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June 27, 2017

VIA HAND DELIVERY

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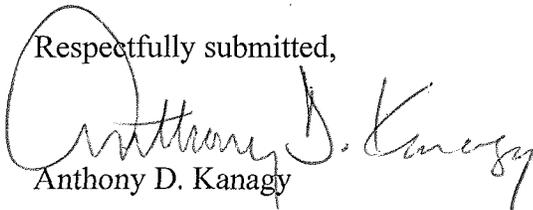
**Re: Pennsylvania Public Utility Commission, Office of Small Business Advocate & Office of Consumer Advocate v. Peoples Natural Gas Company LLC
Docket Nos. R-2017-2586310, C-2017-2593177 & C-2017-2595998**

Pennsylvania Public Utility Commission, Office of Small Business Advocate & Office of Consumer Advocate v. Peoples Natural Gas Company LLC - Equitable Division - Docket Nos. R-2017-2586318, C-2017-2593515 & C-2017-2596006

Dear Secretary Chiavetta:

Enclosed for filing is the Joint Petition for Settlement of the Section 1307(f) Rate Investigation in the above-referenced proceedings. 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,



Anthony D. Kanagy

ADK/jl
Enclosures

cc: Honorable Jeffrey Watson
Certificate of Service

CERTIFICATE OF SERVICE

Docket Nos. R-2017-2586310 & R-2017-2586318

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).

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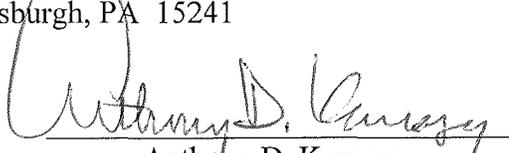
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Date: June 27, 2017


Anthony D. Kanagy

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos. R-2017-2586310
Office of Small Business Advocate	:	C-2017-2593177
Office of Consumer Advocate	:	C-2017-2595998

v.

Peoples Natural Gas Company LLC

Pennsylvania Public Utility Commission	:	Docket Nos. R-2017-2586318
Office of Small Business Advocate	:	C-2017-2593515
Office of Consumer Advocate	:	C-2017-2596006

v.

Peoples Natural Gas Company LLC –
Equitable Division

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

TO ADMINISTRATIVE LAW JUDGE JEFFREY A. WATSON:

Peoples Natural Gas Company LLC (“Peoples”), acting on behalf of its Peoples Division (“Peoples Division”) and its Equitable Division (“Peoples-Equitable Division”), 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: (1) the Peoples

Division's 2017 Purchased Gas Cost ("PGC") proceeding at Docket Nos. R-2017-2586310, C-2017-2593177, and C-2017-2595998; and (2) Peoples-Equitable Division's 2017 PGC proceeding at Docket Nos. R-2017-2586318, C-2017-2593515, and C-2017-2596006. 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 to file the forms of tariff supplements 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 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 operates two divisions – the Peoples Division and Peoples-Equitable Division. Peoples also is an affiliate of Peoples TWP LLC ("Peoples TWP").

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

3. Because the Peoples Division's annual operating revenues derived from providing gas service to customers in Pennsylvania exceed \$40 million, the Peoples Division's recovery of

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 supplements are filed.

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. Because Peoples-Equitable Division's annual operating revenues derived from providing gas service to customers in Pennsylvania exceed \$40 million, Peoples-Equitable Division'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.

5. On January 30, 2017, Peoples, on behalf of both its Peoples Division and Peoples-Equitable Division, 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.

6. On March 1, 2017, the Peoples and Peoples-Equitable Divisions made their PGC 30-day pre-filings 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.

7. On March 8, 2017, I&E filed Notices of Appearance at Docket Nos. R-2017-2586310 and R-2017-2586318.

8. On March 13, 2017, OSBA filed Notices of Appearance, Complaints, Public Statements, and Verifications at Docket Nos. R-2017-2586310 and R-2017-2586318.

9. On March 23, 2016, OCA filed Notices of Appearance on March 23, 2017, and Complaints on March 28, 2017, at Docket Nos. R-2017-2586310 and R-2017-2586318.

10. On March 31, 2017, Peoples Division and Peoples-Equitable Division filed with the Commission their definitive PGC filings, including supporting information required by the

Commission's regulations, Peoples' direct testimony, exhibits, and Pro Forma Tariff Supplements reflecting actual and projected changes in natural gas costs and other tariff changes.

11. A Prehearing Conference was scheduled to be held before the ALJ at 10:00 AM on Friday, 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.

12. On April 4, 2017, a Prehearing Conference Order was issued by the ALJ, directing the parties to file Prehearing Memoranda on or before 12:00 PM on April 6, 2017.

13. On April 6, 2017, PIOGA filed a Petition to Intervene at Docket Nos. R-2017-2586310 and R-2017-2586318, and the parties filed their Prehearing Memoranda in compliance with the Prehearing Conference Order.

14. A prehearing conference was held on April 7, 2017.

15. 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 with the Peoples TWP PGC proceeding at Docket No. R-2017-2586317 for purposes of hearing.

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

17. On May 25, 2017, Peoples and PIOGA 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 advised the ALJ that the Joint Petitioners had reached a settlement in principle that resolved all issues in the Peoples PGC proceeding. Accordingly, counsel for Peoples requested that the ALJ suspend the litigation schedule.

20. A hearing was held on June 5, 2017, at which time the Joint Petitioners' pre-filed testimony and exhibits were admitted into the record.

21. 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.

22. The Joint Petitioners are in full agreement that the Settlement is in the best interest of Peoples Division, Peoples-Equitable Division, the Joint Petitioners, and Peoples' customers.

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

II. SETTLEMENT TERMS

A. RETAINAGE AND LOST AND UNACCOUNTED FOR GAS

24. Effective October 1, 2017, the tariffed retainage rate for all rate classes of both the Peoples and Peoples-Equitable Divisions shall be 6.4%.

25. It is acknowledged that Peoples' distribution unaccounted for gas ("UFG") percentage of 2.75% 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 distribution and gathering system 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, with a specific focus on the gathering system. The Company also agrees to examine this issue in its next base rate proceeding, provided that nothing in this section limits any Joint Petitioner's right to address retainage and UFG issues in future PGC or base rate proceedings.

B. SHARING MECHANISM

26. Joint Petitioners agree that the current 75% customer/25% company capacity release and off-system sales sharing mechanism shall be extended for an additional one-year period through September 30, 2018.

C. NP-1 BALANCING CHARGES

27. The Dominion Transmission, Inc. ("DTI") Rate Schedule GSS deliverability and capacity costs under Contract No. 300196 and the DTI Rate Schedule FT capacity costs under Contract 200654 will be included in determining the NP-1 balancing charges commencing October 1, 2017, resulting in balancing charges of \$0.3571 for SGS and MGS customers and \$0.0920 for LGS customers, as opposed to the rates originally proposed by Peoples of \$0.3113 and \$0.0802, respectively.

D. ACTUAL GAS COST REPORTING

28. Joint Petitioners agree that in an effort to eliminate the request for waivers as part of Peoples' quarterly and annual gas cost filings, only actual gas costs will be reported in the final month of any filing. If a 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.

E. MISCELLANEOUS

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

30. 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.

31. 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 Statement No. 2 and related exhibits included in the 1307(f)-2017 definitive filing.

III. RATE IMPACT OF SETTLEMENT

32. 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.

33. The requested information is set forth in the tables below:

Peoples							
<u>Rate Schedule</u>	<u>Average Annual Usage (Mcf)</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	90	\$8.1310	\$0.9853	12.1%	(\$0.0146)	\$996.24	\$994.92
Commercial SGS	282	\$6.6094	\$0.9514	14.4%	(\$0.0143)	\$2,319.63	\$2,315.60
Industrial SGS	282	\$6.1581	\$0.9514	15.4%	(\$0.0143)	\$2,256.88	\$2,252.85
Commercial MGS	4,795	\$6.3884	\$1.0129	15.9%	(\$0.0143)	\$36,459.43	\$36,390.87
Industrial MGS	4,795	\$5.6919	\$1.0128	17.8%	(\$0.0143)	\$33,119.24	\$33,050.67
Commercial LGS	50,000	\$6.4369	\$0.8761	13.6%	(\$0.0143)	\$372,517.00	\$371,802.00
Industrial LGS	50,000	\$5.7719	\$0.8760	15.2%	(\$0.0143)	\$339,262.00	\$338,547.00

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

Peoples - Equitable Division							
<u>Rate Schedule</u>	<u>Average Annual Usage (Mcf)</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	90	\$7.9054	\$0.9841	12.4%	(\$0.0146)	\$959.06	\$957.74
SGS	163	\$6.8806	\$0.9511	13.8%	(\$0.0142)	\$1,480.57	\$1,478.25
LGS	1,076	\$6.5680	\$1.0126	15.4%	(\$0.0143)	\$9,956.73	\$9,941.34
LGS > 25,000 Mcf/Yr	50,000	\$6.4064	\$0.8758	13.7%	(\$0.0143)	\$383,310.00	\$382,595.00

1/ Peoples - Equitable Division net billing rate effective January 1, 2017.

IV. PROPOSED FINDINGS OF FACT

34. Peoples pursues its goal of least cost reliable service through a combination of local and interstate assets and supplies. The local assets are Peoples' on-system storage facilities and a gathering system, which have allowed Peoples to enhance the deliverability of local natural gas supplies produced in Pennsylvania and purchased by Peoples from Pennsylvania producers. (Peoples Statement No. 2, p. 4.)

35. Peoples' interstate assets consist of a portfolio of transportation and storage services that Peoples has contracted for with various Federal Energy Regulatory Commission ("FERC")-regulated pipelines, including Dominion Transmission, Inc. ("DTI"), Texas Eastern Transmission LP ("TETCO"), Equitrans L.P. ("Equitrans"), and National Fuel Gas Supply Corporation ("NFGS"). Those assets give Peoples access to a variety of locations at which it can receive gas supplies that are produced upstream of the Peoples system. The interstate storage assets allow Peoples to use its upstream assets more efficiently, mitigate the effects of price

swings in the natural gas market, and enhance the deliverability of Peoples' interstate natural gas supplies during periods of peak demand. Peoples' interstate supplies are primarily EQT Energy LLC ("EQT Energy") and other Appalachian-produced gas that it purchases from suppliers upstream of the Peoples system for delivery into various receipt points of the interstate pipelines and occasionally purchases on a delivered-to-the-city gate basis. (Peoples Statement No. 2, p. 4.)

36. Over the 1307(f)-2017 reconciliation period, Peoples' 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 NFGS. In addition, Peoples purchases winter-only firm city-gate delivered supply via Tennessee and winter-only firm city-gate delivered supply via TETCO. Although these are gas purchase arrangements, Peoples treats them the same as interstate capacity because the Company requires deliveries at the respective delivery points. Therefore, Peoples would pursue firm capacity at these points if firm city-gate delivered supply was not available. (Peoples Statement No. 2, p. 14.)

37. Beginning December 17, 2013, when the acquisition of Equitable Gas Company ("Equitable") closed, Equitrans began providing firm transportation and firm storage services from Equitrans' Allegheny Valley Connector ("AVC") to the Peoples Division. The AVC services consist of transportation service under Rate Schedule FTS, no-notice transportation service under Rate Schedule FTSS, and storage service under Rate Schedule GSS. The FTSS and GSS service agreements provide Peoples and its customers with access to AVC storage capacity of 8.6 MMDth annually and maximum deliverability of 200,000 Dth/day. The FTS service agreement provides Peoples and its customers up to 251,700 Dth/day of firm

transportation capacity. These service agreements provide for a total of 451,700 Dth/day of firm capacity on the AVC system. (Peoples Statement No. 2, p. 17.)

38. Beginning April 1, 2014, Equitrans began providing the Peoples Division with firm transportation service under Rate Schedule FTS from Equitrans' Mainline system. This firm capacity replaces 251,700 Dth per day of firm transportation and storage capacity previously provided by DTI under service agreements that expired March 31, 2014. Gas transported under this agreement is sourced from receipt points on the Sunrise and Mainline systems and delivered to Equitrans' Ginger Hill station, which is the point of interconnection between Equitrans' Mainline and AVC systems. The capacity is seasonal, and the maximum daily quantity is 251,700 Dth during November through March and 62,000 Dth during April through October. (Peoples Statement No. 2, pp. 17-18.)

