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File #: 168223

June 27, 2017

VIA HAND DELIVERY

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: Pennsylvania Public Utility Commission, Office of Small Business Advocate &
Office of Consumer Advocate v. Peoples TWP LLC
Docket Nos. R-2017-2586317, C-2017-2593494 & C-2017-2595922**

Dear Secretary Chiavetta:

Enclosed for filing is the Joint Petition for Settlement of the Section 1307(f) Rate Investigation in the above-referenced proceeding. A CD containing a copy of the above-referenced filing is also enclosed. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

Michael W. Hassell

MWH/jl
Enclosures

cc: Honorable Jeffrey Watson
Certificate of Service

CERTIFICATE OF SERVICE

Docket No. R-2017-2586317

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 52 Pa. Code § 1.54 (relating to service by a participant).

VIA E-MAIL & FIRST CLASS MAIL

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PIOGA

Date: June 27, 2017



Michael W. Hassell

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

| | | |
|--|---|---------------------------|
| Pennsylvania Public Utility Commission | : | Docket No. R-2017-2586317 |
| Office of Small Business Advocate | : | C-2017-2593494 |
| Office of Consumer Advocate | : | C-2017-2595922 |
| | : | |
| v. | : | |
| | : | |
| Peoples TWP LLC | : | |

**JOINT PETITION FOR SETTLEMENT
OF THE SECTION 1307(f) RATE INVESTIGATION**

TO ADMINISTRATIVE LAW JUDGE JEFFREY A. WATSON:

Peoples TWP LLC (“Peoples TWP” or the “Company”), 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”), and the Pennsylvania Independent Oil & Gas Association (“PIOGA”), parties to the above-captioned consolidated proceeding (hereinafter, collectively referred to as the “Joint Petitioners”), hereby file this Joint Petition for Settlement of the Section 1307(f), 66 Pa.C.S. § 1307(f), Rate Investigation (“Settlement”). As explained below, the Joint Petitioners have agreed to a settlement of all issues that have been raised in Peoples TWP’s 2017 Purchased Gas Cost (“PGC”) proceeding at Docket Nos. R-2017-2586317, C-2017-2593494, and C-2017-2595922. The Joint Petitioners respectfully request that Administrative Law Judge Jeffrey A. Watson (the “ALJ”) recommend approval of, and the Commission approve, this Settlement as set forth below without modification. The Joint Petitioners also request that the Commission: (1) authorize Peoples TWP to file the form of tariff supplement provided as **Appendix A** hereto, with rates to

become effective October 1, 2017, subject to updates and tariff modifications¹; and (2) make all associated findings required by Section 1307(f) and Section 1318 of the Public Utility Code, 66 Pa.C.S. §§ 1307(f), 1318. In support of this Settlement, the Joint Petitioners state the following:

I. INTRODUCTION

1. 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 an affiliate of Peoples Natural Gas Company LLC ("Peoples").

2. Peoples TWP is a "public utility" and a "natural gas distribution company" as those terms are defined in Sections 102 and 2202 of the Pennsylvania Public Utility Code, 66 Pa.C.S. §§ 102, 2202.

3. Because Peoples TWP's annual operating revenues derived from providing gas service to customers in Pennsylvania exceed \$40 million, the Company's recovery of purchased gas costs is governed by Section 1307(f) of the Public Utility Code, 66 Pa.C.S. § 1307(f), and the Commission's regulations at 52 Pa. Code §§ 53.61-53.65, 53.68.

4. On January 30, 2017, Peoples TWP made its PGC 60-day pre-filing with the Commission in compliance with Section 1307(f) of the Public Utility Code, 66 Pa. C.S. § 1307(f), and the Commission's regulations at 52 Pa. Code § 53.65.

5. On March 1, 2017, Peoples TWP made its PGC 30-day pre-filing with the Commission in compliance with Section 1307(f) of the Public Utility Code, 66 Pa. C.S. § 1307(f), and the Commission's regulations at 52 Pa. Code §§ 53.64, 53.65.

¹ The rates in **Appendix A** reflect the proposed gas cost rates, the settlement rate changes and other rate changes that were effective March 1, 2017. The rates in **Appendix A** will be updated to reflect any changes as of October 1, 2017, when the final tariff supplement is filed.

6. On March 6, 2017, I&E filed a Notice of Appearance.
7. On March 13, 2017, OSBA filed a Complaint, Verification, Public Statement, and Notice of Appearance.
8. OCA filed a Notice of Appearance on March 23, 2017, and a Complaint on March 28, 2017.
9. On March 31, 2017, Peoples TWP filed with the Commission its definitive PGC filing, including supporting information required by the Commission's regulations, Peoples TWP's direct testimony, exhibits, and Pro Forma Tariff Supplement reflecting actual and projected changes in natural gas costs and other tariff changes.
10. A Notice was issued scheduling a Prehearing Conference before the ALJ at 10:00 AM on April 7, 2017, at Piatt Place, 2nd Floor Hearing Room 2015, Suite 220, 301 Fifth Avenue, Pittsburgh, Pennsylvania and at Commonwealth Keystone Building, Hearing Room 4, 400 North Street, Harrisburg, Pennsylvania.
11. On April 4, 2017, the ALJ issued a Prehearing Conference Order directing the parties to file Prehearing Memoranda on or before 12:00 PM on April 6, 2017.
12. On April 6, 2017, PIOGA filed a Petition to Intervene, and the parties filed their Prehearing Memoranda in compliance with the Prehearing Conference Order.
13. A prehearing conference was held on April 7, 2017.
14. On April 13, 2017, the ALJ issued a Prehearing Order that established the litigation schedule and consolidated the complaints of OCA and OSBA with the Commission's investigation. PIOGA's Petition to Intervene also was granted. In addition, the ALJ consolidated the Peoples Division and Peoples-Equitable Division PGC proceedings at Docket

Nos. R-2017-2586310 and R-2017-2586318 with the Peoples TWP PGC proceeding for purposes of hearing.

15. On May 5, 2017, OCA and I&E served written direct testimony.

16. On May 19, 2017, Peoples TWP served written supplemental direct testimony.

17. On May 25, 2017, Peoples TWP served written rebuttal testimony.

18. In accordance with the Commission's Rules of Practice and Procedures, 52 Pa. Code § 5.231, the Parties engaged in settlement discussions in an effort to achieve a full settlement. As a result of those conferences, the Joint Petitioners were able to reach a settlement in principle of all of their issues.

19. On or about June 2, 2017, counsel for Peoples TWP advised the ALJ that the Joint Petitioners had reached a settlement in principle that resolved all issues in the Peoples TWP PGC proceeding. Accordingly, counsel for Peoples TWP requested that the ALJ suspend the litigation schedule.

20. On June 2, 2017, Peoples TWP filed a Motion for Protective Order.

21. A hearing was held on June 5, 2017, at which time the Joint Petitioners' pre-filed testimony and exhibits were admitted into the record, and the ALJ granted Peoples TWP's Motion for Protective Order.

22. On June 7, 2017, the ALJ issued an Interim Order that suspended the litigation schedule, canceled the evidentiary hearing for June 6, 2017, and directed the Joint Petitioners to file their signed settlement agreement and statements in support of the settlement no later than 4:00 PM on June 27, 2017.

23. The Joint Petitioners are in full agreement that the Settlement is in the best interest of Peoples TWP, the Joint Petitioners, and Peoples TWP's customers.

24. The Settlement agreed to by the Joint Petitioners is as follows:

II. SETTLEMENT TERMS

A. RETAINAGE AND LOST AND UNACCOUNTED FOR GAS

25. Effective October 1, 2017, the tariffed retainage rate for all rate classes shall be 5.4%.

26. The newly negotiated waivers of retainage contained in Peoples TWP Highly Confidential Exhibit No. 3, should be approved.

27. It is acknowledged that Peoples TWP's unaccounted for gas ("UFG") percentage for the 12-month period ending August 31, 2016, is in compliance with the Commission's regulations at 52 Pa. Code § 59.111(c)(1). The Company commits to continue its efforts to reduce UFG. The Company shall provide to Joint Petitioners by April 2, 2018, a report from its UFG team providing an analysis and recommendations to mitigate UFG.

B. BALANCING CHARGES

28. The non-Priority 1 (NP-1) tariffed transportation balancing charges shall be as follows:

SGS-T - \$0.2777/Mcf
MGS-T - \$0.1984/Mcf
LGS-T - \$0.1525/Mcf

C. ACTUAL GAS COST REPORTING

29. The Joint Petitioners agree that in an effort to eliminate the request for waivers as part of Peoples TWP's quarterly and annual gas cost filings, only actual gas costs will be reported in the final month of any filing. If an actual gas cost is not known and the estimated gas cost is less than one percent (1%) of the monthly gas costs, the Company will not record an

estimated cost but rather will record the cost as zero. The Company will provide actual gas costs in the next quarterly or annual gas cost filing after the actual gas costs become available.

D. MISCELLANEOUS

30. Except as revised by this Settlement, the proposed rates and other requested approvals contained in the Company's PGC filing should be approved.

31. In accordance with the provisions of 52 Pa. Code § 53.64(i)(5), the Company's compliance filing in this proceeding will reflect updated actual and projected over/undercollections through September 30, 2017.

32. Joint Petitioners agree that the Commission should approve the renewals and changes in gas supply, pipeline, and storage capacity contracts that are explained in Peoples TWP Statement No. 2 and related exhibits included in the 1307(f)-2017 definitive filing

III. RATE IMPACT OF SETTLEMENT

33. Under the June 7, 2017 Interim Order, the ALJ directed the parties to set forth the following in their Joint Settlement Petition:

1. Current rates for each customer class;
2. Requested and negotiated changes in gas costs for each customer class, identified in terms of dollar amounts and percentages of increase or decrease from the current rates; and
3. Impact upon each customer class (*i.e.*, under the proposed rate each customer would have paid X, and under the agreed-upon amount, each customer will pay Y).

June 7, 2017 Interim Order, p. 6.

