimony and supporting Exhibits of John J. Plunkett. On or about September 6, 2013, PennFuture submitted Surrebuttal Testimony and supporting Exhibits of John J. Plunkett.

7. Prior to the evidentiary hearing, the active parties other than PennFuture reached a settlement in principle. On September 11, 2013 at the evidentiary hearing the issues raised by PennFuture were litigated and testimony was admitted into the record.

8. Since the evidentiary hearing, PennFuture and the Joint Applicants reached a settlement that has been made a part of the overall settlement of the active parties. As a result, PennFuture submits this Statement in Support of the Joint Petition for Approval of Settlement of all issues.



## **II. The Settlement**

9. The Settlement contains provisions resolving the issues raised by PennFuture to its satisfaction.

10. Under the Settlement, Peoples will organize a collaborative of demand side management (“DSM”) stakeholders, in which any interested party may participate.

11. Peoples will employ and fund a qualified third-party contractor to develop a cost-effective Energy Efficiency and Conservation Plan for Peoples’ customers, which will be reviewed and discussed with the DSM stakeholders.

12. Within 42 months after Closing, Peoples will make a filing with the Commission that will seek approval to implement an Energy Efficiency and Conservation Plan that falls within the range of recommendations supported by the DSM study and provides a cost recovery mechanism acceptable to Peoples.

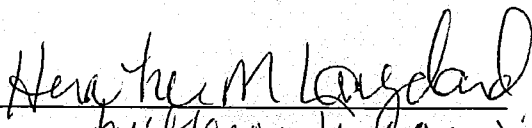
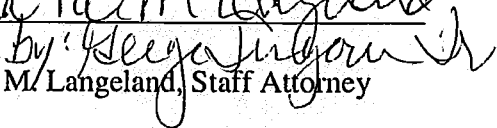
## **III. Public Interest**

13. The Settlement is in the public interest because it will lessen the expense of litigation of all parties, and will result in development of a program that will reduce energy usage by Peoples customer classes through adoption of energy efficiency programs, thereby resulting in lower utility bills for Peoples’ customers.

14. PennFuture does not oppose the remainder of the Settlement subject to the Commission’s approval of the provisions resolving the issues raised by PennFuture.

**WHEREFORE**, for the foregoing reasons, PennFuture respectfully requests that the Commission approve the Settlement of All Issues between the parties.

Respectfully submitted,

  
by:   
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