39. In addition to the Equitrans services used during the reconciliation period, Peoples acquired via capacity release from Peoples TWP 10,000 Dth/day of Equitrans Rate GSS storage deliverability and related firm transportation under Rate FTS. Peoples does not propose to acquire this service during the 1307(f)-2017 Projected Period. (Peoples Statement No. 2, p. 18.)

40. DTI provides service to Peoples under four service agreements and three rate schedules. DTI provides year-round Rate FTNN no-notice transportation service at 40,000 Dth/day, Rate FT firm transportation service of 40,000 Dth/day, and Rate GSS storage service under two separate service agreements, one with capacity of 4.6 MMDth annually and maximum deliverability of 40,000 Dth/day and the other with capacity 2.48 MMDth annually and up to 40,000 Dth/day of deliverability. (Peoples Statement No. 2, p. 19.)

41. TETCO provides Peoples with firm transportation service under Rate Schedule FT-1 and also delivers firm-to-the-city-gate purchases made by Peoples. Peoples requires

deliveries of gas at Ebensburg, Claysburg and Rockwood in the eastern portion of its service territory. TETCO is the only pipeline that physically interconnects with Peoples at those three points. Peoples purchases gas on TETCO and moves it over TETCO's facilities under its Rate FT-1 service agreement to the Ebensburg delivery point. Peoples also contracts for firm delivered-to-Peoples supply to meet its needs from the TETCO system at the Claysburg and Rockwood delivery points in addition to supplementing firm transportation deliveries at Ebensburg. TETCO also provides an operational balancing agreement that helps Peoples to manage the unanticipated swings in demand at its physical interconnections with TETCO. (Peoples Statement No. 2, pp. 20-21.)

42. Peoples had 15,650 Dths/day of FT-1 firm transportation service under contract from TETCO for the entire 1307(f)-2017 reconciliation period. These same contract quantities are in place for the 1307(f)-2017 projected period. Gas supplies under this transportation contract, which expires on April 30, 2019, are delivered by TETCO at Peoples' Ebensburg delivery point. (Peoples Statement No. 2, p. 21.)

43. Pursuant to the settlement approved in Peoples' 1307(f)-2016 proceeding, Peoples issued requests for proposals ("RFPs") for firm delivered gas supply for up to 25,000 Dth/day at Peoples' Ebensburg delivery point on TETCO, while also requesting alternative proposals for non-recallable release of capacity from TETCO's market zone M-2 to Peoples' Ebensburg delivery point in zone M-3. Peoples received three response proposals to the RFPs. The Company accepted two of the proposals and entered into agreements, each for up to 25,000 Dth/day. Neither of the accepted proposals incorporated a reservation fee in the charges, so Peoples decided to accept both proposals. Both of the agreements were based on Gas Daily's M-2 index price with accompanying premiums of \$0.28 and \$0.75, respectively, per Dth of

purchased gas. Although the proposal with the \$0.75 premium expires this year, the proposal with the \$0.28 premium offered to extend through the 2017-2018 season with a premium of \$0.305 per Dth. Ultimately, Peoples accepted the extension offer. (Peoples Statement No. 2, p. 23.)

44. Peoples requires up to 3,000 Dth/day at its Rockwood interconnection with TETCO in TETCO's market zone M-2. Prior to 2007, Peoples satisfied this requirement with TETCO firm transportation capacity, but the M-2 firm transportation capacity was not renewed upon its March 31, 2007 expiration. Peoples then entered into a series of annual agreements for either firm delivered supply or for the purchase of released capacity that Peoples then matched with spot purchases that extended through the 2013-2014 winter period. For the next two winter seasons, Peoples satisfied its needs at this delivery point with interruptible delivered gas purchases. For the 2016-2017 season, Peoples contracted for firm delivered gas by two separate agreements for up to 3,000 Dth/day each. Like the agreements for firm, delivered gas at Ebensburg, pricing under both of these contracts was based on Gas Daily's M-2 index price with accompanying premiums per Dth of purchased gas. (Peoples Statement No. 2, p. 28.)

45. The Company has proposed to issue an RFP to potential suppliers for firm delivered supply on TETCO of up to 3,000 Dth/day for the winter period November 2017 through March 2018. (Peoples Statement No. 2, p. 28.)

46. Prior to the winter of 2010-2011, Peoples had contracted for firm transportation capacity on Tennessee. Beginning that winter, Peoples has continuously pursued an RFP process and contracted for firm city-gate delivered gas supply as a replacement for the firm transportation service that Peoples had been purchasing from Tennessee on a year-to-year basis. (Peoples Statement No. 2, p. 24.)

47. The delivered supply agreements required the supplier to utilize Tennessee pipeline delivery points directly into Peoples at Pittsburgh Terminal and Pulaski. In addition, the agreements also required deliveries into the Columbia Gas of Pennsylvania (“CPA”) natural gas distribution system at New Castle, PA. This supply supports an exchange agreement under which CPA delivers gas into the Grove City area of Peoples’ service territory, which is not physically integrated with the rest of the Peoples’ system. (Peoples Statement No. 2, p. 29.)

48. During the 1307(f)-2017 reconciliation period, following the RFP process, Peoples entered into a firm delivered supply agreement with South Jersey Resources. The contract provided for up to 26,000 Dth/day of firm supply delivered to Peoples with 0 - 23,000 Dth/day delivered to Pittsburgh Terminal and Pulaski. Like TETCO, Tennessee also provides Peoples with an operational balancing agreement to manage unanticipated swings in demands at the Tennessee/ Peoples physical interconnections. (Peoples Statement No. 2, p. 25.)

49. The Company issued another RFP for firm delivered supply on Tennessee that will provide for delivery of natural gas on a firm basis at the same quantities and same Tennessee delivery points as previous years’ agreements for the winter periods of November 2017 through March 2018 and November 2018 through March 2019. (Peoples Statement No. 2, p. 25.)

50. NFGS provides Peoples with no-notice storage service and firm transportation service under rates approved by the FERC. Peoples uses NFGS’s services primarily to serve the isolated Grove City area of its service territory. Like its other storage assets, Peoples uses its storage service from NFGS as a no-notice balancing service to manage supply to an uncertain demand and as a way to reduce natural gas costs, by buying supplies when they generally are cheaper during the summer months and injecting them into storage, and to enhance reliability, by withdrawing the volumes from storage during the winter when demand is highest. Peoples

utilizes its firm transportation service from NFGS both to support the NFGS storage service and for deliveries from other supply sources. (Peoples Statement No. 2, p. 26.)

51. During the entire 1307(f)-2017 reconciliation period and for the first two months of the 1307(f)-2017 projected period, NFGS provided 9,793 Dth/day of no-notice storage service to Peoples under its Rate ESS and 15,476 Dth/day of firm transportation service to Peoples under its Rate EFT. Peoples entered into both of those contracts in the mid-1990s, and the primary terms of those contracts expired on March 31, 2003. However, each of the contracts contains a one-year notice of termination provision so that if neither party gives the other one year's notice of termination, the contracts automatically renew for another year. The contracts have automatically renewed on April 1 of each year since 2003 and will renew again, effective April 1, 2017. As a result, the NFGS contracts will be in effect throughout the 1307(f)-2017 projected period. (Peoples Statement No. 2, p. 27.)

52. Peoples also currently owns and operates the Dice Storage Field, which has 1,530,000 Mcf of storage capacity and 32,000 Mcf of maximum daily withdrawal capacity. (Peoples Statement No. 2, p. 31.)

53. 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 would 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 Statement No. 2, pp. 33-34.)

54. Peoples has traditionally used gas produced locally in Pennsylvania as the source of supply to which it turns first in fulfilling its supply requirements. To absorb local gas into its system, Peoples constructed a network of pipelines and related facilities that move the gas either to customers who happen to be located in areas in which gas is produced, or to the more populated areas of the service territory where the greatest level of consumption occurs, and, in summer months, to Peoples' on-system and off-system storage facilities. (Peoples Statement No. 2, pp. 35-36.)

55. Peoples 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, through analysis, modeling and remediation, identified Bentleyville as the area on its system where supplemental, conventional, locally-produced gas could most benefit operational reliability. During the past year, Peoples was able to address the reliability issue at Bentleyville by interconnections with other systems, negating the need to offer incentive gas pricing in the area. As conventional gas supplies continue to decline, Peoples continues to watch for areas of its system where lower gas receipts would create reliability concerns. (Peoples Statement No. 2, p. 39.)

56. Peoples has been purchasing spot market supplies since 1986. Along with its local gas supplies, these are the supplies that Peoples uses to meet the demands of those customers who continue to buy their supplies from Peoples. With the exception of the EQT Energy supply, these are also the supplies that Peoples uses its various interstate pipeline assets to transport and store. (Peoples Statement No. 2, p. 40.)

57. Peoples Division and Peoples-Equitable Division purchased gas under the EQT Energy gas purchase agreements during the 1307(f)-2017 reconciliation period. The Peoples

Division agreement matches gas supply with the Equitrans Sunrise/Mainline firm transportation contract of up to 251,700 Dth/day. The Equitable Division agreement matches a firm gas supply with the Equitrans firm transportation contract of up to 164,935 Dth/day. The annual quantity is 20 MMDth, and EQT Energy will deliver up to 164,935 Dth/day at active receipt point interconnects with the Equitrans Sunrise and Mainline systems. (Peoples Statement No. 2, pp. 42-43.)

58. 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 Statement No. 2, p. 49.)

59. The Company-wide percentage UFG was 5.5% for the 12-months ended August 31, 2016. (Peoples Statement No. 2, p. 50.)

60. The Company has assembled a cross-functional team to assess, analyze and take deliberate steps 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' immediate plan is to continue the UFG reduction initiatives described above, which have proven over time to be effective. Peoples will prioritize Enhanced Leak Repair where appropriate and replace pipelines that cannot be repaired. There have been tangible benefits including improvement in unaccounted for gas as a result of prioritizing leak repair efforts based on pressure. The Company will continue to monitor supply interconnects to ensure accurate measurement and backflow prevention equipment is effective. Peoples will also continue system segmentation

efforts to identify and report unaccounted for gas based on pipeline function. (Peoples Statement No. 2, p. 51.)

61. Peoples monitors and participates in various proceedings before the FERC. Peoples undertakes legal action as necessary to protect the interests of its ratepayers. (Peoples Exhibit No. 12; Peoples Statement No. 3, pp. 3-4.)

V. STANDARDS, FINDINGS, AND PROPOSED CONCLUSIONS OF LAW

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

63. With respect to Peoples Division's and Peoples-Equitable Division'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 Division and Peoples-Equitable Division have 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 Division and Peoples-Equitable Division met the requirements of Section 1318(a) of the Public Utility Code by pursuing a least-cost fuel procurement policy, consistent with their obligations to provide safe, adequate, and reliable service to their customers; and
- b. All gas exchanges by Peoples Division and Peoples-Equitable Division 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.

64. Peoples Division and Peoples-Equitable Division have fully and vigorously represented the interests of their 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).

65. Peoples Division and Peoples-Equitable Division have taken all prudent steps necessary to negotiate favorable gas supply contracts and to relieve the utilities from terms in existing contracts with their gas suppliers which are or may be adverse to the interests of the utilities' ratepayers in compliance with 66 Pa.C.S. § 1318(a)(2).

66. Peoples Division and Peoples-Equitable Division have 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).

67. Peoples Division and Peoples-Equitable Division have 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).

68. Peoples Division and Peoples-Equitable Division have 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).

69. Neither Peoples Division, nor Peoples-Equitable Division, nor their 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).

70. 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 Division's and Peoples-Equitable Division's projected purchases and purchasing policies, that the rates to be adopted by the Commission result from Peoples Division's and Peoples-Equitable Division'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, or OSBA from reviewing, after such projected gas purchases actually have been made and gas purchasing practices actually have been implemented, whether Peoples Division's and Peoples-Equitable Division's gas purchases and gas purchasing practices complied with Section 1318. If in an appropriate future proceeding Peoples Division's and Peoples-Equitable Division'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 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.

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

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.

VI. PROPOSED ORDERING PARAGRAPHS

72. That the Settlement among Peoples Natural Gas Company LLC, acting on behalf of its Peoples Division and Peoples-Equitable Division, 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.