34. The requested information is set forth in the table below:

| Peoples TWP | | | | | | |
|----------------------|-------------------------------------|---|---------------------------|---|---------------------------------|-----------------------------------|
| <u>Rate Schedule</u> | <u>Existing Tariff Rates 1/</u> | <u>As-Filed Gas Cost Change</u> | <u>Percent Change</u> | <u>Settlement Gas Cost Change</u> | <u>Annual Bill As-Filed</u> | <u>Annual Bill Settlement</u> |
| RS | \$11.3847 | (\$0.0982) | -0.9% | \$0.0184 | \$1,149.72 | \$1,151.31 |
| SGS | \$9.1494 | (\$0.1649) | -1.8% | \$0.0182 | \$2,296.85 | \$2,300.68 |
| MGS | \$8.8747 | (\$0.0838) | -0.9% | \$0.0181 | \$24,429.73 | \$24,475.76 |
| LGS < 100,000 Mcf/yr | \$7.9605 | (\$0.1683) | -2.1% | \$0.0181 | \$407,610.00 | \$408,515.00 |

1/ PTWP net billing rate effective January 1, 2017.

IV. PROPOSED FINDINGS OF FACT

35. Peoples TWP pursues its goal of least cost reliable service through a combination of local and interstate assets and supplies. The local assets consist of gas purchase agreements for Local Pennsylvania Gas produced directly into the Company’s pipeline system (“Local Pennsylvania Gas”) and company-owned on-system storage fields. The Local Pennsylvania Gas represents a significant portion of the annual supply needs of the system, while the on-system storage has limited supply capacity and is, therefore, utilized more for meeting the system’s short-term peak requirements. (Peoples TWP Statement No. 2, p. 4.)

36. Peoples TWP’s interstate assets consist of a portfolio of transportation and storage services that Peoples TWP has contracted for with various Federal Energy Regulatory Commission (“FERC”)-regulated pipelines, including Dominion Transmission, Inc. (“DTI”), Texas Eastern Transmission LP (“TETCO”), Columbia Gas Transmission, LLC (“TCO”), and Equitrans L.P. (“Equitrans”). The Company also has interconnects with Tennessee Gas Pipeline Company, LLC (“TGP”), but does not currently contract for either transportation or storage services on TGP. Those assets give Peoples TWP access to a variety of locations at which it can receive gas supplies that are produced upstream of the Peoples TWP system. The interstate storage assets allow Peoples TWP to use its upstream assets more efficiently, mitigate the effects

of price swings in the natural gas market, and enhance the deliverability of Peoples TWP's interstate natural gas supplies during periods of peak demand. Peoples TWP's interstate supplies during periods of peak demand are gas that it purchases from suppliers upstream of the Peoples TWP system for delivery into various receipt points of the interstate pipelines. (Peoples TWP Statement No. 2, p. 4.)

37. Over the 1307(f)-2017 reconciliation period, Peoples TWP's natural gas capacity portfolio included: (1) interstate pipeline transportation and storage services from Equitrans; (2) interstate pipeline transportation and storage services from DTI; (3) interstate pipeline transportation service from TETCO; and (4) interstate pipeline transportation and storage services from TCO. (Peoples TWP Statement No. 2, p. 16.)

38. On December 10, 2013, as set forth in the application proceeding at Docket Nos. A-2013-2353647, A-2013-2353649, and A-2013-2353651 and approved by Order entered November 14, 2013 ("Equitable Acquisition"), the Company entered into a firm storage agreement under Equitrans Rate Schedule 60SS and a no-notice firm transportation agreement under Equitrans Rate Schedule NOFT. These agreements provide Peoples TWP with firm storage and related transportation capacity to replace expired and existing pipeline capacity under contract with TCO and DTI. The Equitrans contracts provided peak demand daily deliverability of 27,500 Dth and storage capacity of 1,500,000 Dth for the storage withdrawal period of November 1, 2014, through March 31, 2015. The deliverability under these contracts increased to 33,917 Dth and storage capacity increased to 1,850,000 Dth for the withdrawal period of November 1, 2015, through March 31, 2016. (Peoples TWP Statement No. 2, pp. 17-18.)

39. Peoples TWP is not proposing for the projected period to assign to Peoples via capacity release 10,000 Dth/day of Equitrans services for a one-year period as it did last year. (Peoples TWP Statement No. 2, p. 19.)

40. For the 1307(f)-2017 reconciliation period, Peoples TWP had 10,000 Dth/day of FT firm transportation service, 35,000 Dth/day of FT-GSS firm transportation service, and 45,000 Dth/day of GSS firm storage service under contract from DTI. (Peoples TWP Statement No. 2, p. 19.)

41. As a substitute for last year's capacity release of 10,000 Dth/day of Equitrans services for a one-year period, Peoples TWP has executed a capacity release agreement with an unaffiliated third party to assign 10,000 Dths/day of DTI services for a one-year period beginning April 1, 2017. These services would be a portion of the storage and related firm transportation services that Peoples TWP currently has under contract with DTI, and the assignment would consist of 600,000 Dths of storage capacity under Rate 60SS, which has a corresponding 10,000 Dths/day of storage deliverability, and 10,000 dths/day of storage-related firm transportation under Rate FT-GSS. Peoples TWP released this capacity to a third party at the best rate offered for the capacity after it was posted for bidding pursuant to FERC capacity release regulations. Proceeds from this release to an unaffiliated third party would be included in Peoples TWP's capacity release sharing mechanism. (Peoples TWP Statement No. 2, pp. 17, 20-21.)

42. Peoples TWP anticipates that it will allow the DTI service agreements for 10,000 Dth/day of DTI GSS storage and accompanying 10,000 Dth/day of FT-GSS firm transportation to expire on March 31, 2018. These quantities will simultaneously be replaced by 10,000 Dth/d

of EQT 60SS and NOFT capacity as proposed and approved in the Equitable Acquisition case. (Peoples TWP Statement No. 2, p. 17.)

43. TETCO provides Peoples TWP with firm transportation service of 10,000 Dth/day under Rate Schedule FT-1. Peoples TWP purchases gas on TETCO's market zone M-2 and moves it over TETCO's facilities to an interconnection at Delmont, Westmoreland County. This negotiated rate agreement, which commenced on November 1, 2015, and expires on October 31, 2030, allows the Company to purchase gas in a very liquid and competitively low-priced commodity market and deliver it to the southern part of the Peoples TWP system to support service to the Allegheny Valley. (Peoples TWP Statement No. 2, p. 22.)

44. For the 1307(f)-2017 reconciliation period, TCO provided Peoples TWP with firm transportation service under Rate FTS of up to 3,257 Dth/day. TCO also provided firm storage service under Rate GSS and related firm transportation service under Rate SST of up to 10,807 Dth/day with a total storage capacity of 609,827 Dth. (Peoples TWP Statement No. 2, p. 23.)

45. Peoples TWP currently owns and operates four storage fields, which have 567,000 Mcf of combined storage capacity and 19,800 Mcf of maximum daily withdrawal capacity. (Peoples TWP Statement No. 2, p. 25.)

46. Peoples and Peoples TWP have a gas exchange agreement that provides for an exchange of equivalent volumes between Peoples and Peoples TWP where the receipt of gas from the other party would provide for more efficient operation of the recipient's system and will improve service reliability for both companies. Under the exchange arrangement, Peoples TWP receives gas from Peoples at interconnections located in Mars, PA and Arnold, PA. In exchange,

Peoples receives equivalent volumes of gas from Peoples TWP at various interconnections. (Peoples TWP Statement No. 2, pp. 27-28.)

47. Peoples TWP has traditionally used gas produced locally in Pennsylvania as the source of supply for base system supply requirements. This is due in large part to the operating characteristics of the Peoples TWP system, where gas produced from shallow conventional gas wells, located primarily on the eastern side of the pipeline system, is transported across the Peoples TWP system at a relatively constant flow into the distribution facilities serving ratepayers. The delivery of shallow gas is then supplemented during periods of peak demand by interstate pipeline gas that is delivered into the Company's Large Volume Pipelines and delivered to the same distribution facilities. (Peoples TWP Statement No. 2, p. 30.)

48. Peoples TWP has an incentive pricing program that is intended to increase receipts of locally-produced gas into operationally favorable locations on lines that have limited redundancy options. Last year, Peoples TWP, through analysis, modeling, and remediation, identified Punxsutawney as the area on its system where supplemental, locally-produced gas could most benefit operational reliability. Peoples TWP has not yet entered into any incentive-priced supply contracts but continues to work with producers in the Punxsutawney area to promote the delivery of local, conventionally-produced supplies into the Peoples TWP system. (Peoples TWP Statement No. 2, pp. 33-34.)

49. Along with its local gas supplies, spot market purchases are the supplies that Peoples TWP uses to meet the demands of those customers who continue to buy their supplies from Peoples TWP. These are also the supplies that Peoples TWP uses its various interstate pipeline assets to transport and store. (Peoples TWP Statement No. 2, p. 34.)

50. UFG is the difference between the total gas available from all sources and the total gas accounted for as sales, net interchange and company use. This difference includes leakage or other actual losses, discrepancies due to meter inaccuracies, variations of temperatures or pressures or both, and other variants, particularly billing lag. (Peoples TWP Statement No. 2, p. 39.)

51. The Company-wide percentage UFG was 3.91% for the 12-months ended August 31, 2016. (Peoples TWP Statement No. 2, p. 39.)

52. Despite the attention to UFG matters, the Company has observed for the 2016 UFG reporting period an increase in the Peoples TWP UFG value. The Company is again increasing its attention to UFG and has assembled a cross-functional team to assess, analyze and take deliberate action to mitigate UFG. The UFG team will be led by a new senior, full-time manager with a primary job description of managing UFG activity. (Peoples TWP Statement No. 2, p. 40.)

53. Peoples TWP monitors and participates in various proceedings before the FERC. Peoples TWP undertakes legal action as necessary to protect the interests of its ratepayers. (Peoples TWP Exhibit No. 14; Peoples TWP Statement No. 3, pp. 3-4.)

V. STANDARDS, FINDINGS, AND PROPOSED CONCLUSIONS OF LAW

54. The Commission has jurisdiction over the parties and subject matter of this proceeding. 66 Pa.C.S. §§ 1307(f), 1317-18.

