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February 19, 2015

VIA ELECTRONIC FILING

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

RE: PETITION FOR APPROVAL OF AFFILIATED SUPPLY AGREEMENT
Docket No.: _____

Dear Secretary Chiavetta:

Enclosed for electronic filing with the Commission is Herman Oil and Gas Inc.'s Petition for Affiliated Supply Agreement, Appendix A the Affiliated Supply Agreement, and the signed verification of Andrew E. Smith.

Thank you for your attention to this matter. If you have any questions, please do not hesitate to contact my office.

Very truly yours,

Whitney E. Snyder
Counsel for Herman Oil and Gas Company, Inc.

WES/jld
Enclosure
cc: Lee Yalcin, Bureau of Technical Utility Services

MAILING ADDRESS: P.O. BOX 1778 HARRISBURG, PA 17105

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Herman Oil and Gas, Inc. :
For Approval of Affiliated Supply Agreement : Docket No. _____
:

Herman Oil and Gas, Inc. (Herman) respectfully requests the Pennsylvania Public Utility Commission (PUC) approve a revised agreement between and among itself and its affiliate, SME Well Services, Inc. (SME) for the purchase and sale of natural gas pursuant to 66 Pa. C.S. §§ 2101-2107 *et. seq.* In support of this petition, Herman avers as follows:

A. Description of the Parties and Affiliation

1. Herman is a PUC regulated natural gas distribution company operating in Butler County, and serving approximately 425 residential/commercial customers. Herman is owned and operated by Mr. Andrew E. Smith, President.

2. SME is a natural gas production company that produces and sells gas in Butler County to Herman, among others. SME is owned and operated by Mr. Andrew E. Smith, President.

3. Herman and SME are affiliated through common ownership and operation. Mr. Andrew E. Smith is both the President and sole shareholder of each corporation.

B. Herman's Natural Gas Supply

4. Herman purchases approximately 94% of the natural gas required to meet customer demand from SME pursuant to its current Affiliate Interest Agreement approved by the PUC through Secretarial Letter dated March 20, 2012 at Docket Number G-2011-2249195.

5. Herman purchases approximately 5% of its natural gas supply from an unaffiliated primary supplier, presently Peoples Natural Gas (Peoples), and approximately 1%

from an unaffiliated secondary supplier, presently National Fuel Gas Distribution Corporation (NFG). Both Peoples and NFG are PUC regulated utilities, and each provides supply pursuant to its respective tariff. These suppliers are the two local utilities that are connected to the Herman system.

C. Proposed Affiliate Agreement

6. Under the proposed Affiliate Supply Agreement, SME shall provide Herman with natural gas. Herman shall pay SME a rate of no greater than 97% of the monthly invoiced price of Herman's unaffiliated primary supplier, currently Peoples Natural Gas. Quantities supplied by SME shall be the balance of monthly customer usage after invoiced quantities of Herman's unaffiliated suppliers. An executed copy of the proposed Affiliate Supply Agreement is attached as Exhibit A.

7. Herman has previously submitted affiliate interest agreements that the PUC has not yet approved at dockets G-2014-2446481 and G-2011-2249195. Herman sought leave to withdraw such requests on February 19, 2015.

WHEREFORE, Herman Oil and Gas, Inc. respectfully requests that the Pennsylvania Public Utility Commission approve the affiliated interest transactions set forth in this petition.

Respectfully submitted,



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Dated: February 19, 2015

APPENDIX A

Affiliate Supply Agreement

This Affiliate Supply Agreement (Agreement) is entered into this 19 day of February 2015, to become effective upon approval of the Pennsylvania Public Utility Commission (PUC), between Herman Oil and Gas Company, Inc., (Herman) a Pennsylvania Public Utility, with offices at 101 Harris Rd., Butler, PA 16002 and SME Well Services, Inc. (SME) with offices at 101 Harris Rd., Butler, PA 16002, (collectively the Parties).

WHEREAS, Herman Oil and Gas Company, Inc. (Herman) is a PUC tariffed natural gas distribution company operating in Butler County and serving approximately 425 residential/commercial customers. Herman is owned and operated by Mr. Andrew E. Smith, President. In addition to Mr. Smith Herman has five full-time or contract employees; and

WHEREAS, SME Well Services, Inc. (SME) is a natural gas production company that produces and sells gas in Butler County to Herman, among others. SME is owned and operated by Mr. Andrew E. Smith, President; and

WHEREAS, Herman purchases approximately 94% of the natural gas required to meet customer demand from SME; approximately 5% from an unaffiliated main supplier (Main Supplier), presently Peoples Natural Gas (Peoples); and approximately 1% from an unaffiliated secondary supplier (Secondary Supplier), presently National Fuel Gas Distribution Corporation (NFG). Peoples' service is provided under its tariff approved by the PA PUC, and NFG's service is provided under its tariff approved by the PUC. These suppliers are the two local utilities that are connected to the Herman system; and

WHEREAS, Herman and SME are affiliated through common ownership and operation. Andrew E. Smith is both the sole shareholder and President of both Herman and SME; and

WHEREAS, Herman desires to purchase from SME and SME desires to sell to Herman natural gas under the terms set forth in this Agreement.

The Parties agree as follows:

1. **Sale.** SME shall sell natural gas to Herman.
2. **Purchase.** Herman Shall purchase natural gas from SME.
3. **Price.** Herman shall pay SME a rate no greater than 97% of the monthly invoiced price of natural gas that Herman purchases from its Main Supplier.
4. **Quantity.** Herman's monthly purchased quantity of natural gas from SME is the difference between Herman's monthly customer usage, per MCF (1,000 cubic feet) as determined by Herman, and the monthly invoiced quantities from Herman's Main Supplier and Secondary Supplier.
5. **Other Suppliers.** Herman may contract with a different Main Supplier or Secondary Supplier (Substituted Supplier) without amending this Agreement if the Substituted Supplier is not a Herman or SME affiliate and the Substituted Supplier is a PUC registered supplier or PUC tariffed utility.

6. **Term.** The initial term of the Agreement is one year, beginning on the date of PUC approval. The Agreement will renew on a year-to-year basis, and Herman may, in its sole discretion, amend the Agreement subject to amendment provisions in the Agreement.
7. **Amendment.** The Agreement may be amended in writing. No amendment shall be effective until approved by the PUC.



Andrew E. Smith, President
Herman Oil and Gas Company, Inc.



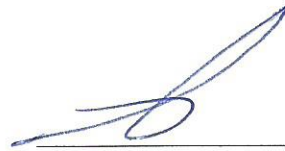
Andrew E. Smith, President
SME Well Services, Inc.

VERIFICATION

I, Andrew E. Smith, President of Herman Oil and Gas, Inc., hereby state that the facts set forth in the foregoing document are true and correct to the best of my knowledge, information, and belief, and that I expect to be able to prove the same at hearing. I understand that the statement herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: _____

2-19-2015



Andrew E. Smith, President
Herman Oil and Gas, Inc.