73. That Peoples Natural Gas Company LLC shall file tariff supplements, on behalf of both Divisions, 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.

74. That Peoples Natural Gas Company 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.

75. That upon Peoples Natural Gas Company LLC's filing of tariff supplements 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.

76. That the complaints filed by the Office of Small Business Advocate in these proceedings at Docket Nos. C-2017-2593177 and C-2017-2593515 be marked closed.

77. That the complaints filed by the Office of Consumer Advocate in these proceedings at Docket Nos. C-2017-2595998 and C-2017-2596006 be marked closed.

78. That the complaint filed by Daniel Killmeyer at Docket No. C-2017-2596020 be marked closed.

79. That the complaint filed by Robert Redinger, Jr. at Docket No. C-2017-2603594 be marked closed.

80. That the investigations at Docket Nos. R-2017-2586310 and R-2017-2586318 be marked closed.

VII. THE PUBLIC INTEREST

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

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

83. 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.

84. Attached as **Appendices B through F** are Statements in Support submitted by Peoples on behalf of both Divisions, 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

85. 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.

86. 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.

87. 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 proceedings continue, 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.

88. 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.

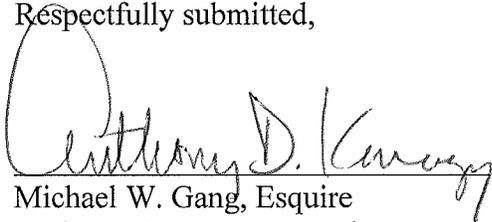
89. This Settlement is being presented only in the context of this proceeding in an effort to resolve the proceeding in a manner which is fair and reasonable. The Settlement is presented without prejudice to any position which any of the Joint Petitioners may have advanced and without prejudice to the 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.

90. 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,



Michael W. Gang, Esquire
Anthony D. Kanagy, Esquire
Devin T. Ryan, Esquire
Post & Schell, P.C.
17 North Second Street
12th Floor
Harrisburg, PA 17101-1601

Date: 6/27/17

William H. Roberts II, Esquire
Peoples Natural Gas Company LLC
375 North Shore Drive
Pittsburgh, PA 15212

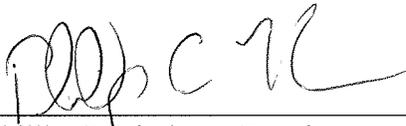
*For Peoples Natural Gas Company LLC,
acting on behalf of its Peoples Division and
Peoples Natural Gas Company LLC –
Equitable Division*



David T. Evrard, Esquire
Aron J. Beatty, Esquire
Office of Consumer Advocate
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Date: 6/27/17

For Office of Consumer Advocate



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Bureau of Investigation and Enforcement
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Date: 6/21/17

For Bureau of Investigation and Enforcement



Elizabeth Rose Triscari, Esquire ^{by DSA}
Office of Small Business Advocate
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Date: 6/27/17

For Office of Small Business Advocate



Kevin J. Moody, Esquire
General Counsel & Vice President
Government Affairs
Pennsylvania Independent Oil & Gas
Association
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Harrisburg, PA 17101-1510

Date: 6/27/17

*For Pennsylvania Independent Oil & Gas
Association*

Appendix “A”

PEOPLES NATURAL GAS COMPANY LLC

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

Annual 1307(f) Gas Cost Filing

ISSUED: March 31, 2017
BY: Morgan K. O'Brien
President
375 North Shore Drive
Pittsburgh, PA 15212

EFFECTIVE: April 1, 2017

NOTICE

This tariff makes changes to existing rates.

(See page 2)

LIST OF CHANGES

Pages 3, 3A, 4 & 4A updated to reflect the pricing changes provided below.

	<u>Current</u>	<u>Proposed</u>	<u>Increase/ (Decrease)</u>
Rate GS-SB			
Rate RS, SGS, MGS, LGS	\$1.0255	\$1.0511	\$0.0256
Rider B			
Rate RS, SGS, MGS, LGS, NGPV			
Capacity Charge – RS, SGS, MGS, LGS, NGPV	\$1.0255	\$1.0511	\$0.0256
Gas Cost Adjustment Charge	(\$0.0647)	\$0.3403	\$0.4050
Natural Gas Supply Charge	\$2.8099	\$3.1357	\$0.3258
Rate RS, GS-T (Residential) AVC Capacity Charge	\$0.5583	\$0.6016	\$0.0433
Rate SGS, GS-T (SGS) AVC Capacity Charge	\$0.5583	\$0.5831	\$0.0248
Rate MGS, GS-T (MGS) AVC Capacity Charge	\$0.3078	\$0.4272	\$0.1194
Rate LGS, GS-T (LGS) AVC Capacity Charge	\$0.1368	\$0.1288	(\$0.0080)
<u>Rider E – Merchant Function Charge</u>			
Rate RS	\$0.0979	\$0.1175	\$0.0196
Rate SGS	\$0.0249	\$0.0299	\$0.0050
Rate MGS, LGS	\$0.0249	\$0.0299	\$0.0050
<u>Balancing Charges</u>			
SGS, MGS	\$0.3341	\$0.3571	\$0.0230
LGS	\$0.0769	\$0.0920	\$0.0151
<u>Retainage Rate</u>	5.25%	6.40%	1.15%

Pages 40, 42, & 44 - Eliminated Commodity Charge Adjustment (CCA)

ISSUED: March 31, 2017

EFFECTIVE: April 1, 2017

PEOPLES NATURAL GAS COMPANY, LLC

PROFORMA TO GAS - PA PUC NO.45

PAGE NO. 3

	Rider B - Gas Cost Charges				Base Rate Charges (5)	Rider A STAS (6)	Rider E MFC (7)	Rider F USR (8)	Rider G GPC (9)	Rider H Rate Credit (10)	Rider K DSIC Charge (11)	Total Rate (12=SUM 1 to 11)
	Capacity (1)	AVC Capacity (2)	GCA (3)	Commodity (4)								
Residential Sales						-0.43%					5.00%	
Customer Charge					\$ 13.9500					\$ -	\$ 0.6975	\$ 14.6475
Capacity	\$ 1.0511	\$ 0.6016					\$ 0.0273					\$ 1.6800
Price to Compare - PTC			\$ 0.3403	\$ 3.1357			\$ 0.0902		\$ 0.1055			\$ 3.6717
Delivery Charge					\$ 3.1330		\$ 0.4406		\$ -	\$ 0.1898		\$ 3.7634
State Tax Surcharge						\$ (0.0135)						\$ (0.0135)
Total per MCF							\$ 0.1175					\$ 9.1017
Commercial SGS												
Customer Charge												
0 to 499 MCF/Yr					\$ 14.8800				\$ -	\$ 0.7440		\$ 15.6240
500 to 999 MCF/Yr					\$ 27.0000				\$ -	\$ 1.3500		\$ 28.3500
1/ Capacity	\$ 0.3571	\$ 0.5831										\$ 0.9402
Price to Compare - PTC	\$ 0.6940		\$ 0.3403	\$ 3.1357			\$ 0.0299		\$ 0.1055			\$ 4.3054
Delivery Charge					\$ 2.1939					\$ 0.1165		\$ 2.3104
State Tax Surcharge						\$ (0.0094)						\$ (0.0094)
Total per MCF	\$ 1.0511						\$ 0.0299					\$ 7.5465
Industrial SGS												
Customer Charge												
0 to 499 MCF/Yr					\$ 20.0000				\$ -	\$ 1.0000		\$ 21.0000
500 to 999 MCF/Yr					\$ 27.0000				\$ -	\$ 1.3500		\$ 28.3500
1/ Capacity	\$ 0.3571	\$ 0.5831										\$ 0.9402
Price to Compare - PTC	\$ 0.6940		\$ 0.3403	\$ 3.1357			\$ 0.0299		\$ 0.1055			\$ 4.3054
Delivery Charge					\$ 1.7623					\$ 0.0949		\$ 1.8572
State Tax Surcharge						\$ (0.0076)						\$ (0.0076)
Total per MCF	\$ 1.0511						\$ 0.0299					\$ 7.0952
Commercial MGS												
Customer Charge												
1,000 to 2,499 MCF/Yr					\$ 50.0000				\$ -	\$ 2.5000		\$ 52.5000
2,500 to 24,999 MCF/Yr					\$ 77.0000				\$ -	\$ 3.8500		\$ 80.8500
1/ Capacity	\$ 0.3571	\$ 0.4272										\$ 0.7843
Price to Compare - PTC	\$ 0.6940		\$ 0.3403	\$ 3.1357			\$ 0.0299		\$ 0.1055			\$ 4.3054
Delivery Charge					\$ 2.1904				\$ -	\$ 0.1163		\$ 2.3067
State Tax Surcharge						\$ (0.0094)						\$ (0.0094)
Total per MCF	\$ 1.0511						\$ 0.0299					\$ 7.3870

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 Capacity Charge. See the Residential - Sales section above as an example of Priority One.

ISSUED:

EFFECTIVE:

PEOPLES NATURAL GAS COMPANY, LLC

PROFORMA TO GAS - PA PUC NO.45

PAGE NO. 3A

	Rider B - Gas Cost Charges				Base Rate Charges	Rider A STAS	Rider E MFC	Rider F USR	Rider G GPC	Rider H Rate Credit	Rider K DSIC Charge	Total Rate (12=SUM 1 to 11)
	Capacity (1)	AVC Capacity (2)	GCA (3)	Commodity (4)								
Industrial MGS						-0.43%					5.00%	
Customer Charge												
1,000 to 2,499 MCF/Yr					\$ 50.0000					\$ -	\$ 2.5000	\$ 52.5000
2,500 to 24,999 MCF/Yr					\$ 77.0000					\$ -	\$ 3.8500	\$ 80.8500
1/ Capacity	\$ 0.3571	\$ 0.4272										\$ 0.7843
Price to Compare - PTC	\$ 0.6940		\$ 0.3403	\$ 3.1357		\$ 0.0299		\$ 0.1055				\$ 4.3054
Delivery Charge					\$ 1.5243					\$ -	\$ 0.0830	\$ 1.6073
State Tax Surcharge						\$ (0.0066)						\$ (0.0066)
Total per MCF	\$ 1.0511					\$ 0.0299						\$ 6.6904
Commercial LGS												
Customer Charge												
25,000 to 49,999 MCF/Yr					\$ 443.0000					\$ -	\$ 22.1500	\$ 465.1500
50,000 to 99,999 MCF/Yr					\$ 545.0000					\$ -	\$ 27.2500	\$ 572.2500
100,000 to 199,999 MCF/Yr					\$ 793.0000					\$ -	\$ 39.6500	\$ 832.6500
Over 200,000 MCF/Yr					\$ 1,215.0000					\$ -	\$ 60.7500	\$ 1,275.7500
1/ Capacity	\$ 0.0920	\$ 0.1288										\$ 0.2208
Price to Compare - PTC	\$ 0.9591		\$ 0.3403	\$ 3.1357		\$ 0.0299		\$ 0.1055				\$ 4.5705
Delivery Charge					\$ 2.3913					\$ -	\$ 0.1263	\$ 2.5176
State Tax Surcharge						\$ (0.0103)						\$ (0.0103)
Total per MCF	\$ 1.0511					\$ 0.0299						\$ 7.2987
Industrial LGS												
Customer Charge												
25,000 to 49,999 MCF/Yr					\$ 443.0000					\$ -	\$ 22.1500	\$ 465.1500
50,000 to 99,999 MCF/Yr					\$ 545.0000					\$ -	\$ 27.2500	\$ 572.2500
100,000 to 199,999 MCF/Yr					\$ 1,144.0000					\$ -	\$ 57.2000	\$ 1,201.2000
Over 200,000 MCF/Yr					\$ 2,009.0000					\$ -	\$ 100.4500	\$ 2,109.4500
1/ Capacity	\$ 0.0920	\$ 0.1288										\$ 0.2208
Price to Compare - PTC	\$ 0.9591		\$ 0.3403	\$ 3.1357		\$ 0.0299		\$ 0.1055				\$ 4.5705
Delivery Charge					\$ 1.7553					\$ -	\$ 0.0945	\$ 1.8498
State Tax Surcharge						\$ (0.0075)						\$ (0.0075)
Total per MCF	\$ 1.0511					\$ 0.0299						\$ 6.6336

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 Capacity Charge. See the Residential - Sales section above as an example of Priority One.