55. With respect to Peoples TWP's gas purchases and gas purchasing practices during the 12-month historical reconciliation period ended January 31, 2017, it is requested that the ALJ and the Commission find that Peoples TWP has met the standards of Section 1318 of the Public Utility Code, 66 Pa. C.S. § 1318, as required by Section 1307(f)(5) of the Public Utility Code, 66

Pa. C.S. § 1307(f)(5), as to all actual purchased gas costs in the historical period. It is requested that the Commission find that during the 12 months ended January 31, 2017:

- a. Peoples TWP met the requirements of Section 1318(a) of the Public Utility Code by pursuing a least-cost fuel procurement policy, consistent with its obligation to provide safe, adequate, and reliable service to its customers; and
- b. All gas exchanges by Peoples TWP with entities that are considered an affiliated interest have met the requirements of Section 1318(b) of the Public Utility Code relating to purchases from and services provided by entities that are considered affiliates.

56. Peoples TWP has fully and vigorously represented the interests of its ratepayers in proceedings before FERC and other relevant non-Commission proceedings during the relevant time period in compliance with 66 Pa.C.S. § 1318(a)(1).

57. Peoples TWP has taken all prudent steps necessary to negotiate favorable gas supply contracts and to relieve the Company from terms in existing contracts with its gas suppliers which are or may be adverse to the interests of the Company's ratepayers in compliance with 66 Pa.C.S. § 1318(a)(2).

58. Peoples TWP has taken all prudent steps necessary to obtain lower cost gas supplies on both short-term and long-term bases both within and outside the Commonwealth, including the use of gas transportation arrangements with pipelines and other distribution companies in compliance with 66 Pa.C.S. § 1318(a)(3).

59. Peoples TWP has not withheld from the market or caused to be withheld from the market any gas supplies which should have been utilized as part of a least cost fuel procurement policy in compliance with 66 Pa.C.S. § 1318(a)(4).

60. Peoples TWP has fully and vigorously attempted to obtain less costly gas supplies on both short-term and long-term bases from nonaffiliated interests in compliance with 66 Pa.C.S. § 1318(b)(1).

61. Neither Peoples TWP nor its affiliated interests have withheld from the market any gas supplies which should have been utilized as part of a least cost fuel procurement policy in compliance with 66 Pa.C.S. § 1318(b)(3).

62. During the eight-month interim period beginning February 1, 2017, and the projected 12-month period beginning October 1, 2017, when rates contained in this Settlement will be in effect,² it is requested that the Commission find, based upon information presently available and based upon evidence of record in this proceeding concerning Peoples TWP's projected purchases and purchasing policies, that the rates to be adopted by the Commission result from Peoples TWP's compliance with the provisions of Section 1318 of the Public Utility Code, including subsections (a)(1)-(4) and (b)(1)-(3). 66 Pa. C.S. § 1318(a)(1)-(4), (b)(1)-(3). It is expressly understood and agreed that this finding is made solely for the purpose of setting prospective rates that shall continue to be subject to the standards of Section 1318 of the Public Utility Code, 66 Pa. C.S. § 1318, and to further review in an appropriate future proceeding. This provision is not intended to limit or prevent I&E, OCA, OSBA, or PIOGA from reviewing, after such projected gas purchases actually have been made and gas purchasing practices actually have been implemented, whether Peoples TWP's gas purchases and gas purchasing practices complied with Section 1318. If in an appropriate future proceeding Peoples TWP's gas purchases and gas purchasing practices from February 1, 2017, through September 30, 2018, were challenged, the Commission's findings based upon this provision shall not bar the examination of such

² The proposed tariff rates effective October 1, 2017, will be updated to reflect actual and projected over/undercollections through September 30, 2017, as stated in Paragraph 30 of this Settlement.

purchases and practices, including, but not limited to, disallowance of or reductions to such costs during the eight-month interim period commencing February 1, 2017, and the 12-month application period commencing October 1, 2017, and ending September 30, 2018.

63. The Joint Petition for Settlement is in the public interest.

VI. PROPOSED ORDERING PARAGRAPHS

64. That the Settlement among Peoples TWP LLC, the Pennsylvania Public Utility Commission's Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, and the Pennsylvania Independent Oil & Gas Association in the above-captioned case is hereby approved and adopted.

65. That Peoples TWP shall file a tariff supplement to become effective on October 1, 2017, on not less than one-day's notice of the final Commission order approving the Settlement, containing changes in rates to provide for the recovery of its costs of purchased gas, consistent with the terms and conditions of the Settlement.

66. That Peoples TWP LLC, the Pennsylvania Public Utility Commission's Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, and the Pennsylvania Independent Oil & Gas Association shall comply with the terms and conditions of the Settlement submitted in this proceeding as though each term and condition stated therein had been subject of an individual ordering paragraph.

67. That upon Peoples TWP LLC's filing of a tariff supplement acceptable to the Commission as conforming with this order and the Settlement and the Commission's approval thereof, the purchased gas rates established therein shall become effective for service rendered on and after October 1, 2017.

68. That the complaint filed by the Office of Small Business Advocate in this proceeding at Docket No. C-2017-2593494 be marked closed.

69. That the complaint filed by the Office of Consumer Advocate in this proceeding at Docket No. C-2017-2595922 be marked closed.

70. That the investigation at Docket No. R-2017-2586317 be marked closed.

VII. THE PUBLIC INTEREST

71. This Settlement was achieved by the Joint Petitioners after an extensive investigation of Peoples TWP's filings, including extensive informal and formal discovery and the service of written direct testimony by Peoples TWP, OCA, and I&E, written supplemental direct testimony by Peoples TWP, and written rebuttal testimony by Peoples TWP.

72. Acceptance of the Settlement avoids the necessity and costs of further administrative and potential appellate proceedings.

73. The Settlement provides for the recovery of natural gas costs that are just and reasonable given the positions advanced in the testimony and exhibits of the various parties.

74. Attached as **Appendices B through F** are Statements in Support submitted by Peoples TWP, I&E, OCA, OSBA, and PIOGA setting forth the bases upon which they believe the Settlement is in the public interest.

VIII. CONDITIONS OF SETTLEMENT

75. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained in this Settlement without modification. This Settlement shall become effective on the date on which the Commission enters a final order that adopts the terms and conditions of this Settlement. If the Commission enters a final order that approves this

Settlement, but with one or more modifications, this Settlement shall nonetheless become effective unless one or more of the Joint Petitioners elects to withdraw from the Settlement. Such election to withdraw must be made in writing, filed with the Secretary of the Commission, and served upon all parties within five business days after the entry of an Order modifying the Settlement. In such event, the Settlement shall be void and of no effect.

76. The Joint Petitioners acknowledge and agree that this Settlement, if approved, shall have the same force and effect as if the Joint Petitioners had fully litigated this proceeding resulting in the establishment of rates that are just and reasonable.

77. This Settlement is proposed by the Joint Petitioners to settle all of their issues in the instant proceeding. If the Commission does not approve the Settlement and the proceeding continues, the Joint Petitioners reserve their respective rights to present additional testimony and to conduct full cross-examination, briefing, and argument. The Settlement is made without any admission against, or prejudice to, any position that any party may adopt in the event of any subsequent litigation of these proceedings, or in any other proceeding.

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

79. This Settlement is being presented only in the context of this proceeding in an effort to resolve the proceeding in a manner which is fair and reasonable. The Settlement is presented without prejudice to any position which any of the Joint Petitioners may have advanced and without prejudice to the position any of the Joint Petitioners may advance in the future on the merits of the issues in future proceedings except to the extent necessary to

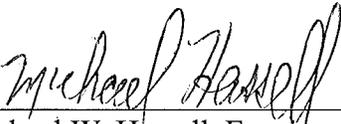
effectuate the terms and conditions of the Settlement. This Settlement does not preclude the Joint Petitioners from taking other positions in proceedings of other public utilities under Section 1307(f) of the Public Utility Code, 66 Pa.C.S. § 1307(f), or any other proceeding.

80. If the ALJ recommends that the Commission adopt the Settlement without modification, the Joint Petitioners waive their right to file Exceptions. Exceptions and replies thereto may be filed if the ALJ recommends approval of this Settlement with reservations or modifications.

X. CONCLUSION

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request that: (1) the Honorable Administrative Law Judge Jeffrey A. Watson recommend approval of and the Commission approve this Settlement, including all terms and conditions thereof without modification, and make the findings contained therein; and (2) the Commission enter a final order approving this Settlement.

Respectfully submitted,

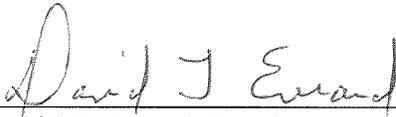


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Date: 6/27/17

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For Peoples TWP LLC



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Date:

6/21/17

For Bureau of Investigation and Enforcement

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Date:

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For Office of Small Business Advocate

Kevin J. Moody

Kevin J. Moody, Esquire
General Counsel & Vice President
Government Affairs
Pennsylvania Independent Oil & Gas
Association
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Date:

6/27/17

*For Pennsylvania Independent Oil & Gas
Association*

Appendix “A”

PEOPLES TWP LLC

RATES, RULES AND REGULATIONS
FOR NATURAL GAS SERVICE
IN TERRITORY DESCRIBED HEREIN

ISSUED: _____

EFFECTIVE: _____

1307(f)-2017 Annual Gas Cost Filing

ISSUED BY:

LYNDA W. PETRICHEVICH
VICE PRESIDENT – REGULATORY AFFAIRS
PEOPLES TWP LLC
205 NORTH MAIN STREET
BUTLER, PENNSYLVANIA 16001

LIST OF CHANGES MADE BY THIS TARIFF

| Tariff Rate Schedule & Rates | Existing Tariff Rates | Increase (Decrease) | Tariff Rates Effective 10/1/17 |
|------------------------------|--------------------------|------------------------|-----------------------------------|
| RS | | | |
| Demand Charge Rate | \$0.8531 | \$0.0179 | \$0.8710 |
| Demand Charge "E" Factor | \$0.2326 | (\$0.1803) | \$0.0523 |
| Rider MFC | \$0.0802 | (\$0.0019) | \$0.0783 |
| SGS | | | |
| Demand Charge Rate | \$0.8531 | \$0.0179 | \$0.8710 |
| Demand Charge "E" Factor | \$0.2824 | (\$0.2301) | \$0.0523 |
| Rider MFC | \$0.0167 | (\$0.0006) | \$0.0161 |
| MGS | | | |
| Demand Charge Rate | \$0.8531 | \$0.0179 | \$0.8710 |
| Demand Charge "E" Factor | \$0.2020 | (\$0.1497) | \$0.0523 |
| LGS | | | |
| Demand Charge Rate | \$0.8531 | \$0.0179 | \$0.8710 |
| Demand Charge "E" Factor | \$0.2865 | (\$0.2342) | \$0.0523 |
| RS, SGS, MGS, LGS | | | |
| Commodity Gas Supply Cost | \$2.5031 | \$0.2935 | \$2.7966 |
| Gas Cost Adjustment | \$0.4234 | (\$0.2274) | \$0.1960 |
| RS-T | | | |
| Balancing Fee | \$1.0857 | (\$0.1624) | \$0.9233 |
| SGS-T | | | |
| Balancing Fee | \$0.3825 | (\$0.1048) | \$0.2777 |
| MGS-T | | | |
| Balancing Fee | \$0.2441 | (\$0.0457) | \$0.1984 |
| LGS-T | | | |
| Balancing Fee | \$0.2622 | (\$0.1097) | \$0.1525 |
| Retainage | | | |
| (RS-T, SGS-T, MGS-T, LGS-T) | 4.8% | 0.6% | 5.4% |

Pages 5, 6, 7 – updated List of Communities Served.

LIST OF COMMUNITIES SERVED (C)

The Company's charter territory includes Allegheny, Armstrong, Beaver, Butler, Cambria, Clarion, Clearfield, Crawford, Erie, Fayette, Greene, Indiana, Jefferson, Lawrence, Mercer, Somerset, Venango, Washington, and Westmoreland Counties, Pennsylvania. Gas service is available in all localities where the Company has pipelines, including without limitation, the following cities, boroughs and townships:

ALLEGHENY COUNTY

Boroughs

| | | |
|--------------|------------|----------|
| Brackenridge | Cheswick | Harwick |
| Plum | Springdale | Tarentum |

Townships

| | | |
|-----------|----------|------------|
| East Deer | Fawn | Frazer |
| Harmar | Harrison | Indiana |
| Marshall | Pine | Springdale |
| West Deer | | |

ARMSTRONG COUNTY

Boroughs

| | | |
|-----------------|-------------|-------------|
| Freeport | Kittanning | Parker City |
| West Kittanning | Worthington | |

Townships

| | | |
|---------------|---------------|---------------|
| Bethel | Boggs | Bradys Bend |
| Burrell | Cowanshannock | Cowansville |
| East Franklin | Hovey | Kiskiminetas |
| Kittanning | Madison | Mahoning |
| Manor | North Buffalo | Parks |
| Pine | Plumcreek | Rayburn |
| Redbank | South Bend | South Buffalo |
| Sugarcreek | Valley | Washington |
| Wayne | West Franklin | |

BEAVER COUNTY

Townships

Franklin

BUTLER COUNTY

Cities and Boroughs

| | | |
|--------|-------|---------|
| Butler | Bruin | Callery |
|--------|-------|---------|

LIST OF COMMUNITIES SERVED (Continued) (C)

Connoquenessing
Mars
Sarver
Valencia

East Butler
Myoma
Saxonburg

Fairview
Petrolia
Seven Fields

Townships

Adams
Center
Concord
Donegal
Franklin
Middlesex
Penn
Winfield

Buffalo
Clearfield
Connoquenessing
Fairview
Jefferson
Oakland
Summit

Butler
Clinton
Cranberry
Forward
Lancaster
Parker
Washington

CAMBRIA COUNTY

Cities and Boroughs

Gallitzin

Johnstown

Nanty Glo

Townships

Colver Township

CLARION COUNTY

Boroughs

Curlsville

Sligo

Townships

Clarion
Monroe
Redbank

Limestone
Piney
Toby

Madison
Porter

CLEARFIELD COUNTY

Townships

Bell

Burnside

LIST OF COMMUNITIES SERVED (Continued) (C)

INDIANA COUNTY

Boroughs

| | | |
|-------------|---------------|---------------|
| Blairsville | Ernest | Glen Campbell |
| Indiana | Marion Center | Plumville |
| Shelocta | Smicksburg | |

Townships

| | | |
|---------------|-----------------|-----------------|
| Armstrong | Banks | Black Lick |
| Brush Valley | Buffington | Burrell |
| Canoe | Center | Conemaugh |
| East Mahoning | East Wheatfield | Grant |
| Home | Montgomery | North Mahoning |
| Pine | Rayne | South Mahoning |
| Washington | West Mahoning | West Wheatfield |
| White | Young | |

JEFFERSON COUNTY

Boroughs

| | | |
|---------|--------------|----------|
| Big Run | Punxsutawney | Rossiter |
| Timblin | Worthville | |

Townships

| | | |
|----------|------------|-----------|
| Beaver | Bell | Clover |
| Eldred | Gaskill | Henderson |
| Knox | McCalmont | Oliver |
| Perry | Pine Creek | Porter |
| Ringgold | Rose | Union |
| Warsaw | Washington | Winslow |
| Young | | |

WESTMORELAND COUNTY

Cities and Boroughs

| | | |
|---------------|-------------|----------------|
| Arnold | Derry | Hyde Park |
| Lower Burrell | Murrysville | New Kensington |
| Vandergrift | | |

Townships

| | | |
|------------|---------------|----------------|
| Allegheny | Bell | Derry Township |
| Loyalhanna | McCullough | New Derry |
| Salem | Upper Burrell | Unity |
| Washington | | |

| | Rider PGC - Gas Cost Charges | | | Base Rate Charges (4) | Rider STA (5) | Rider MFC (6) | Rider USP (7) | Rider GPC (8) | Rider ARC Rate Credit (9) | Rider DSIC (10) | Bill Display Total Rate (11=SUM 1 to 10) |
|--|------------------------------|------------|------------------|-----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------------------|-----------------------|--|
| | Demand/Capacity (1) | GCA (2) | Commodity (3) | | | | | | | | |
| Residential - Sales | | | | | | | | | | | |
| Customer Charge | | | | \$ 15.7500 | | | | | \$ (0.6944) | \$ - | \$ 15.0556 |
| Demand/Capacity | \$ 0.9233 | | | | | \$ 0.0185 | | | | \$ - | \$ 0.9418 |
| PTC - Commodity Charge | | \$ 0.1960 | \$ 2.7966 | | | \$ 0.0599 | | \$ 0.1400 | | \$ - | \$ 3.1925 |
| Delivery Charge | | | | \$ 6.7743 | \$ 0.0044 | | \$ 0.6467 | | \$ (0.2731) | \$ - | \$ 7.1523 |
| Total per MCF | | | | | | | | | | | \$ 11.2865 |
| SGS - Sales | | | | | | | | | | | |
| Customer Charge | | | | | | | | | | 0.00% | |
| 0 to 499 MCF/Yr | | | | \$ 35.0000 | | | | | \$ (0.8243) | \$ - | \$ 34.1757 |
| 500 to 999 MCF/Yr | | | | \$ 65.0000 | | | | | \$ (0.8243) | \$ - | \$ 64.1757 |
| Demand/Capacity 1/ | \$ 0.2777 | | | | | \$ 0.0011 | | | | \$ - | \$ 0.2788 |
| Price-to-Compare Charge 1/ | \$ 0.6456 | \$ 0.1960 | \$ 2.7966 | | | \$ 0.0149 | | \$ 0.1400 | | \$ - | \$ 3.7931 |
| Delivery Charge | | | | \$ 5.1008 | \$ 0.0044 | | | | \$ (0.1745) | \$ - | \$ 4.9307 |
| Total per MCF | | | | | | | | | | | \$ 9.0027 |
| MGS - Sales | | | | | | | | | | | |
| Customer Charge | | | | | | | | | | | |
| 1,000 to 2,499 MCF/Yr | | | | \$ 75.0000 | | | | | \$ (2.1273) | \$ - | \$ 72.8727 |
| 2,500 to 24,999 MCF/Yr | | | | \$ 175.0000 | | | | | \$ (2.1273) | \$ - | \$ 172.8727 |
| Demand/Capacity 1/ | \$ 0.1984 | | | | | \$ - | | | | \$ - | \$ 0.1984 |
| Price-to-Compare Charge 1/ | \$ 0.7249 | \$ 0.1960 | \$ 2.7966 | | | \$ - | | \$ 0.1400 | | \$ - | \$ 3.8575 |
| Delivery Charge | | | | \$ 4.8604 | \$ 0.0044 | | | | \$ (0.1117) | \$ - | \$ 4.7531 |
| Total per MCF | | | | | | | | | | | \$ 8.8090 |
| LGS - Sales < 100,000 MCF/yr | | | | | | | | | | | |
| Customer Charge | | | | | | | | | | | |
| 25,000 to 49,999 MCF/Yr | | | | \$ 800.0000 | | | | | \$ - | \$ - | \$ 800.0000 |
| 50,000 to 99,999 MCF/Yr | | | | \$ 1,500.0000 | | | | | \$ - | \$ - | \$ 1,500.0000 |
| Demand/Capacity 1/ | \$ 0.1525 | | | | | \$ - | | | | \$ - | \$ 0.1525 |
| Price-to-Compare Charge 1/ | \$ 0.7708 | \$ 0.1960 | \$ 2.7966 | | | \$ - | | \$ 0.1400 | | \$ - | \$ 3.9034 |
| Delivery Charge | | | | \$ 3.7500 | \$ 0.0044 | | | | \$ - | \$ - | \$ 3.7544 |
| Total per MCF | | | | | | | | | | | \$ 7.8103 |
| LGS - Sales > 100,000 MCF/yr | | | | | | | | | | | |
| Customer Charge | | | | | | | | | | | |
| 100,000 to 199,999 MCF/Yr | | | | \$ 5,000.0000 | | | | | \$ - | \$ - | \$ 5,000.0000 |
| Over 200,000 MCF/Yr | | | | \$ 7,500.0000 | | | | | \$ - | \$ - | \$ 7,500.0000 |
| Demand/Capacity 1/ | \$ 0.1525 | | | | | \$ - | | | | \$ - | \$ 0.1525 |
| Price-to-Compare Charge 1/ | \$ 0.7708 | \$ 0.1960 | \$ 2.7966 | | | \$ - | | \$ 0.1400 | | \$ - | \$ 3.9034 |
| Delivery Charge | | | | \$ 0.9988 | \$ 0.0044 | | | | \$ - | \$ - | \$ 1.0032 |
| Total per MCF | | | | | | | | | | | \$ 5.0591 |

1/ The Price-to-Compare format as shown is applicable to a Non-Priority One customer; the Price-to-Compare Charge for a Priority One customer would not include the Demand/Capacity charge. See the Residential - Sales section above as an example of Priority One.