ISSUED:

EFFECTIVE:

PEOPLES NATURAL GAS COMPANY, LLC

PROFORMA TO GAS - PA PUC NO.45

PAGE NO. 4

	Base Rate Charges (1)	Rider A STAS (2)	Rider E MFC (3)	Rider F USR (4)	Rider B Capacity (5) AVC Capacity (6)		BB&A (7)	Rider H Rate Credit (8)	Rider K DSIC Charge (9)	Total Rate (10=SUM 1 to 9)
Rate GS-T Residential		-0.43%							5.00%	
Customer Charge	\$ 13.9500							\$ -	\$ 0.6975	\$ 14.6475
Capacity			\$ 0.0273		\$ 1.0511	\$ 0.6016				\$ 1.6800
Delivery Charge	\$ 3.1330			\$ 0.4406			\$ -	\$ 0.1800		\$ 3.7536
State Tax Surcharge		\$ (0.0135)								\$ (0.0135)
Total per MCF										\$ 5.4202
Rate GS-T Commercial SGS										
Customer Charge										
0 to 499 MCF/Yr	\$ 14.8800						\$ -	\$ 0.7440		\$ 15.6240
500 to 999 MCF/Yr	\$ 27.0000						\$ -	\$ 1.3500		\$ 28.3500
1/ Capacity/BB&A					\$ 0.5831	\$ 0.3571		\$ -		\$ 0.9402
Delivery Charge	\$ 2.1939							\$ 0.1097		\$ 2.3036
State Tax Surcharge		\$ (0.0094)								\$ (0.0094)
Total per MCF										\$ 3.2344
Rate GS-T Industrial SGS										
Customer Charge										
0 to 499 MCF/Yr	\$ 20.0000						\$ -	\$ 1.0000		\$ 21.0000
500 to 999 MCF/Yr	\$ 27.0000						\$ -	\$ 1.3500		\$ 28.3500
1/ Capacity/BB&A					\$ 0.5831	\$ 0.3571				\$ 0.9402
Delivery Charge	\$ 1.7623							\$ 0.0881		\$ 1.8504
State Tax Surcharge		\$ (0.0076)								\$ (0.0076)
Total per MCF										\$ 2.7830
Rate GS-T Commercial MGS										
Customer Charge										
1,000 to 2,499 MCF/Yr	\$ 50.0000						\$ -	\$ 2.5000		\$ 52.5000
2,500 to 24,999 MCF/Yr	\$ 77.0000						\$ -	\$ 3.8500		\$ 80.8500
1/ Capacity/BB&A					\$ 0.4272	\$ 0.3571				\$ 0.7843
Delivery Charge	\$ 2.1904						\$ -	\$ 0.1095		\$ 2.2999
State Tax Surcharge		\$ (0.0094)								\$ (0.0094)
Total per MCF										\$ 3.0748

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

ISSUED:

EFFECTIVE:

PEOPLES NATURAL GAS COMPANY, LLC

	Base Rate Charges	Rider A STAS	Rider E MFC	Rider F USR	Rider B Capacity AVC Capacity		BB&A	Rider H Rate Credit	Rider K DSIC Charge	Total Rate
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10=SUM 1 to 9)
Rate GS-T Industrial MGS		-0.43%							5.00%	
Customer Charge										
1,000 to 2,499 MCF/Yr	\$ 50.0000							\$ -	\$ 2.5000	\$ 52.5000
2,500 to 24,999 MCF/Yr	\$ 77.0000							\$ -	\$ 3.8500	\$ 80.8500
1/ Capacity/BB&A					\$ 0.4272	\$ 0.3571				\$ 0.7843
Delivery Charge	\$ 1.5243							\$ -	\$ 0.0762	\$ 1.6005
State Tax Surcharge		\$ (0.0066)								\$ (0.0066)
Total per MCF										\$ 2.3783
Rate GS-T Commercial LGS										
Customer Charge										
25,000 to 49,999 MCF/Yr	\$ 443.0000							\$ -	\$ 22.1500	\$ 465.1500
50,000 to 99,999 MCF/Yr	\$ 545.0000							\$ -	\$ 27.2500	\$ 572.2500
100,000 to 199,999 MCF/Yr	\$ 793.0000							\$ -	\$ 39.6500	\$ 832.6500
Over 200,000 MCF/Yr	\$ 1,215.0000							\$ -	\$ 60.7500	\$ 1,275.7500
1/ Capacity/BB&A					\$ 0.1288	\$ 0.0920				\$ 0.2208
Delivery Charge	\$ 2.3913							\$ -	\$ 0.1196	\$ 2.5109
State Tax Surcharge		\$ (0.0103)								\$ (0.0103)
Total per MCF										\$ 2.7214
Rate GS-T Industrial LGS										
Customer Charge										
25,000 to 49,999 MCF/Yr	\$ 443.0000							\$ -	\$ 22.1500	\$ 465.1500
50,000 to 99,999 MCF/Yr	\$ 545.0000							\$ -	\$ 27.2500	\$ 572.2500
100,000 to 199,999 MCF/Yr	\$ 1,144.0000							\$ -	\$ 57.2000	\$ 1,201.2000
Over 200,000 MCF/Yr	\$ 2,009.0000							\$ -	\$ 100.4500	\$ 2,109.4500
1/ Capacity/BB&A					\$ 0.1288	\$ 0.0920				\$ 0.2208
Delivery Charge	\$ 1.7553							\$ -	\$ 0.0878	\$ 1.8431
State Tax Surcharge		\$ (0.0075)								\$ (0.0075)
Total per MCF										\$ 2.0563

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

ISSUED:

EFFECTIVE:

RATE SGS
SMALL GENERAL SERVICE**AVAILABILITY**

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

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

RATE TABLE

Customer Charge per meter per month:

For Commercial ratepayers with annual consumption less than 500 Mcf	\$14.88	
For Industrial ratepayers with annual consumption less than 500 Mcf	\$20.00	
For ratepayers with annual consumption equal to or greater than 500 Mcf but less than 1,000 Mcf	\$27.00	
Delivery Charge per Mcf – Commercial Ratepayers	\$2.1939	(D)
Delivery Charge per Mcf – Industrial Ratepayers	\$1.7623	(D)

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

MARKET BASED COMMODITY CHARGE ADJUSTMENT (CCA)

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

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

RATE MGS
MEDIUM GENERAL SERVICE

AVAILABILITY

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

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

RATE TABLE**Customer Charges:**

For commercial and NGDC ratepayers with annual consumption equal to or greater than 1,000 Mcf but less than 2,500 Mcf, the charge per meter per month is

\$50.00

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

\$77.00

For industrial ratepayers with annual consumption equal to or greater than 1,000 Mcf but less than 2,500 Mcf, the charge, per ratepayer per month is

\$50.00

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

\$77.00

Delivery Charge per Mcf – Commercial Ratepayers

\$2.1904 (D)

Delivery Charge per Mcf – Industrial Ratepayers

\$1.5243 (D)

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

MARKET BASED COMMODITY CHARGE ADJUSTMENT (CCA)

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

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

RATE LGS
LARGE GENERAL SERVICE

AVAILABILITY

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

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

RATE TABLECommercial Ratepayers: Customer Charge per meter per month:

For ratepayers with annual consumption equal to or greater than 25,000 Mcf but less than 50,000 Mcf	\$443.00	
For ratepayers with annual consumption equal to or greater than 50,000 Mcf but less than 100,000 Mcf	\$545.00	
For ratepayers with annual consumption equal to or greater than 100,000 Mcf but less than 200,000 Mcf	\$793.00	
For ratepayers with annual consumption equal to or greater than 200,000 Mcf	\$1,215.00	
Delivery Charge per Mcf	\$2.3913	(D)

Industrial Ratepayers: Customer Charge per ratepayer per month

For ratepayers with annual consumption equal to or greater than 25,000 Mcf but less than 50,000 Mcf	\$443.00	
For ratepayers with annual consumption equal to or greater than 50,000 Mcf but less than 100,000 Mcf	\$545.00	
For ratepayers with annual consumption equal to or greater than 100,000 Mcf by less than 200,000 Mcf	\$1,144.00	
For ratepayers with annual consumption equal to or greater than 200,000 Mcf	\$2,009.00	
Delivery Charge per Mcf	\$1.7553	(D)

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

MARKET BASED COMMODITY CHARGE ADJUSTMENT (CCA)

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

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

ISSUED: December 17, 2013

EFFECTIVE: December 18, 2013

RATE GS-T
GENERAL SERVICE - TRANSPORTATION

RULES AND DELIVERY TERMS (Continued)

- 2) All standby volumes contracted for the month by the ratepayer.

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

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

- (9) Unless otherwise agreed under paragraph (17) below, the Company will arrange its utilization of available capacity by endeavoring to fairly accommodate, to the extent practicable, the interests of its retail and transportation ratepayers.
- a. Available System Capacity for Transportation Service: Capacity for the transportation of ratepayer-owned gas is available on the Company's system to the same extent as capacity is available for the general system supplies that the Company acquires for its retail ratepayers, except where operational constraints may require otherwise. Those operational constraints can include the safety of persons or property and the displacement of locally produced or purchased retail gas supplies.
 - b. Actual Unavailability of or Restrictions on Capacity: In the event that capacity on the Company's system either is unavailable for the transportation of ratepayer-owned gas or is available but restricted, the Company will provide its transportation ratepayer or the ratepayer's designated representative with a written explanation of why capacity is unavailable or restricted and the steps examined by the Company to alleviate the unavailability or restriction. Where capacity is restricted, the Company will allocate capacity to its transportation ratepayers without regard to the sources of the ratepayers' natural gas supplies.
 - c. Anticipated Unavailability of or Restrictions on Capacity: Whenever the Company anticipates that an extraordinary activity or occurrence will make capacity either unavailable or available but restricted, the Company will provide written notice to Pennsylvania producers, as early as possible, of the specific portions of the Company's system on which capacity may be unavailable or available but restricted and of the length of time that the unavailability or restriction likely will last.
- (10) As soon as practical after the ratepayer learns of any disruption or interruption in its supply of gas, the ratepayer shall notify the Company.
- (11) The measurements at the point of receipt and delivery shall be the responsibility of the Company. All quantities of gas received, transported, and delivered shall be expressed in terms of "Mcf." A ratepayer's gas received by the Company in Btus will be converted to Mcf using the current applicable conversion factor as determined annually in the Company's 1307(f) proceeding.
- (12) | The Company shall retain 6.45.25 percent of the total volume of gas received into its system on behalf of all (l) ratepayers as gas used in Company operations and for unaccounted-for gas under Transportation Agreements that have been or are entered into pursuant to this rate, except in the following circumstances, where the Company may exercise its discretion to waive retainage in conjunction with a positive cost/benefit analysis:

RATE GS-T
GENERAL SERVICE - TRANSPORTATION

RULES AND DELIVERY TERMS (Continued)

A balancing charge will be assessed against each Mcf of gas transported at \$0.~~35713344~~ per Mcf for small and (1) medium general service ratepayers and \$0.~~09200769~~ per Mcf for large general service ratepayers. This rate will be recalculated in each of the Company's annual 1307(f) gas cost proceedings.

The balancing charge will not be assessed if (1) the ratepayer is already paying the standby charge under Rate Schedule GS-SB on the same volumes or (2) if the ratepayer or pool can match its supply and actual consumption on a daily basis in a manner satisfactory to the Company.

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

RATE GS-SB
GENERAL SERVICE - STANDBY**AVAILABILITY**

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

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

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

Non-Priority-One Transportation Ratepayers

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

Back-up Standby Service

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

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

	\$1.05114	
RS Capacity Charge per Mcf	0.255	(l)
	\$1.0511	
SGS Capacity Charge per Mcf	1.0255	(l)
	\$1.0511	
MGS Capacity Charge per Mcf	1.0255	(l)
	\$	
	1.0511	
LGS Capacity Charge per Mcf	1.0255	(l)

Standby Charges for Priority One Transportation Ratepayers

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

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

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

COMPUTATION OF PURCHASED GAS COSTS

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

$$\text{Demand} = \frac{\text{DC} - \text{B} - \text{DOU}}{\text{S} + \text{P1AC} + \text{SBC}}$$

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

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

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

(For definitions of "AVC", "DC", "CC", "E", "S", "SBC", "NP1", "P1AC", "R", "B", and "DOU" refer to Section below this rider).

The purchased gas cost rates are as follows:

SALES Rate Schedule	Capacity Charge – Demand 1/	Gas Cost Adjustment Charge – (Over)/Under Collection	Natural Gas Supply Charge – Commodity	AVC Capacity Charge 1/
Rate RS	\$1.0255 1.0511 (I)	(\$0.0647) \$0.3403 (I)	\$2.8099 \$3.1357 (I)	\$0.5583 0.6016 (I)
Rate SGS	\$1.0255 1.0511 (I)	(\$0.0647) \$0.3403 (I)	\$2.8099 \$3.1357 (I)	\$0.5583 0.5831 (I)
Rate MGS	\$1.0255 1.0511 (I)	(\$0.0647) \$0.3403 (I)	\$2.8099 \$3.1357 (I)	\$0.3078 0.4272 (I)
Rate LGS	\$1.0255 1.0511 (I)	(\$0.0647) \$0.3403 (I)	\$2.8099 \$3.1357 (I)	\$0.1368 0.1288 (D)

TRANSPORTATION P1 Rate Schedule	Capacity Charge	AVC Capacity Charge 1/
GS-T Residential	\$1.0255 1.0511 (I)	\$0.5583 0.6016 (I)
GS-T Commercial SGS	\$1.0255 1.0511 (I)	\$0.5583 0.5831 (I)
GS-T Commercial MGS	\$1.0255 1.0511 (I)	\$0.3078 0.4272 (I)
GS-T Commercial LGS	\$1.0255 1.0511 (I)	\$0.1368 0.1288 (D)

TRANSPORTATION NP1 Rate Schedule	AVC Capacity Charge 1/
GS-T Commercial SGS	\$0.5583 0.5831 (I)
GS-T Industrial SGS	\$0.5583 0.5831 (I)
GS-T Commercial MGS	\$0.3078 0.4272 (I)
GS-T Industrial MGS	\$0.3078 0.4272 (I)
GS-T Commercial LGS	\$0.1368 0.1288 (D)
GS-T Industrial LGS	\$0.1368 0.1288 (D)

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

(continued)

ISSUED: March 31, 2017

EFFECTIVE: April 1, 2017

RIDER E

MERCHANT FUNCTION CHARGE (MFC)

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

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

For residential customers receiving service under Rate RS and Rate GS-T, the MFC shall equal the write-off factor of 2.596% times the gas cost charges as set forth in Peoples' Rider B and Rider D. The current MFC applicable to (D) Rate RS customers is:

	\$0.0266	
Capacity Charge per Mcf	<u>.0273 (I)</u>	
	(\$0.0017)	
Gas Cost Adjustment Charge per Mcf	<u>0.0088 (I)</u>	
	\$0.0730	
Commodity Charge per Mcf	<u>0.0814</u>	(I)
	\$0.0970	
Total MFC per Mcf	<u>0.1175</u>	(I)

For Small, Medium, and Large General Service customers receiving service under Rate SGS, MGS, LGS and Rate GS-T, the MFC shall equal the write-off factor of 0.661% times the gas cost charges as set forth in Peoples' Rider (D) B and Rider D. The current MFC applicable to these ratepayers is:

SGS, MGS, LGS		
	\$0.006869	
Capacity Charge per Mcf	<u>(I)</u>	
	(\$0.0004)	
Gas Cost Adjustment Charge per Mcf	<u>0.0023</u>	(D)
	\$0.0185	
Commodity Charge per Mcf	<u>.0207</u>	(I)
	\$0.0249	
Total MFC per Mcf	<u>.0299</u>	(I)

SUPPLEMENT NO. ~~49~~ PROFORMA
TO

GAS - PA. P.U.C. NO. 46

Peoples Natural Gas Company LLC
EQUITABLE Division

RATES and RULES

FOR

GAS SERVICE IN

CITY OF PITTSBURGH

AND TERRITORY ADJACENT THERETO

(For Lists of Communities Served, see Page No. 4)

Annual 1307(f) Gas Cost Filing

ISSUED: ~~March 31, 2017~~

EFFECTIVE: April 1, 2017

By: Morgan K. O'Brien
President
Peoples Natural Gas Company, LLC
375 North Shore Drive
Suite 600
Pittsburgh, PA 15212

LIST OF CHANGES MADE BY THIS TARIFF SUPPLEMENT

	<u>Current</u>	<u>Proposed</u>	<u>Increase (Decrease)</u>
Rate RS			
Natural Gas Supply Charge	\$ 3.8354	\$ 4.1868	\$ 0.3514
Natural Gas Delivery Charge	\$ 3.1040	\$ 3.5090	\$ 0.4050
Rate GSS			
Natural Gas Supply Charge	\$ 3.8354	\$ 4.1868	\$ 0.3514
Natural Gas Delivery Charge	\$ 2.5263	\$ 2.9313	\$ 0.4050
Rate GSL			
Natural Gas Supply Charge	\$ 3.8354	\$ 4.1868	\$ 0.3514
Natural Gas Delivery Charge	\$ 2.4303	\$ 2.8353	\$ 0.4050
Rate FDS			
Capacity and Balancing Charge	\$ 1.0255	\$ 1.0511	\$ 0.0256
Rate GDS & Rate DDS			
Balancing Charge Annual Throughput < 25,000	\$ 0.3341	\$ 0.3571	\$ 0.0230
Balancing Charge Annual Throughput > 25,000	\$ 0.0769	\$ 0.0920	\$ 0.0151
Rider A - Purchased Gas Cost			
Current PGC	\$ 3.7707	\$ 4.5271	\$ 0.7564
C factor	\$ 3.8354	\$ 4.1868	\$ 0.3514
E factor	\$ (0.0647)	\$ 0.3403	\$ 0.4050
AVC Capacity Charge			
Rate RS and Rate FDS	\$ 0.5583	\$ 0.6016	\$ 0.0433
Rate GSS and Rate GDS (0 to 999 Mcf/yr)	\$ 0.5583	\$ 0.5831	\$ 0.0248
Rate GSL and Rate GDS (1,000 to 24,999 Mcf/yr)	\$ 0.3078	\$ 0.4272	\$ 0.1194
Rate GSL and Rate GDS (greater than 25,000 Mcf/yr)	\$ 0.1368	\$ 0.1288	\$ (0.0080)
Rider F - Merchant Function Charge			
Rate RS	\$ 0.0979	\$ 0.1175	\$ 0.0196
Rate GSS and Rate GSL	\$ 0.0249	\$ 0.0299	\$ 0.0050
Shrinkage	5.25%	6.40%	1.15%

	Rider A - Gas Cost Charges				Base Rate Charges	Rider STAS	Rider F MFC	Rider D USR	Rider G GPC	Rider E DSIC Charge	Total Rate (11=SUM 1 to 10)
	Capacity (1)	AVC Capacity (2)	GCA (3)	Commodity (4)							
Residential Sales						-0.74%				0.00%	
Customer Charge					\$ 13.2500					\$ -	\$ 13.2500
Capacity	\$ 1.0511	\$ 0.6016					\$ 0.0273				\$ 1.6800
Price to Compare - PTC			\$ 0.3403	\$ 3.1357			\$ 0.0902		\$ 0.1055		\$ 3.6717
Delivery Charge					\$ 3.1687			\$ 0.3780		\$ -	\$ 3.5467
State Tax Surcharge						\$ (0.0234)					\$ (0.0234)
Total per MCF							\$ 0.1175				\$ 8.8749
General Service Small - Sales											
Customer Charge											
< 500 MCF/Yr					\$ 17.0000					\$ -	\$ 17.0000
500 to 1,000 MCF/Yr					\$ 28.0000					\$ -	\$ 28.0000
1/ Capacity	\$ 0.3571	\$ 0.5831									\$ 0.9402
Price to Compare - PTC	\$ 0.6940		\$ 0.3403	\$ 3.1357			\$ 0.0299		\$ 0.1055		\$ 4.3054
Delivery Charge					\$ 2.5910					\$ -	\$ 2.5910
State Tax Surcharge						\$ (0.0192)					\$ (0.0192)
Total per MCF	\$ 1.0511										\$ 7.8175
General Service Large - Sales											
Customer Charge											
1,001 to 4,999 MCF/Yr					\$ 150.0000					\$ -	\$ 150.0000
5,000 to 25,000 MCF/Yr					\$ 300.0000					\$ -	\$ 300.0000
1/ Capacity	\$ 0.3571	\$ 0.4272									\$ 0.7843
Price to Compare - PTC	\$ 0.6940		\$ 0.3403	\$ 3.1357			\$ 0.0299		\$ 0.1055		\$ 4.3054
Delivery Charge					\$ 2.4950					\$ -	\$ 2.4950
State Tax Surcharge						\$ (0.0185)					\$ (0.0185)
Total per MCF	\$ 1.0511										\$ 7.5663
General Service Large - Sales											
> 25,000 MCF/Yr					\$ 1,600.0000					\$ -	\$ 1,600.0000
1/ Capacity	\$ 0.0920	\$ 0.1288									\$ 0.2208
Price to Compare - PTC	\$ 0.9591		\$ 0.3403	\$ 3.1357			\$ 0.0299		\$ 0.1055		\$ 4.5705
Delivery Charge					\$ 2.4950					\$ -	\$ 2.4950
State Tax Surcharge						\$ (0.0185)					\$ (0.0185)
Total per MCF	\$ 1.0511										\$ 7.2679

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 Capacity Charge. See the Residential - Sales section above as an example of Priority One.

ISSUED:

EFFECTIVE:

	Base Rate Charges (1)	Capacity Charge (2)	AVC Charge (3)	Balancing Charge (4)	Rider F MFC (5)	Rider D USR (6)	Rider A Capacity (7)	Rider STAS (8)	Rider E DSIC Charge (9)	Total Rate (10=SUM 1 to 9)
Residential - Transport										
Customer Charge	\$ 13.2500							-0.74%	0.00%	\$ 13.2500
Capacity		\$ 1.0511	\$ 0.6016		\$ 0.0273					\$ 1.6800
Delivery Charge	\$ 3.1687					\$ 0.3780			\$ -	\$ 3.5467
State Tax Surcharge								\$ (0.0234)		\$ (0.0234)
Total per MCF										\$ 5.2032
General Service Small - Transport										
Customer Charge										
< 500 MCF/Yr	\$ 17.0000								\$ -	\$ 17.0000
500 to 1,000 MCF/Yr	\$ 28.0000								\$ -	\$ 28.0000
1/ Capacity/BB&A			\$ 0.5831	\$ 0.3571						\$ 0.9402
Delivery Charge	\$ 2.5910								\$ -	\$ 2.5910
State Tax Surcharge								\$ (0.0192)		\$ (0.0192)
Total per MCF										\$ 3.5120
General Service Large - Transport										
Customer Charge										
1,001 to 4,999 MCF/Yr	\$ 150.0000								\$ -	\$ 150.0000
5,000 to 25,000 MCF/Yr	\$ 300.0000								\$ -	\$ 300.0000
1/ Capacity/BB&A			\$ 0.4272	\$ 0.3571						\$ 0.7843
Delivery Charge	\$ 2.4950								\$ -	\$ 2.4950
State Tax Surcharge								\$ (0.0185)		\$ (0.0185)
Total per MCF										\$ 3.2608
General Service Large - Transport										
Customer Charge										
> 25,000 MCF/Yr	\$ 1,600.0000								\$ -	\$ 1,600.0000
1/ Capacity/BB&A			\$ 0.1288	\$ 0.0920						\$ 0.2208
Delivery Charge	\$ 2.4950								\$ -	\$ 2.4950
State Tax Surcharge								\$ (0.0185)		\$ (0.0185)
Total per MCF										\$ 2.6973

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

ISSUED:

EFFECTIVE:

RULES AND REGULATIONS - (Continued)11.4 Shrinkage

The Company's retention allowance for delivery service shrinkage is (I)
~~6.405-25~~

percent of the total volume delivered into its system. The Company reserves the right to discount shrinkage at the Company's discretion.