ISSUED: _____

EFFECTIVE: _____

| | Base Rate Charges (1) | Rider STA (2) | Rider USR (3) | Rider PGC Capacity (4) | BB&A (5) | Rider ARC Rate Credit (6) | Rider DSIC (7) | Bill Display Total Rate (8=SUM 1 to 7) | Retainage Charge |
|--|-----------------------------|---------------------|---------------------|------------------------------|-------------|---------------------------------|----------------------|--|---------------------|
| Rate RS-T (Transportation Service) | | | | | | | | | |
| Customer Charge | \$ 15.7500 | | | | | \$ (0.6944) | \$ - | \$ 15.0556 | |
| Demand/Capacity | | | | \$ 0.9233 | | | | \$ 0.9233 | |
| Delivery Charge | \$ 6.7743 | \$ 0.0044 | \$ 0.6467 | | | \$ (0.2731) | \$ - | \$ 7.1523 | |
| Total per MCF | | | | | | | | \$ 8.0756 | 5.4% |
| Rate SGS-T (Transportation Service) | | | | | | | | | |
| Customer Charge | | | | | | | | | |
| 0 to 499 MCF/Yr | \$ 35.0000 | | | | | \$ (0.8243) | \$ - | \$ 34.1757 | |
| 500 to 999 MCF/Yr | \$ 65.0000 | | | | | \$ (0.8243) | \$ - | \$ 64.1757 | |
| BB&A 1/ | | | | \$ 0.2777 | | | | \$ 0.2777 | |
| Delivery Charge | \$ 5.1008 | \$ 0.0044 | | | | \$ (0.1745) | \$ - | \$ 4.9307 | |
| Total per MCF | | | | | | | | \$ 5.2084 | 5.4% |
| Rate MGS-T (Transportation Service) | | | | | | | | | |
| Customer Charge | | | | | | | | | |
| 1,000 to 2,499 MCF/Yr | \$ 75.0000 | | | | | \$ (2.1273) | \$ - | \$ 72.8727 | |
| 2,500 to 24,999 MCF/Yr | \$ 175.0000 | | | | | \$ (2.1273) | \$ - | \$ 172.8727 | |
| BB&A 1/ | | | | \$ 0.1984 | | | | \$ 0.1984 | |
| Delivery Charge | \$ 4.8604 | \$ 0.0044 | | | | \$ (0.1117) | \$ - | \$ 4.7531 | |
| Total per MCF | | | | | | | | \$ 4.9515 | 5.4% |
| Rate LGS-T (Transportation Service) | | | | | | | | | |
| Customer Charge | | | | | | | | | |
| 25,000 to 49,999 MCF/Yr | \$ 800.0000 | | | | | | \$ - | \$ 800.0000 | |
| 50,000 to 99,999 MCF/Yr | \$ 1,500.0000 | | | | | | \$ - | \$ 1,500.0000 | |
| BB&A 1/ | | | | \$ 0.1525 | | | | \$ 0.1525 | |
| Delivery Charge | \$ 3.7500 | \$ 0.0044 | | | | | \$ - | \$ 3.7544 | |
| Total per MCF | | | | | | | | \$ 3.9069 | 5.4% |
| Rate LGS-T (Transportation Service) | | | | | | | | | |
| Customer Charge | | | | | | | | | |
| 100,000 to 199,999 MCF/Yr | \$ 5,000.0000 | | | | | | \$ - | \$ 5,000.0000 | |
| Over 200,000 MCF/Yr | \$ 7,500.0000 | | | | | | \$ - | \$ 7,500.0000 | |
| BB&A | | | | \$ 0.1525 | | | | \$ 0.1525 | |
| Delivery Charge | \$ 0.9988 | \$ 0.0044 | | | | | \$ - | \$ 1.0032 | |
| Total per MCF | | | | | | | | \$ 1.1557 | 5.4% |

1/ The Demand/Capacity Charge applies to Priority 1 ratepayers when electing transport service. All other Ratepayers are billed the BB&A charge.

ISSUED: _____

EFFECTIVE: _____

Appendix “B”

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

| | | |
|--|---|---------------------------|
| Pennsylvania Public Utility Commission | : | Docket No. R-2017-2586317 |
| Office of Small Business Advocate | : | C-2017-2593494 |
| Office of Consumer Advocate | : | C-2017-2595922 |
| | : | |
| v. | : | |
| | : | |
| Peoples TWP LLC | : | |

**STATEMENT IN SUPPORT OF THE
JOINT PETITION FOR SETTLEMENT
OF THE SECTION 1307(f) RATE INVESTIGATION**

TO ADMINISTRATIVE LAW JUDGE JEFFREY A. WATSON:

I. INTRODUCTION

Peoples TWP LLC (“Peoples TWP” or the “Company”) hereby files this Statement in Support of the Joint Petition for Settlement (“Settlement”) entered into by Peoples TWP, the Bureau of Investigation & Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), and the Pennsylvania Independent Oil & Gas Association (“PIOGA”) (hereinafter, collectively “Joint Petitioners”) in the above-captioned Purchased Gas Cost (“PGC”) proceeding. Peoples TWP respectfully requests that Administrative Law Judge Jeffrey A. Watson (the “ALJ”) recommend approval of, and the Commission approve, the Settlement, including the terms and conditions thereof, without modification.

The Settlement, if approved, will resolve all of the issues raised by the Joint Petitioners in this proceeding, including whether Peoples TWP’s historic natural gas costs were incurred and projected natural gas costs will be incurred under a least cost fuel procurement policy. The

Settlement provides benefits to customers and is in the public interest. Thus, it should be approved without modification.

The Settlement was achieved only after a comprehensive investigation of Peoples TWP's natural gas procurement policies and operations. In addition to a comprehensive filing and informal discovery, Peoples TWP responded to numerous formal discovery requests (many of which had multiple subparts). In support of their positions, Peoples TWP, I&E, OCA, and PIOGA served testimony and accompanying exhibits, which were subsequently admitted into the record at the evidentiary hearing held on June 5, 2017. The Joint Petitioners participated in numerous settlement discussions and formal negotiations, which ultimately led to the Settlement.

Finally, the Joint Petitioners, as well as their experts and counsel, have considerable experience in PGC proceedings. Their knowledge, experience, and ability to evaluate the strengths and weaknesses of their litigation positions provided a strong base upon which to build a consensus on the settled issues.

For these reasons and the reasons set forth below, the Settlement is just and reasonable, and Peoples TWP's 2017 1307(f) filing, as modified by the Settlement, should be approved.

II. COMMISSION POLICY FAVORS SETTLEMENT

Commission policy promotes settlements. *See* 52 Pa. Code § 5.231(a). Settlements reduce the time and expense that the parties must expend litigating a case and, at the same time, conserve administrative resources. The Commission has stated that settlement results are often preferable to those achieved at the conclusion of a fully-litigated proceeding. *See* 52 Pa. Code § 69.401. To accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm'n v. York Water Co.*, Docket No.

R-00049165 (Order Entered Oct. 4, 2004); *Pa. Pub. Util. Comm'n v. C.S. Water and Sewer Assocs.*, 74 Pa. P.U.C. 767 (1991).

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

The Settlement reflects a carefully-balanced compromise of the interests of all of the Joint Petitioners while producing just and reasonable gas cost rates.

A. RETAINAGE AND LOST AND UNACCOUNTED FOR GAS

1. Retainage

Retainage represents the extra gas needed to account for unaccounted for gas (“UFG”) and company use (“CU”) gas for customers to receive the amount of gas needed. (I&E Statement No. 1, p. 9.) Transportation customers are charged for retainage because they are required to supply extra gas to meet this requirement. (I&E Statement No. 1, p. 9.) PGC customers are not charged for retainage directly because they pay for UFG and CU in their PGC rate, but any retainage that is not recovered from transportation customers is assessed to PGC customers. (I&E Statement No. 1, p. 9.)

Peoples TWP recommended increasing the tariffed retainage rate to 5.7% for all transportation customers, due to the overall percentage of system loss and CU as compared to last year’s calculation. (Peoples TWP Statement No. 1, p. 12.) Further, the Company explained it discounts a customer’s retainage rate when certain competitive circumstances exist and when the discount passes the established net benefit test. (Peoples TWP Statement No. 1, p. 12; *see* Highly Confidential Peoples TWP Exhibit No. 3.) The cost of discounted retainage is retained within the transportation classes and is reflected in the tariffed retainage rate. (Peoples TWP Statement No. 1, pp. 12-13; Peoples TWP Exhibit No. 2, p. 2; Highly Confidential Peoples TWP Exhibit No. 3.)

In testimony, I&E agreed with Peoples TWP's proposed retainage rate. (I&E Statement No. 1, p. 11.) OCA recommended that the retainage rate be increased to 6.8% based upon a claim that the charge should recover a portion of the costs associated with the Company's storage losses and compressor fuel. (OCA Statement No. 1, pp. 4, 6; OCA Schedule JDM-1.)

Subsequent to the submission of other parties' direct testimony, Peoples TWP submitted supplemental direct testimony of Mr. Anthony Caldro. (See Peoples TWP Statement No. 1-S.) Mr. Caldro's supplemental direct testimony explained that effective July 2017, a large volume Rate LGS-T transportation customer, with a discounted retainage rate, would be ceasing operations. (Peoples TWP Statement No. 1-S, p. 1.) With the loss of this customer, the cost of the discounted retainage charge no longer needed to be factored into the tariffed retainage rate. (Peoples TWP Statement No. 1-S, p. 2.) As a result, the Company revised its original proposed tariffed retainage rate from 5.7% to 5.3%. (Peoples TWP Statement No. 1-S, pp. 2-3; Peoples TWP Exhibit No. 2-S.)