In addition to the shrinkage rate listed above the Company reserves the right to retain a portion of all Apollo District transportation volumes as compressor fuel. The portion will be established in each customer contract based upon the character of the actual service to be provided by the Company, but will not be greater than 3.0%

11.5 Quality of Gas

Gas of suitable quality, consistent with the Company's operating standards, must be provided by the customer at receipt point(s) designated in the Service Agreement.

11.6 Obligation To Serve

Delivery service customers who hold assigned capacity pursuant to Rate FPS sufficient to meet their firm requirements may return to sales service and the Company will accept back the underlying capacity. The Company shall treat delivery service customers who do not hold assigned capacity sufficient to meet their firm requirements and who wish to return to retail service in the same manner in which it would treat similarly situated customers who apply for retail service for the first time, except that, if the customers are permitted to return to firm service, then the Company shall accept back any capacity previously assigned to the customers.

For Pool Administrators not electing the Company's Purchase of Receivables (POR) billing option, failure of a customer to pay a Pool Administrator's bill is not a basis for termination of a customer by the Company or for denying the customer's return to retail sales service. Where the Company provides a consolidated bill, partial payment will be credited in accordance with the Commission's currently effective Guidelines for Maintaining Customer Service. Customer accounts, whose Pool Administrator has elected to participate in the Company's POR billing option, who fail to pay for basic services may be terminated pursuant to Rule 6.1.

11.7 Company Agency

The Company will offer this service as an agent for securing storage services, transportation capacity on transmission pipelines to transport customer's gas to the pipeline delivery points on the Company's system and gas supply services only under the following limited circumstances: (1) The customer requests such service of the Company; (2) the customer is an existing customer of the Company; (3) the customer represents that it has received a bona fide offer from another company to bypass or otherwise leave the Equitable distribution system; (4) Equitable must attempt to obtain offers for supply services from at least three different natural gas suppliers; and (5) Equitable shall provide documentation to the Commission, upon request, that the four conditions above have been met.

(I) Indicates Increase.

RATE RS - RESIDENTIAL SERVICE

APPLICABILITY

These rates shall be applicable throughout the territory served by the Company.

AVAILABILITY

Available at one location for the total gas requirements of any residential customer account.

RATE

The monthly charge for each customer served at each location under this rate schedule and in accordance with Rider A Purchased Gas Costs, shall be the following:

Monthly Service Charge:	\$13.25 per meter	
Natural Gas Supply Charge:	\$ 3.83544 .1868 per Mcf	(I)
Natural Gas Delivery Charge:	\$ 3.10405090 per Mcf	(I)

Customers returning from delivery service in accordance with Rider B

Natural Gas Delivery Charge:	\$3.1687 per Mcf
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LATE PAYMENT CHARGE

If payment of bill has not been received within twenty days from date of mailing, a Late Payment Charge of 1.5% per month, will be added to the unpaid balance each month until the entire bill is paid.

MINIMUM CHARGES

The minimum monthly payment shall be the Monthly Service Charge.

SURCHARGES AND RIDERS

Rider D Universal Service and Energy Conservation (except for customers enrolled in CAP and Pilot E-CAP), Rider E Distribution System Improvement Charge, Rider F Merchant Function Charge, Rider G Gas Procurement Charge and state tax adjustment surcharge also apply to this rate.

(I) Indicates Increase.

RATE GSS - GENERAL SERVICE SMALL

APPLICABILITY

These rates shall be applicable throughout the territory served by the Company.

AVAILABILITY

Available for the total gas requirements at each service location of a commercial or industrial customer who the Company estimates will use 1,000 MCF or less in a twelve month period at that service location. The Company, at its sole discretion, may allow for the aggregation of volumes to qualify for a defined Delivery rate. In these cases, the monthly charge applicable will be based on the volume delivered via each meter.

RATE

The monthly charge for each customer served at each location under this rate schedule and in accordance with Rider A Purchased Gas Costs, shall be the following:

Monthly Service Charge:

Annual Throughput < 500	\$17.00 per meter
Annual Throughput 500 - 1,000	\$28.00 per meter

Natural Gas Supply Charge:	\$ 3.8354 <u>4.1868</u> per Mcf	(I)
Natural Gas Delivery Charge:	\$ 2.5263 <u>2.9313</u> per Mcf	(I)

Customers returning from delivery service in accordance with Rider B

Natural Gas Delivery Charge:	\$2.591 per Mcf
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LATE PAYMENT CHARGE

If payment of bill has not been received within fifteen days from date of mailing, a Late Payment Charge of 1.5% per month will be added to the unpaid balance each month until the entire bill is paid.

MINIMUM CHARGES

The minimum monthly payment shall be the Monthly Service Charge.

SURCHARGES AND RIDERS

Rider E Distribution System Improvement Charge, Rider F Merchant Function Charge, Rider G Gas Procurement Charge, and state tax adjustment surcharge also apply to this rate.

RULES AND REGULATIONS

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

SPECIAL PROVISION

Temporary service for new construction transferred from a builder or developer to an owner is not subject to Standby Service requirements.

(I) Indicates Increase.

RATE GSL - GENERAL SERVICE LARGE

APPLICABILITY

These rates shall be applicable throughout the territory served by the Company.

AVAILABILITY

Available for the total gas requirements at each service location of an industrial or commercial customer who the Company estimates will use more than 1,000 Mcf in a twelve month period at that service location. The Company, at its sole discretion, may allow for the aggregation of volumes to qualify for a defined Delivery rate. In these cases, the monthly charge applicable will be based on the volume delivered via each meter.

RATE

The monthly charge for each customer served at each location under this rate schedule and in accordance with Rider A Purchased Gas Cost shall be the following:

Monthly Service Charge:

Annual Throughput 1,001 - 4,999	\$150.00	per meter
Annual Throughput 5,000 - 25,000	\$300.00	per meter
Annual Throughput > 25,000	\$1,600.00	per meter

Natural Gas Supply Charge:	\$ 4.18683 - 8354 per Mcf	(I)
Natural Gas Delivery Charge:	\$ 2.83534 303 per Mcf	(I)

Customers returning from delivery service in accordance with Rider B

Natural Gas Delivery Charge:	\$2.495 per Mcf
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LATE PAYMENT CHARGE

If payment of bill has not been received within fifteen days from date of mailing, a Late Payment Charge of 1.5% will be added to the unpaid balance each month until the entire bill is paid.

MINIMUM CHARGE

The minimum monthly payment shall be the Monthly Service Charge.

SURCHARGES AND RIDERS

Rider E Distribution System Improvement Charge, Rider F Merchant Function Charge, Rider G Gas Procurement Charge and state tax adjustment surcharge also apply to this rate.

RULES AND REGULATIONS

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

(I) Indicates Increase.

RATE GDS - GENERAL DELIVERY SERVICE

APPLICABILITY

These rates shall be applicable throughout the territory served by the Company, i.e., Equitable and Apollo Districts

AVAILABILITY

Delivery service under this rate schedule is available for resale service and to commercial and industrial customers who do not qualify for or elect service under Rate FDS and whose full commodity requirements are supplied through a single aggregation pool pursuant to the Company General Pooling Service (GPS) or directly by the supplier as a stand-alone customer. A customer who uses more than 5,000 Mcf annually is not required to receive supply through the Company's General Pooling Service

RATE

The applicable rate for each district may be determined by negotiation between the Company and the customer and shall not exceed the rates set forth below plus riders applicable to this service:

Monthly Service Charge:

Commercial and Industrial:

Annual Throughput < 500	\$ 17.00 per meter
Annual Throughput 500 - 1,000	\$ 28.00 per meter
Annual Throughput 1,001 - 4,999	\$150.00 per meter
Annual Throughput 5,000 - 25,000	\$300.00 per meter
Annual Throughput > 25,000	\$1,600.00 per meter

Delivery Charge:

Small Commercial, Industrial and Resale	\$ 2.591 per Mcf
Large Commercial and Industrial	\$ 2.495 per Mcf

Balancing Charge:

Pursuant to Special Provision (b)

Annual Throughput < 25,000	\$0. 3341 . <u>3571</u> per Mcf	(I)
Annual Throughput > 25,000	\$0. 0769 . <u>0920</u> per Mcf	(DI)

MINIMUM CHARGE

The minimum monthly payment shall be the Monthly Service charge.

(I) Indicates Increase.

RATE DDS- DAILY DELIVERY SERVICE (CONTINUED)

RATE

The applicable rate shall be determined by negotiation between the Company and the customer and shall not exceed the rates set forth below plus riders applicable to this service:

Monthly Service Charge:

Commercial and Industrial:

Annual Throughput 5,000 - 25,000	\$300.00 per meter
Annual Throughput > 25,000	\$1,600.00 per meter

Delivery Charge:

Resale Service	\$ 2.711 per Mcf
Large Commercial and Industrial	\$ 2.600 per Mcf

Balancing Charge:

Pursuant to Special Provision (a)

Annual Throughput < 25,000	\$0.3341 <u>.3571</u> per Mcf	(I)
Annual Throughput > 25,000	\$0.0769 <u>.0920</u> per Mcf	(DI)

Customers served under this rate schedule are subject to all applicable surcharges and riders including:

Distribution System Improvement Charge Rider E

SPECIAL PROVISIONS

(a) The Balancing Charge includes the cost of the resources needed by the Company to balance its system. The Company retains the right to waive this charge, in whole or in part, for customers with competitive options. The Company will provide a credit to Rider A gas costs associated with the capacity utilized to provide balancing services to transportation customers. The balancing charge rate will be adjusted each year in conjunction with the Company's 1307(f) filing.

BALANCING PROVISIONS

Daily Balancing

A daily imbalance will exist when (a) a customer's consumption in a day falls short of the daily gas supply nominated (daily supply excess), or (b) a customer's consumption in a day exceeds the daily supply nominated (daily supply shortfall).

- (1) A Daily Supply Tolerance equal to 3.5% of the customer's contracted Maximum Daily Quantity will be permitted without penalty.
- (2) A daily supply excess greater than the Daily Supply Tolerance will be Cashed-In at 85% of the Midpoint price published in Platts, Gas Daily publication, under the heading Appalachia, Dominion, South Point on the day the excess occurs.

(I) Indicates Increase.

RIDER A - (Continued)

"E-Factor" -- Net over collection or under collection of the cost of purchased gas including interest, for the period beginning with the month following the last month of the historic reconciliation included in the previous PGC and ending with the month preceding the effective date of the new PGC. The E factor is E divided by S.

The "E" factor shall also provide for refund or recovery of amounts necessary to adjust for differences between actual over and under collections and estimated over and under collections included in the "E" factor of the previous PGC.

Interest shall be computed at the appropriate rate as provided for in Section 1307(f) of the Public Utility Code from the month the over or under collection occurs to the effective month such over collection is refunded or such under collection is recouped.

Supplier refunds received applicable to PGC Rate Schedules will be included in the calculation of "E" with interest added at the annual rate of six percentum (6 percent) calculated in accordance with the foregoing procedure beginning with the months such refund is received by the Company.

For the purpose of computing monthly over and undercollections to be reflected in "E" a Standby Service credit, as well as a Balancing credit will be deducted from Purchased Gas Cost.

"S" -- projected Mcf of gas to be billed under PGC Rate Schedules during the computation year.

"Purchased Gas" -- the volume of gas projected to be purchased by the Company and delivered to customers under PGC Rate Schedules, plus such portion of the company-used and unaccounted-for-gas as the Commission permits, including, but not limited to, natural gas, liquefied natural gas, synthetic gas, liquefied propane and naphtha.

"The Current PGC" -- is ~~\$3.77074~~ 4.5271 per Mcf, comprised of a C factor of (I), (I) ~~\$3.8354~~ 4.1868 and an E factor of ~~(\$0.0647)~~ 0.3403 and AVC Capacity Charges as shown on (I) page 73B.

"Computation Year" -- the projected year during which the PGC will be in effect.

The application of the purchased gas cost shall be subject to continuous review and to audit by the Commission at such intervals as the Commission shall determine. The Commission shall continuously review the reasonableness and lawfulness of the amounts of the charges produced by the purchased gas cost and the charges included herein.

(I) Indicates Increase.

Rider A (Continued)

AVC Capacity Charge

The AVC Capacity Charges allocation factors and rates are as follows:

Rate and Customer Class	Allocation	Rate
Rate RS and Rate FDS	66.25%	\$0.5583 .6016(I)
Rate GSS and Rate GDS (0 to 999 Mcf/yr)	11.94%	\$0.5583 .5831(I)
Rate GSL and Rate GDS (1,000 to 24,999 Mcf/yr)	12.99%	\$0.3078 .4272(I)
Rate GSL and Rate GDS (greater than 25,000 Mcf/yr)	8.82%	\$0.1368 .1288(D)

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

Annual Reconciliation

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

Discounted Rate Customers

To the extent permitted under the customer's discounted rate contract, the Company will recover AVC charges from such customers.

(I) Indicates Increase.

RIDER F

MERCHANT FUNCTION CHARGE (MFC)

The Merchant Function Charge (MFC) shall be added to the gas cost charges applicable under rate schedules Rate RS, Rate FDS, Rate GSS and GSL. The gas costs charges include the Capacity Charge, Gas Cost Adjustment Charge and Commodity Charge.

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

For residential customers receiving service under Rate RS and Rate FDS, the MFC shall equal the write-off factor of 2.596% times the gas cost charges as set forth in Peoples' Equitable Division Rider A and Rider B. The current MFC applicable to Rate RS customers is:

Capacity Charge per Mcf	\$0.0266	
	<u>0273 (I)</u>	
	(\$0.0017)	(I)
Gas Cost Adjustment Charge per Mcf	<u>0.0088</u>	(I)
	\$0.0730	
Commodity Charge per Mcf	<u>0814</u>	
	\$0.0979	
Total MFC per Mcf	<u>1175 (I)</u>	

For Small, Medium, and Large General Service customers receiving service under Rate GSS and GSL, the MFC shall equal the write-off factor of 0.661% times the gas cost charges as set forth in Peoples' Equitable Division Rider A and Rider B. The current MFC applicable to these ratepayers is:

Capacity Charge per Mcf	\$0.0068	
	<u>0069 (I)</u>	
	(\$0.0004)	(D)
Gas Cost Adjustment Charge per Mcf	<u>0.0023</u>	(I)
	\$0.0185	(I)
Commodity Charge per Mcf	<u>0207</u>	
	\$0.0249	
Total MFC per Mcf	<u>.0299 (I)</u>	

(I) Indicates Increase. (D) Indicates Decrease.

Appendix “B”

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission : Docket Nos. R-2017-2586310
Office of Small Business Advocate : C-2017-2593177
Office of Consumer Advocate : C-2017-2595998

v.

Peoples Natural Gas Company LLC

Pennsylvania Public Utility Commission : Docket Nos. R-2017-2586318
Office of Small Business Advocate : C-2017-2593515
Office of Consumer Advocate : C-2017-2596006

v.

Peoples Natural Gas Company LLC –
Equitable Division

**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 Natural Gas Company LLC (“Peoples” or the “Company”), acting on behalf of its Peoples Division (“Peoples Division”) and its Equitable Division (“Peoples-Equitable Division”), hereby files this Statement in Support of the Joint Petition for Settlement (“Settlement”) entered into by Peoples, the Bureau of Investigation & Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), and the Pennsylvania Independent Oil & Gas Association (“PIOGA”) (hereinafter, collectively “Joint Petitioners”) in the above-

captioned Purchased Gas Cost (“PGC”) proceeding. Peoples 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’ 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’ natural gas procurement policies and operations. In addition to a comprehensive filing and informal discovery, Peoples responded to numerous formal discovery requests (many of which had multiple subparts). In support of their positions, Peoples, I&E, OCA, OSBA, 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’ 2017 1307(f) filings for its Peoples Division and Peoples-Equitable Division, 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 gas that customers must deliver to the system to compensate for their share of unaccounted for gas (“UFG”) and company use (“CU”). (I&E Statement No. 1, p. 10.) Transportation customers are required to supply gas in excess of their usage to meet this requirement; this extra gas is called retainage. (I&E Statement No. 1, p. 10.) PGC customers are not charged retainage directly because they pay for UFG and CU in their PGC rate. (I&E Statement No. 1, p. 10.)

Peoples recommended increasing the tariffed retainage rate to 6.4% for all transportation customers based on the most recent two-year average for UFG and CU and the projected level of

retainage discounting. (Peoples Statement No. 1, p. 17; Peoples Exhibit No. 8.) 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 Statement No. 1, pp. 18-23.) The discounted retainage is then recovered from other customers.

In testimony, I&E agreed with Peoples' proposed retainage rate. (I&E Statement No. 1, p. 12.) OCA raised a concern with the level of UFG on Peoples' gathering system and argued that transportation customers who use gas delivered through the gathering system should be assigned responsibility for UFG on Peoples' gathering system. (OCA Statement No. 1, pp. 8-9.) As a result, OCA proposed that the Company should adopt separate retainage charges for its distribution and gathering systems of 4.1% and 9.0%, respectively. (OCA Statement No. 1, p. 9; OCA Schedule JDM-2.)

In rebuttal, Peoples and PIOGA disagreed with OCA's recommendation. (Peoples Statement No. 4-R, p. 14; PIOGA Statement No. 1, pp. 3-4.) The Company explained that OCA's proposal fails to recognize that Peoples' gathering system is integrated with the distribution system and serves all customers who use the integrated system. (Peoples Statement No. 4-R, p. 14.) Moreover, OCA's proposal raised issues of fairness in unbundling and allocating gas costs and in upsetting the near-term expectations of transportation customers suppliers, and producers. (Peoples Statement No. 4-R, pp. 14-17.) Indeed, the unbundling of gathering-related costs raises complex issues and involves much more than allocating UFG to transportation customers who "use" the gathering system. (Peoples Statement No. 4-R, p. 17.)

The Settlement adopts Peoples' proposed 6.4% retainage rate for all rate classes. (Settlement ¶ 24.) Furthermore, Peoples has agreed to examine UFG issues in its next base rate proceeding, provided that nothing in this section limits any Joint Petitioner's right to address

retainage and UFG issues in future PGC or base rate proceedings. (Settlement ¶ 25.) Based on the foregoing, the Settlement reflects a reasonable compromise of the parties' litigation positions and, therefore, should be approved without modification.

2. Unaccounted for Gas

I&E, OSBA, and OCA raised issues concerning the levels of UFG on Peoples' systems. (I&E Statement No. 1, pp. 4-9; OSBA Statement No. 1, pp. 1-4.; OCA Statement No. 1, p. 9.) I&E recognized that Peoples' distribution system UFG of 2.75% 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 urged the Company to take further steps to mitigate its UFG after observing higher levels of UFG on the gathering system and an increase in UFG on a total system basis over the past few years. (I&E Statement No. 1, pp. 5-9.) Moreover, I&E recommended that Peoples 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. 8-9.)

Additionally, OSBA recommended that Peoples: (1) provide an estimate of the improvements in UFG levels that may be expected over time from prioritizing existing mitigation measures in its next PGC case; or (2) sponsor an alternative mitigation plan in that proceeding that will produce measurable improvements in UFG levels. (OSBA Statement No. 1, p. 4.) Further, OCA addressed only the gathering system UFG, characterized it as "extremely high," and stated that it needs to be addressed by the Company. (OCA Statement No. 1, p. 9.)

Peoples stated that it shares the parties' concerns with system-wide UFG over the 2013-2016 period. (Peoples Statement No. 4-R, p. 6.) Peoples 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 Statement No. 2, p. 51; Peoples Statement No. 4-R, p. 6.) Among other things, the Company's UFG team will examine the reason that losses on the Peoples system are not linear in relation to supply. (Peoples Statement No. 4-R, pp. 6-7.)

Furthermore, Peoples has focused resources on the following programs: (1) Enhanced Leak Repair Program designed to prioritize leaks and repair to reduce leak backlog; (2) Measurement Improvements designed to audit and improve measurement at producer interconnects; (3) studying the impact of temperature on the measurement accuracy of non-compensated meters on residential and small commercial customers; (4) evaluating interconnect improvements designed to eliminate the possibility of gas backflow; (5) pipeline improvements to abandon or replace pipelines that are obsolete or cannot be repaired; and (6) updating and analyzing segmentation models and determining if the remediation efforts are making improvements. (Peoples Statement No. 2, pp. 50-51.) Peoples' immediate plan is to continue these UFG reduction initiatives, which have proven over time to be effective. (Peoples Statement No. 2, p. 51.) The Company will prioritize Enhanced Leak Repair, will continue to monitor supply interconnects to ensure accurate measurement and backflow prevention equipment is effective, and will continue system segmentation efforts to identify and report UFG based on pipeline function. (Peoples Statement No. 2, p. 51.) However, it is not feasible to expect immediate and significant reductions in UFG as a result of UFG mitigation efforts. (Peoples Statement No. 4-R, p. 6.)

In addition, Peoples responded to I&E's recommendations that the Company accelerate its pipeline replacement program and provide quarterly updates on UFG. First, Peoples 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 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 receive a lower risk ranking than a non-leaking pipeline in a highly populated, urban area. (Peoples Statement No. 4-R, p. 7.) Indeed, because less than 1% of Peoples' customers are served directly from gathering systems, it is unlikely that accelerating pipeline replacement, based on the Company's current risk analysis model, would significantly reduce UFG in the gathering system. (Peoples Statement No. 4-R, p. 7.) Thus, accelerating the pipeline replacement program would not necessarily produce immediate UFG reductions. (Peoples Statement No. 4-R, p. 7.)

Second, Peoples argued that I&E's quarterly UFG report would likely be ineffective. (Peoples Statement No. 4-R, p. 8.) I&E's recommendation appeared to presume that immediate, substantial system loss reductions from individual UFG mitigation projects should appear in the quarterly reports, but that is unlikely. (Peoples Statement No. 4-R, p. 8.) The Company would have difficulty accurately measuring UFG on a quarterly basis. (Peoples Statement No. 4-R, p. 8.) Indeed, unbilled volumes result from gas purchases being made on a calendar month basis while customers are cycle billed throughout the month. (Peoples Statement No. 4-R, p. 8.) As a result, there cannot be a direct comparison of purchases and deliveries, and the differences on the delivery side must be estimated. (Peoples Statement No. 4-R, p. 8.) Estimation is especially difficult when the end date is a winter month, because weather differences each day makes estimation imprecise and winter heating load can cause substantial variances to the amount called UFG, since that is the fallout number (in other words, the Company does a weather

calculation to estimate unbilled volumes, and the difference is UFG). (Peoples Statement No. 4-R, p. 8.) It would be virtually impossible to eliminate this effect in quarterly reports. (Peoples Statement No. 4-R, p. 8.) This is the reason that UFG is normally calculated on an annual basis for a period ending in a summer month. Also, some improvements, such as measurement, are throughput dependent, and the effects of the improvements would only show up when gas is actually flowing in significant volumes. (Peoples Statement No. 4-R, p. 8.) Further, Peoples already provides numerous reports on its pipeline replacements, including quarterly financial reports under 52 Pa. Code § 71.3 and 66 Pa. C.S. § 1358(b)(3) as well as the annual asset optimization plan required under 66 Pa. C.S. § 1356. (Peoples Statement No. 4-R, pp. 8-9.) An additional report of the same information would not help reduce UFG on the Peoples system. (Peoples Statement No. 4-R, p. 9.)

Moreover, Peoples responded to OSBA's alternative recommendations and explained that OSBA failed to recognize the difficulty in assigning expected, quantified results to specific UFG mitigation actions. (Peoples Statement No. 4-R, p. 10.) The Company's system is complex, with multiple receipt points into gathering lines, with customers served from gathering lines, and with unmetered flows from gathering lines into downstream systems. (Peoples Statement No. 4-R, p. 10.) Therefore, it would be difficult to determine the cause and effect of individual mitigation actions and to match "measurable improvements" to specific components of a new mitigation plan. (Peoples Statement No. 4-R, p. 10.)

Furthermore, Peoples responded to OCA's characterization of the gathering system having an "extremely high" level of UFG. The Company explained that high UFG on a multi-function pipeline system that includes gathering facilities, such as Peoples' system, is not

unusual, particularly when compared to UFG levels on similar systems. (Peoples Statement No. 4-R, pp. 6, 10-11.)