In rebuttal, Peoples TWP generally disagreed with OCA's retainage recommendation, arguing that OCA's proposal would recover on-system storage losses and compressor fuel from sales and transportation customers without regard to customers' load factors. (Peoples TWP Statement No. 1-R, p. 3.) As the Company explained, Peoples TWP's transportation customers are primarily large commercial and industrial users with higher load factors than sales customers. (Peoples TWP Statement No. 1-R, p. 3.) However, on-system storage is used primarily to supply lower load factor sales customers. (Peoples TWP Statement No. 1-R, p. 3) Indeed, gas injected into storage in the summer months with the intention of being used in the winter months is for sales customer use. (Peoples TWP Statement No. 1-R, p. 3.) Therefore, Peoples TWP averred that it would be more appropriate to allocate on-system storage losses and compressor fuel based

on a method reflecting the limited use of on-system storage for balancing transportation customers' receipts and deliveries. (Peoples TWP Statement No. 1-R, p. 3.) Using this method, and continuing to reflect the lost LGS-T customer, the Company calculated a proposed retainage rate of 5.4%. (Peoples TWP Statement No. 1-R, p. 4; Peoples TWP Exhibit No. 2-R.) No surrebuttal testimony was submitted in response.

Under the Settlement, the Joint Petitioners have agreed that effective October 1, 2017, the tariffed retainage rate for all rate classes will be 5.4%. (Settlement ¶ 25.) Regarding discounted retainage rates, the Settlement provides that the newly negotiated waivers of retainage in Highly Confidential Peoples Exhibit No. 3 should be approved. (Settlement ¶ 26.)

The Settlement adopts Peoples TWP's revised retainage rate proposal and responds to OCA's concern about the retainage rate not reflecting on-system storage losses and compressor fuel. (Peoples TWP Statement No. 1-R, p. 4.) Based on the foregoing, these settlement provisions reflect a reasonable compromise of the parties' litigation positions and, therefore, should be approved without modification.

2. Unaccounted for Gas

I&E recognized that Peoples TWP's distribution system UFG of 3.95% for the year ended August 31, 2016, is within the third year UFG target of 4.0% established by the Commission. (I&E Statement No. 1, p. 4); *see* 52 Pa. Code § 59.111(c)(1). However, I&E observed an increase in UFG on a total system basis over the past few years and urged the Company to take further steps to mitigate its UFG. (I&E Statement No. 1, pp. 5-8.) Moreover, I&E recommended that Peoples TWP accelerate its pipeline replacement program and provide I&E and the Commission's Bureau of Technical Utility Services ("TUS") with a quarterly update on UFG, which would include actual capital expenditures on pipeline replacement and retirements. (I&E Statement No. 1, pp. 7-8.) If Peoples TWP failed to show improvement in its

UFG, I&E stated that it would recommend an adjustment in next year's PGC proceeding to disallow full recovery. (I&E Statement No. 1, p. 8.)

Peoples TWP stated that it shares I&E's concern with system-wide UFG over the 2013-2016 period. (Peoples TWP Statement No. 4-R, p. 5.) Peoples TWP explained that the Company has assembled a cross-functional team to assess, analyze, and take action to mitigate UFG and that the Company is working on a UFG mitigation plan. (Peoples TWP Statement No. 2, p. 40; Peoples TWP Statement No. 4-R, p. 5.) Among other things, the Company's UFG team will examine: (1) whether portions of the existing transmission and distribution pipelines operate as gathering lines and incur a higher UFG percentage than the remaining lines that serve true transmission and distribution functions; and (2) the reason why losses on the Peoples TWP system are not linear in relation to supply. (Peoples TWP Statement No. 4-R, pp. 5-6.) However, it is not realistic to expect immediate and significant reductions in UFG as a result of UFG mitigation efforts. (Peoples TWP Statement No. 4-R, p. 5.)

In addition, Peoples TWP responded to I&E's recommendations that the Company accelerate its pipeline replacement program and provide quarterly updates on UFG. First, Peoples TWP explained that accelerating the pipeline replacement program would not necessarily produce immediate UFG reductions because determining which pipelines should be scheduled for replacement is contingent on a risk analysis under the Company's Long-Term Infrastructure Improvement Plan ("LTIIP"). (Peoples TWP Statement No. 4-R, p. 7.) Although leakage is a relevant factor in that risk analysis, it is not the only factor. (Peoples Statement No. 4-R, p. 7.) For example, a leaking pipeline in a non-populated rural area may not receive a higher risk ranking than a non-leaking pipeline in a highly populated, urban area. (Peoples Statement No. 4-R, p. 7.)

Second, Peoples TWP argued that I&E's quarterly UFG report would likely be ineffective. (Peoples TWP Statement No. 4-R, p. 7.) The Company would have difficulty accurately measuring UFG on a quarterly basis, and Peoples TWP already provides numerous reports on its pipeline replacements. (Peoples Statement No. 4-R, pp. 7-9.)

Under the Settlement, the Joint Petitioners acknowledge that Peoples TWP's UFG percentage for the 12-month period ending August 31, 2016, is in compliance with the Commission's regulations. (Settlement ¶ 27.) Furthermore, Peoples TWP has committed to continue its efforts to reduce UFG. (Settlement ¶ 27.) The Company also will provide the Joint Petitioners by April 2, 2018, with a report from its UFG team providing an analysis and recommendations to mitigate UFG. (Settlement ¶ 27.)

The settlement provisions recognize that Peoples TWP's UFG efforts continue to meet and exceed the UFG goals set by the Commission, while committing to continue and expand the Company's UFG mitigation efforts. These provisions respond to I&E's concerns about UFG and, therefore, should be approved without modification.

B. BALANCING CHARGES

Peoples TWP made two changes to its calculation of balancing charges for SGS-T, MGS-T, and LGS-T customers. (Peoples TWP Statement No. 1, pp. 20-21.) First, as of April 1, 2017, Peoples TWP moved to a "target based" daily balancing program similar to its sister company, Peoples Natural Gas Company LLC, and, as such, banking and advancing services for transportation customers in the SGS, MGS and LGS classes is no longer necessary. (Peoples TWP Statement No. 1, p. 21.) Second, as part of the settlement in the 1307(f)-2015 proceeding, there was the provision that the "E" factor would no longer be allocated to the balancing charge. (Peoples TWP Statement No. 1, p. 21.) These changes were reflected in Peoples TWP Exhibit No. 10 as part of the Company's definitive 1307(f) filing. Subsequently, Peoples TWP presented

Peoples TWP Exhibit No. 10-S, which recalculated the balancing charge for LGS-T customers to reflect the loss of a large LGS-T customer who paid a discounted balancing charge. (Peoples TWP Statement No. 1-S, pp. 1-3.)

The loss of the LGS-T customer had two effects. First, it reduced the discount shortfall amount to be recovered from other LGS-T customers, resulting in a reduction to the tariffed LGS-T balancing charge from \$0.2070/Mcf to \$0.1525/Mcf. (*Compare* Peoples TWP Exhibit No. 10, *with* Peoples TWP Exhibit No. 10-S.) Second, the loss of the large LGS-T customer reduced balancing revenues to be credited to the PGC from \$987,287 to \$864,573. (*Compare* Peoples TWP Exhibit No. 10, *with* Peoples TWP Exhibit No. 10-S.) The loss of that customer had no effect on other classes' as-filed balancing charges. (Peoples TWP Statement No. 1-S, p. 3.)

No party opposed Peoples TWP's balancing charges in this proceeding.

The Settlement memorializes the balancing charges as presented in Peoples TWP Exhibit No. 10-S. Under the Settlement, Peoples TWP's non-Priority 1 ("NP-1") tariffed transportation balancing charges shall be the following: \$0.2777/Mcf for Rate SGS-T customers, \$0.1984/Mcf for Rate MGS-T customers, and \$0.1525/Mcf for Rate LGS-T customers. (Settlement ¶ 28.) The balancing charges are reasonable because they reflect the changes to the Company's balancing program and are consistent with the settlement in Peoples TWP's 2015 PGC proceeding. Moreover, the balancing charge for LGS-T customers was recalculated to reflect the loss of a large customer who paid a discounted balancing charge. Therefore, this settlement provision is reasonable and should be approved without modification.

C. ACTUAL GAS COST REPORTING

During this proceeding, an issue arose concerning the manner in which the Company reports actual gas costs. Section 53.64(i)(5)(i) of the Commission's regulations requires the

quarterly PGC filings to be based upon a recalculation and reconciliation of gas costs for a quarterly period commencing four months prior to the filing date. 52 Pa. Code § 53.64(i)(5)(i). In letters accompanying its previous quarterly filings, Peoples TWP had requested limited waivers, to the extent necessary, of Section 53.64(i)(5)(i) to provide a reconciliation only for the two earliest months of the quarterly period because the processing and booking of some of the actual gas cost data for the third month was not available in time to be included in the quarterly filing. *See, e.g.*, Peoples TWP LLC – Supplement No. 37 to Tariff Gas – PA PUC No. 8, Quarterly Recalculation and Reconciliation of Purchased Gas Cost Rates, Docket No. R-2016-2528557 (Dec. 30, 2016).

The Settlement reflects a reasonable compromise regarding the Company’s reporting of actual gas cost data. Under the Settlement, Peoples TWP will only report actual gas costs in the final month of any quarterly or annual gas cost filings. (Settlement ¶ 29.) However, the Company will record the cost as zero if an actual gas cost is not known and the estimated gas cost is less than 1% of the monthly gas costs. (Settlement ¶ 29.) If that is the case, the Company will provide actual gas costs in the next quarterly or annual gas cost filing after the actual gas costs become available. (Settlement ¶ 29.) Thus, the settlement provisions are just and reasonable and should be adopted without modification.

D. MISCELLANEOUS

Under the Settlement, the parties have agreed that the proposed rates and other requested approvals contained in Peoples TWP’s PGC filing should be approved except to the extent that they are modified by the Settlement. (Settlement ¶ 30.) Further, the proposed rates will be updated in the Company’s compliance filing to reflect actual and projected over/undercollections through September 30, 2017. (Settlement ¶ 31.)

The PGC and balancing rates that Peoples TWP proposes to place into effect on October 1, 2017, are supported by record evidence. Peoples TWP explained in detail the development of the natural gas supply rates utilizing cost projections, sales projections, and the reconciliation process. Peoples TWP's testimony provides full support for the rates and their underlying calculations. (Peoples TWP Statement No. 1; Peoples TWP Statement No. 1-S; Peoples TWP Statement No. 1-R.) Accordingly, these settlement provisions concerning Peoples TWP's proposed PGC and balancing rates are just and reasonable and should be approved without modification.

As explained previously, due to the loss of one large LGS-T customer after the Company's filing, Peoples TWP's settled balancing charges are projected to recover \$122,714 less than as originally filed (*i.e.*, \$987,287 - \$864,573). Balancing charges are a credit to capacity (demand) charges. (Peoples TWP Exhibit No. 9, p. 2, line 4.) Therefore, capacity charges for sales customers increase by \$0.0181/Mcf (*i.e.*, $\$122,714 \div 6,773,431$ Mcf).¹

¹ Including the effects of the Merchant Function Charge, the Residential rate increases by \$0.0184/Mcf, and the SGS rate increases by \$0.0182/Mcf under the Settlement, as compared to the originally proposed rates.

IV. CONCLUSION

Through cooperative efforts and the open exchange of information, the Joint Petitioners have arrived at a Settlement that resolves all issues in the proceeding in a fair and equitable manner. The Settlement is the result of detailed examination of Peoples TWP's natural gas procurement policies through numerous discovery responses, testimony and accompanying exhibits, and settlement negotiations. A fair and reasonable compromise has been achieved in this case, as is evident by the fact that all active parties have agreed to the resolution of the issues in this proceeding.

Based on the foregoing, and as set forth in Section V of the Joint Petition for Settlement, Peoples TWP requests that Your Honor and the Commission make all the findings required under 66 Pa. C.S. § 1318 with regard to its gas purchases and gas purchasing practices for the 12-month period ending January 31, 2017, find the rates proposed in the Joint Petition for Settlement to be just and reasonable, and approve the Joint Petition for Settlement without modification.

Respectfully submitted,



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Of Counsel:
Post & Schell, P.C.

Dated: June 27, 2017

For Peoples TWP LLC

Appendix “C”

proposed Settlement is whether or not it is in the public interest.”¹ Accordingly, it is incumbent upon I&E to ensure that the public interest is served in all matters before the Commission. The request for approval of this Joint Petition for Partial Settlement is founded on I&E’s conclusion that the Settlement meets all the legal and regulatory standards necessary for approval and that the proposed settlement is in the public interest.

2. On March 1, 2017, TWP timely submitted its pre-filing information regarding mandatory annual §1307(f) proceedings pursuant to 52 Pa. Code §53.64 *et seq.* On or about March 31, the Companies submitted their Definitive Filing in these matters.

3. On March 6, 2017, I&E entered an appearance in this matter.

4. On March 13, 2017, the Office of Small Business Advocate (“OSBA”) entered an appearance in this matter.

5. On March 23, 2017, The Office of Consumer Advocate (OCA) filed a Complaint and Public Statement.

6. On April 7, 2017, a prehearing conference was held before Administrative Law Judge Jeffrey A. Watson (“ALJ”) and a procedural schedule was established for the submission of further written testimony and conducting evidentiary hearings.

7. In accordance with the Commission’s policy favoring settlements over costly and time-consuming litigation,² a full and complete settlement of all issues was achieved in this matter and is hereby submitted to the ALJ.

¹ *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).

² 52 Pa. Code §5.231.

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

II. ANALYSIS

9. Prior to agreeing to the terms presented in the Joint Petition, I&E conducted a thorough review of the TWP's filings and supporting information, as well as discovery responses and additional submitted filing data. Based on its analysis of the Companies' filings and supplemental data, I&E is satisfied that the Settlement reflects adherence to the proper regulatory standards and contains adequate protections for ratepayers.

10. The Settlement includes I&E's acknowledgement that the natural gas costs incurred by the Companies during the historic period were done so under adherence to a least cost fuel procurement policy. As provided for in the Public Utility Code, "[n]o rates for a natural gas distribution utility shall be deemed just and reasonable unless the commission finds that the utility is pursuing a least cost fuel procurement policy...."³ I&E's review of all available information in this proceeding confirms this representation. A least cost fuel procurement policy protects ratepayers from unnecessary and imprudent gas costs and prevents the Company from making a profit on gas supplies provided to its Purchased Gas Cost ("PGC") customers.

A. RETAINAGE AND LOST AND UNACCOUNTED FOR GAS

11. This settlement acknowledges that TWP's Lost and Unaccounted –For Gas ("LUFG") for the 12 month period ending August 31, 2016 of 3.95% is in compliance with

³ 66 Pa. C.S.A. §1318.

52 Pa. Code §59.111(c)(1). As testified to by I&E witness Apetoh,⁴ this number is increasing and must be addressed, which TWP has committed to and addressed in the testimony of TWP Witness Kent E. Huzzey.⁵ TWP further agrees to provide to the signatory parties of this agreement an analysis and recommendation to mitigate UFG by April 2, 2018.

12. As noted in the testimony of I&E witness Apetoh,⁶ if the current upward trend in LUFG continues, I&E intends to make an adjustment to disallow recovery of certain costs in TWP's next 1307(f) filing. This settlement will allow the company time to address this issue, while still ensuring that ratepayers are not footing the bill for continuously increasing LUFG.⁷

13. Vice-Chairman Place last year rightly expressed concern with the increase in LUFG on a total system basis. In consideration of this, I&E supports the initiatives to reduce LUFG by the Company that will be undertaken through this settlement and believes that they are in the public interest. The testimony put in by I&E also is intended to serve as notice that unless the trend of increasing LUFG is halted, a financial adjustment will be made in the next PGC filing.

B. BALANCING CHARGES

14. I&E supports the balancing charges as enumerated in the Joint Petition as in the public interest and a fair compromise of the parties.

⁴ I&E Statement No. 1- Direct Testimony of Kokou Apetoh, Pp.4-5.

⁵ Peoples Statement No. 2 – Direct Testimony of Kent E. Huzzey, P. 40.

⁶ I&E Statement No. 1- Direct Testimony of Kokou Apetoh, Pp.7-8.

⁷ I&E Statement No. 1- Direct Testimony of Kokou Apetoh, P. 8.

C. ACTUAL GAS COST REPORTING

15. As a part of this settlement, TWP agrees that it shall attempt to eliminate its continued request for waivers pertaining to the usage of estimates in its filings instead of actual gas costs. This will be done by reporting only actual gas costs in the final month of any filing. If the actual cost is not known and the estimate is less than a percent of the monthly gas costs, the Company will record this cost as zero and will provide actual gas costs in the next quarterly or annual gas filing when the actual numbers are available. I&E strongly supports this provision of the settlement since it will help to eliminate a repeated waiver to filing requirements and bring TWP towards compliance with 52 Pa. Code §53.64(i)(5)(i).

III. CONCLUSION

16. With the foregoing considerations, I&E supports the Settlement and believes that all issues have been satisfactorily resolved through discovery and discussions with the Companies and are incorporated in the settlement. I&E is satisfied that no further action is necessary, supports the adoption of the joint petition and its proposed findings of fact and law. Accordingly, I&E considers its investigation of this filing complete.

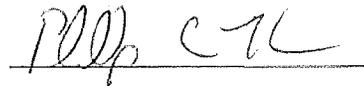
17. Based upon I&E's analysis of the filing, acceptance of this proposed Settlement is in the public interest because the provisions adequately protect the interests of all affected parties, including the signatories to this Settlement Agreement.

18. The Bureau of Investigation and Enforcement is satisfied that the provisions and data contained in TWP's PGC filings, as confirmed by this Joint Petition,

accurately support the finding that the Companies' purchased gas costs and their practices adequately protect the public interest.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement, by and through undersigned Prosecutor, avers that it supports the *Joint Petition for Settlement* as being in the public interest and respectfully requests that Administrative Law Judge Watson recommend, and the Commission subsequently approve, the foregoing Joint Petition for Settlement of the 1307(f) Rate Investigation, including all terms and conditions contained therein.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "PCK", is written over a horizontal line.

Phillip C. Kirchner
Prosecutor
PA Attorney I.D. #313870

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265
(717) 787-1976

Dated June 21, 2017

Appendix “D”

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

| | | |
|--|---|---------------------------|
| Pennsylvania Public Utility Commission | : | Docket No. R-2017-2586317 |
| Office of Small Business Advocate | : | C-2017-2593494 |
| Office of Consumer Advocate | : | C-2017-2595922 |
| | : | |
| v. | : | |
| | : | |
| Peoples TWP LLC | : | |

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

On March 1, 2017, Peoples TWP LLC (PTWP or Company) submitted the prefiling information and data required in connection with its annual purchased gas cost (PGC) filing under § 1307(f) of the Public Utility Code (66 Pa.C.S. § 1307(f)) and the Public Utility Commission’s (Commission) regulations at 52 Pa. Code §§ 53.64(c) and 53.65. On March 31, 2017, the Company submitted its formal 2017 PGC filing, pursuant to which, the Company proposed a reduction in its residential PGC rate of \$0.1144 per Mcf from the rates in effect on January 1, 2017. The new rates are to take effect on October 1, 2017.

On March 28, 2017, the OCA filed a Formal Complaint against the Company’s proposed rates, seeking to ensure that the rates were not excessive, discriminatory, or otherwise contrary to Commission regulation or policy. On March 13, 2017, the Office of Small Business Advocate (OSBA) also filed a Formal Complaint against the proposed rates. On March 6, 2017, the Commission’s Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance

in the case. On April 6, 2017, the Pennsylvania Independent Oil & Gas Association (PIOGA) filed a Petition to Intervene in the proceedings. The OCA, OSBA, I&E and PIOGA engaged in discovery regarding the proposed rates.

A prehearing conference was held on April 7, 2017, at which a procedural schedule was established. Pursuant to that schedule, on May 5, 2017, the OCA submitted the Direct Testimony of its expert witness, Jerome D. Mierzwa. Mr. Mierzwa's testimony proposed that PTWP's transportation customers be required to contribute to the recovery of losses at the Company's on-system storage facilities and the recovery of natural gas used by the Company to fuel its compressor stations. Under Mr. Mierzwa's proposal, this cost recovery would be accomplished through PTWP's retainage charges. Currently the cost of storage losses and fuel used at compressor stations is recovered entirely from sales (PGC) customers.

Following the submission of the non-company parties' direct testimony, settlement discussions were initiated, and those discussions have produced the instant proposed Settlement, which addresses the various issues in the case. For the reasons set forth below, the OCA submits that the Settlement is in the public interest and should be adopted by the Commission.

II. PROPOSED SETTLEMENT

The Settlement addresses the following issues:

A. Retainage and Lost and Unaccounted For Gas (Settlement ¶¶ 25-27)

The Settlement provides that beginning on October 1, 2017, the tariffed retainage rate for all rate classes will be 5.4%. Settlement ¶ 25. Incorporated within the calculation of this retainage rate is an allocation of a portion of the cost of on-system storage losses and the cost of gas used as fuel at compressor stations to transportation customers. As noted above, this was an

issue addressed by OCA witness Mierzwa. In Rebuttal Testimony, the Company proposed a method for allocating these costs to the retainage rate that is similar to how PTWP allocates interstate storage costs to the balancing charges. PTWP St. No. 1-R at 3-4. Using this method, the Company calculated that an appropriate allocation of on-system storage losses and compressor fuel to the retainage rate (*i.e.*, transportation customers) would equal 16 percent. *Id.* at 4. The OCA reviewed this calculation and found it to be an acceptable method of apportioning the costs of on-system storage losses and compressor fuel to transportation customers, which, as noted above, have previously been recovered only from sales customers. Accordingly, the OCA supports this provision of the Settlement.

The Settlement also provides that PTWP's newly negotiated waivers of retainage that were contained in the Company's Highly Confidential Exh. No. 3 should be approved. Settlement ¶ 26. The OCA took no position with respect to these waivers, but has no objection to their approval.

The Company further commits to continuing its efforts to reduce UFG and will provide parties with a report from its UFG team, by April 2, 2018, that offers analysis of UFG issues and makes recommendations on mitigating UFG. Settlement ¶ 27. The OCA has no objection to this provision of the Settlement and looks forward to the report of the Company's UFG team as part of next year's PGC filing.

B. Balancing Charges (Settlement ¶ 28)

Paragraph 28 of the Settlement sets forth balancing charges for the Company's non-priority 1 (NP-1) customers. The OCA took no position on the amount of the balancing charges, but has no objection to their approval.

C. Actual Gas Cost Reporting (Settlement ¶ 29)

In Paragraph 29 of the Settlement, the parties agree that in an effort to eliminate the request for waivers in connection with PTWP's quarterly and annual gas cost filings, only actual gas costs will be reported in the final month of any filing. If an actual gas cost is not known and the estimated cost is below 1% of the monthly gas costs, the Company will not record an estimated cost but will record the cost as zero. The Company will then provide the actual gas cost in the next quarterly or annual gas cost filing. The OCA agrees that this will improve the accuracy of the Company's reports and eliminate the need for repeated waivers.

D. Miscellaneous (Settlement ¶¶ 30-32)

Paragraph 30 of the Settlement provides that the rates proposed and other requested approvals contained in the Company's filing should be approved.

Paragraph 31 provides that the Company's compliance filing in this proceeding will reflect updated actual and projected over and undercollections through September 30, 2017.

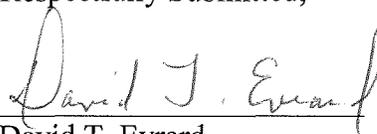
Paragraph 32 states that the parties agree that the Commission should approve the renewals and changes in gas supply, pipeline, and storage capacity contracts that are explained in PTWP's Statement No. 2 and related exhibits.

The OCA has no objection to these provisions of the Settlement.

III. CONCLUSION

In consideration of the various elements of the Settlement that have been described above, the OCA finds the Settlement as a whole to be in the public interest, and for that reason, submits that the terms and conditions of the Settlement should be approved by the Commission.

Respectfully Submitted,



David T. Evrard
Assistant Consumer Advocate
PA Attorney I.D. # 33870
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Counsel for:
Tanya J. McCloskey
Acting Consumer Advocate

Office of Consumer Advocate
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Phone: (717) 783-5048
Fax: (717) 783-7152

June 27, 2017

236219

Appendix “E”

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY
COMMISSION**

v.

PEOPLES TWP LLC

:
:
:
:
:
:

DOCKET NO. R-2017-2586317

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

I. INTRODUCTION

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

II. PROCEDURAL BACKGROUND

On March 1, 2017, pursuant to Section 1307(f) of the Public Utility Code, the Company submitted pre-filed supporting information concerning its annual Purchased Gas Cost (“PGC”) Rate filing. On March 31, 2017, the Company submitted its annual PGC filing to the Commission.

On March 6, 2017, the Commission’s Bureau of Investigation and Enforcement (“I&E”) entered a notice of appearance.

The OSBA filed a Complaint on March 13, 2017.

A Complaint was filed by the Office of Consumer Advocate (“OCA”) on March 28, 2107.

On April 6, 2017, Pennsylvania Independent Oil & Gas Association (“PIOGA”) filed a Petition to Intervene in both proceedings.

A Prehearing Conference was held on April 7, 2017, before Administrative Law Judge (“ALJ”) Jeffrey A. Watson, who subsequently entered a prehearing order on April 13, 2017, *inter alia*, consolidating the proceeding with the Peoples Division and Peoples-Equitable Division PGC proceedings at Docket Nos. R-2017-2586310 and R-2017-2586318 for scheduling purposes, establishing a procedural schedule, approving discovery modifications, and granting PIOGA’s Petition to Intervene.

On May 5, 2016, OCA, and I&E submitted direct testimony.

On May 19, 2017, Peoples TWP submitted supplemental direct testimony.

The Company submitted rebuttal testimony on May 25, 2017.

The parties successfully negotiated a settlement of all issues prior to submission of surrebuttal testimony and notified ALJ Watson of such on June 2, 2017.

Also on June 2, 2017, Peoples TWP filed a Motion for Protective Order.

A hearing was held on June 5, 2017, for the limited purpose of admitting testimony and accompanying exhibits and verifications into the record. The Company’s Motion for Protective Order was granted at the hearing.

On June 7, 2016, ALJ Watson issued an interim order suspending the procedural schedule and directing the parties to file settlement documents by June 27, 2017.

The OSBA actively participated in the negotiations that led to the proposed settlement, and is a signatory to the Joint Petition for Settlement of the Section 1307(f) Rate Investigation (“Joint Petition”). The OSBA submits this statement in support of the Joint Petition.

III. STATEMENT IN SUPPORT OF JOINT PETITION

Upon further review of the Company’s PGC filings and subsequent discovery, the OSBA determined that the issues initially outlined in its prehearing memorandum had been adequately addressed, specifically, whether the Company is appropriately mitigating unaccounted-for gas levels on its system and whether the Company’s proposed retainage rate of 5.7% is appropriate. Thus, the OSBA did not submit direct testimony.

However, the OSBA supports the settlement terms outlined in the Joint Petition as reasonable and in the best interest of the Company’s Small C&I customers. In Section II.A of the Joint Petition, the Joint Petitioners agree that the tariffed retainage rate for all rate classes shall be 5.4%. The difference between the Company’s proposed retainage rate (5.7%) and settlement retainage rate (5.4%) is attributable to two factors: 1) Peoples TWP revised its proposed retainage rate downward to 5.3% in order to reflect the loss of a large industrial customer served on Rate Schedule LGS-T at discounted rates;¹ and 2) Peoples TWP subsequently adjusted its revised retainage rate of 5.3% to 5.4% to reflect the inclusion of a portion of the Company’s on-system storage losses and compressor fuel use in its retainage calculation.² The OSBA agrees that both adjustments are appropriate, and that the resulting retainage rate of 5.4% is reasonable and in the interest of the Company’s Small C&I customers.

Furthermore, the Company commits to continue efforts to reduce LUFG and agrees to provide to the Joint Petitioners by April 2, 2018, a report from its LUFG team providing an

¹ See Peoples TWP Statement No. 1-S.

² See Peoples TWP Statement No. 1-R at page 4.

analysis and recommendations to mitigate LUGF. Since reductions in LUGF levels will reduce the cost of gas supply for both sales and transportation customers, the OSBA determines that any increased efforts to reduce LUGF are reasonable and in the interest of the Company's Small C&I customers.

IV. CONCLUSION

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 Joint Petitioners, but ultimately by the Company's 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.

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 Watson and the Commission approve the Joint Petition in its entirety without modification.

Respectfully submitted,


Elizabeth Rose Triscari *by DTA*
Deputy Small Business Advocate
Attorney ID No. 306921

For:

John R. Evans
Small Business Advocate

Office of Small Business Advocate
300 North Second Street, Suite 202
Harrisburg, PA 17101

Dated: June 27, 2017

Appendix “F”

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

| | | |
|-----------------------------------|---|----------------------------|
| Pennsylvania Public Utility | : | Docket Nos. R-2017-2586317 |
| Commission | : | C-2017-2593494 |
| Office of Small Business Advocate | : | C-2017-2595922 |
| Office of Consumer Advocate | : | |
| | : | |
| v. | : | |
| | : | |
| Peoples TWP LLC | : | |

**PENNSYLVANIA INDEPENDENT OIL & GAS ASSOCIATION
STATEMENT IN SUPPORT
OF APPROVAL OF
JOINT PETITION FOR SETTLEMENT
OF THE SECTION 1307(f) RATE INVESTIGATION**

TO ADMINISTRATIVE LAW JUDGE JEFFREY A. WATSON:

The Pennsylvania Independent Oil & Gas Association (PIOGA) intervened in this Section 1307(f) proceeding because of concerns related to the measures of the Peoples TWP LLC (“PTWP”) to address and mitigate unaccounted for gas (UFG) on its pipeline systems, and the Company’s retainage levels to recover its UFG expense.

On these issues the Joint Petition for Settlement (Settlement) provides that (i) the tariffed retainage rate for all rate classes will be 5.4% effective October 1, 2017, and (ii) the Company will continue its efforts to reduce UFG on its pipelines and will also provide a report by next year’s Section 1307(f) filing date with an analysis and recommendations to mitigate UFG. Settlement, ¶s 25, 27.

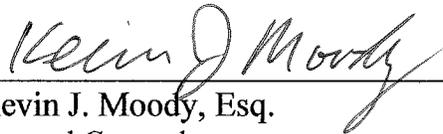
In PIOGA’s view, these provisions represent an appropriate resolution of these issues. PIOGA did not submit testimony in this proceeding because it believed PTWP’s

proposed retainage rate of 5.7% was reasonable. As a result of the closure of one of PTWP's large industrial transportation customers, the retainage rate was revised to 5.4%. PIOGA's support for these Settlement provisions demonstrates that PIOGA continues to have that position.

PIOGA expresses no position on the other matters addressed by the Settlement.

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 these proceedings 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: June 27, 2017