Under the Settlement, the Joint Petitioners acknowledge that Peoples' UFG percentage for the 12-month period ending August 31, 2016, is in compliance with the Commission's regulations. (Settlement ¶ 25.) Furthermore, Peoples has committed to continue its efforts to reduce UFG. (Settlement ¶ 25.) 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 ¶ 25.) Moreover, Peoples has agreed to examine this issue in its next base rate proceeding, provided that nothing in this section limits any Joint Petitioner's right to address retainage and UFG issues in future PGC or base rate proceedings. (Settlement ¶ 25.)

The settlement provisions recognize that Peoples' 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 the concerns of I&E, OSBA, and OCA about UFG and, therefore, should be approved without modification.

B. SHARING MECHANISM

Peoples currently has a mechanism under which revenues from capacity releases, off-system sales, and parks/loans are shared between the Company and PGC customers on a 25%/75% basis. (Peoples Statement No. 1, p. 15.) The current mechanism, as approved in Peoples' 2015 PGC proceeding, is set to expire September 30, 2017. (Peoples Statement No. 1, pp. 15-16.) Peoples proposed to extend the sharing mechanism indefinitely with the condition that such extension would not prevent any party from challenging the prospective continuation of the sharing mechanism in future PGC proceedings. (Peoples Statement No. 1, p. 16.)

OSBA agreed that the sharing mechanism should be extended but not indefinitely. (OSBA Statement No. 1, p. 5.) Rather, OSBA contended that the mechanism should be extended through September 30, 2019. (OSBA Statement No. 1, p. 5.)

Under the Settlement, the current 75%/25% sharing mechanism will be extended for an additional one-year period through September 30, 2018. (Settlement ¶ 26.) Both Peoples and OSBA agreed that the sharing mechanism should be extended, but they disagreed on the length of that extension. Therefore, this settlement provision represents a reasonable compromise of the parties' litigation positions and should be approved without modification.

C. NP-1 BALANCING CHARGES

OCA proposed that a portion of the costs associated with Peoples' Dominion Transmission, Inc. ("DTI") storage and firm transportation agreements should be included in the design of balancing charges for Non-Priority One ("NP-1") transportation customers. (OCA Statement No. 1, pp. 3-7.) OCA alleged that the DTI agreements benefit both PGC and transportation customers because they were entered into to address a service reliability concern in the northern part of Equitable Division's service territory. (OCA Statement No. 1, p. 5.) Accordingly, OCA proposed that a portion of the DTI GSS deliverability (but not space) costs and the FT capacity costs be allocated to NP-1 transportation customers in proportion to their share of design day demands and that those costs be recovered through NP-1 balancing charges. (OCA Statement No. 1, p. 6; OCA Schedule JDM-1.)

In rebuttal, Peoples accepted OCA's recommendation in principle but proposed some changes. (Peoples Statement No. 1-R, pp. 2-4.) First, rather than allocating the costs to NP-1 customers based on OCA's proposed method, the Company argued that the DTI storage-related costs should be incorporated into Peoples' established balancing charge calculation. (Peoples Statement No. 1, pp. 2-3.) Second, Peoples proposed to include the DTI GSS space costs in

addition to the GSS deliverability costs and the FT capacity costs that were included in OCA's calculation. (Peoples Statement No. 1-R, pp. 3-4.) Third, Peoples averred that the associated maximum daily withdrawal quantity for the GSS contract should be included in the calculation. (Peoples Statement No. 1-R, p. 4.) The Company presented its proposed changes to the balancing charge calculation, as well as the resulting revised capacity charge calculation, in Peoples Exhibit No. 1-R.

The Settlement memorializes the balancing charges presented in Peoples Exhibit No. 1-R. Specifically, the Settlement provides that the DTI Rate Schedule GSS deliverability and capacity costs under Contract No. 300196 and the DTI Rate Schedule FT capacity costs under Contract 200654 will be included in determining the NP-1 balancing charges commencing October 1, 2017, resulting in balancing charges of \$0.3571 for SGS and MGS customers and \$0.0920 for LGS customers, as opposed to the rates originally proposed by Peoples of \$0.3113 and \$0.0802, respectively. (Settlement ¶ 27.) Accordingly, the Settlement reflects a reasonable compromise of the parties' litigation positions regarding the NP-1 balancing charges and, therefore, should be approved without modification.

D. 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 had requested, to the extent necessary, limited waivers 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 Natural Gas Company LLC – Supplement No. 77 to Tariff Gas – PA PUC No. 45, Quarterly Recalculation of Purchased Gas Cost Rates, Docket No. R-2016-2528562 (Dec. 30, 2016); Peoples Natural Gas Company LLC – Equitable Division – Supplement No. 46 to Tariff Gas – PA PUC No. 46, Quarterly Recalculation of Purchased Gas Cost Rates, Docket No. R-2016-2529260 (Dec. 30, 2016).

The Settlement reflects a reasonable compromise regarding the Company’s reporting of actual gas cost data. Under the Settlement, Peoples will only report actual gas costs in any quarterly or annual gas cost filings and will not include estimated gas costs for items that are not yet final. (Settlement ¶ 28.) The Company will record the cost as zero if an actual gas cost for an item is not known and the estimated gas cost is less than 1% of the monthly gas costs. (Settlement ¶ 28.) 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 ¶ 28.) This settlement provision addresses I&E’s concerns about reporting estimated gas costs and should be adopted.

E. MISCELLANEOUS

Under the Settlement, the parties have agreed that the proposed rates and other requested approvals contained in the Peoples Division and Peoples-Equitable Division PGC filings should be approved except to the extent that they are modified by the Settlement. (Settlement ¶ 29.) Further, the proposed rates will be updated in the Company’s compliance filing to reflect actual and projected over/undercollections through September 30, 2016. (Settlement ¶ 30.) Lastly, the parties have agreed that the Commission should approve the renewals and changes in gas supply, pipeline, and storage capacity contracts that are explained in Peoples Statement No. 2 and related exhibits included in the definitive filing. (Settlement ¶ 31.)

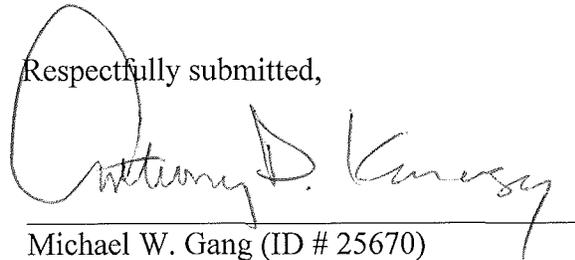
The PGC and balancing rates that Peoples proposes to place into effect on October 1, 2017, are supported by record evidence. Peoples explained in detail the development of the natural gas supply rates utilizing cost projections, sales projections, and the reconciliation process. Peoples' testimony provides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

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' natural gas procurement practices on behalf of its Peoples Division and its Peoples-Equitable Division through numerous discovery responses, testimony and accompanying exhibits, followed by the presentation of counter-positions on some issues, and then 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 Division and Peoples-Equitable Division request that Your Honor and the Commission make all the findings required under 66 Pa. C.S. § 1318 with regard to their 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 Natural Gas Company LLC,
acting on behalf of its Peoples Division and
Peoples Natural Gas Company LLC –
Equitable Division*

Appendix “C”

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :
 :
 v. : Docket No. R-2017-2586310
 :
 Peoples Natural Gas Company LLC – :
 Peoples Division :

Pennsylvania Public Utility Commission :
 :
 v. : Docket No. R-2017-2586318
 :
 Peoples Natural Gas Company LLC – :
 Equitable Division :

**THE BUREAU OF INVESTIGATION AND ENFORCEMENT’S
STATEMENT IN SUPPORT OF JOINT PETITION FOR SETTLEMENT OF
THE SECTION 1307(f) RATE INVESTIGATION**

TO ADMINISTRATIVE LAW JUDGE JEFFREY A. WATSON:

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), by and through its Prosecutor, Phillip C. Kirchner, hereby respectfully submits that the terms and conditions of the foregoing *Joint Petition for Complete Settlement* pertaining to Peoples Natural Gas Company LLC - Peoples Division and Peoples Natural Gas Company LLC – Equitable Division (collectively “Peoples”) Section 1307(f) Rate Investigation (“Joint Petition” or “Settlement”) are in the public

interest and represent a fair, just, reasonable and equitable balance of the interest of Peoples and its customers. In support of this position, I&E avers the following:

I. INTRODUCTION

1. I&E is charged with the representation of the public interest in proceedings relating to rates, rate-related services, and application proceedings affecting the public interest held before the Commission. “The prime determinant in the consideration of a 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, Peoples 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.

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

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.

8. I&E respectfully avers that the proposed Settlement is in the public interest, that it 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 Peoples’ 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

² 52 Pa. Code §5.231.

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 Peoples’ Lost and Unaccounted –For Gas (“LUFG”) for the 12 month period ending August 31, 2016 of 2.75% on a combined basis is in compliance with 52 Pa. Code §59.111(c)(1). As testified to by I&E witness Apetoh,⁴ Peoples’ overall system LUFG is increasing and must be addressed, which Peoples has committed to and addressed in the testimony of Witness Kent E. Huzzey.⁵ This will also include a focus upon the gathering system of the Peoples’ lines, which is a significant source of LUFG. By and through this agreement, this issue will be examined in the next base rate proceeding as well. Peoples 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 Peoples’ next 1307(f) filing. This will allow the company time to address

³ 66 Pa. C.S.A. §1318.

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

⁵ Peoples Statement No. 2, P. 49-51.

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

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. SHARING MECHANISM

14. The company/customer capacity release sharing mechanism of 25%/75% respectively, which was approved by the Commission in last year's filing will be extended another year, continuing to provide a fair and balanced incentive to the company while ensuring that ratepayers' interests are protected as well.

C. 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.

D. ACTUAL GAS COST REPORTING

15. As a part of this settlement, Peoples 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

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

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 Peoples 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. Line-by-line identification of the ultimate resolution of every averment is not necessary, as I&E represents that the Settlement maintains the proper balance of the interests of all parties as outlined in the proposed findings of fact and law. I&E is satisfied that no further action is necessary and 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 Peoples' 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 Settlement, including all terms and conditions contained therein.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "P. C. Kirchner", 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 Nos. R-2017-2586310
Office of Small Business Advocate	:	C-2017-2593177
Office of Consumer Advocate	:	C-2017-2595998
	:	
v.	:	
	:	
Peoples Natural Gas Company LLC	:	

Pennsylvania Public Utility Commission	:	Docket Nos. R-2017-2586318
Office of Small Business Advocate	:	C-2017-2593515
Office of Consumer Advocate	:	C-2017-2596006
	:	
v.	:	
	:	
Peoples Natural Gas Company LLC – Equitable Division	:	

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

I. BACKGROUND

On March 1, 2017, Peoples Natural Gas Company LLC and Peoples Natural Gas Company LLC – Equitable Division (Peoples and Peoples-Equitable or Companies) submitted the pre-filing information and data required in connection with their 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 Companies submitted their formal 2017 PGC filing, pursuant to which the Companies anticipate an increase in the average monthly bill (due to an increase in gas costs)

of residential customers of Peoples of 9.9% on October 1, 2016 and an increase in the average monthly bill of Peoples-Equitable residential customers of 10.3% on the same date.

On March 28, 2017, the OCA filed a Formal Complaint against the Companies' 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 8, 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 all 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 addressed two topics: (1) he recommended that a portion of the costs associated with Peoples' Dominion Transmission, Inc. (DTI) storage and firm transportation arrangements should be included in the design of the balancing charges assessed to non-priority 1 (NP-1) customers; and (2) he recommended that Peoples should adopt separate retainage charges for its gathering and distribution systems.

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 Unaccounted For Gas (Settlement ¶¶ 24, 25)

The Settlement provides that the tariffed retainage rate for all rate classes for both Peoples and Peoples-Equitable will be 6.4%. Settlement ¶ 24. It further provides that the Companies commit to continuing their efforts to reduce distribution and gathering system UFG and will provide to the parties a report from its UFG team by April 2, 2018, which will offer analysis and recommendations for mitigating UFG, with particular focus on the gathering system. In addition, the Companies agree to examine this issue in their next base rate case. Settlement ¶ 25.

As noted above, OCA's witness proposed that the Companies adopt separate retainage charges for their distribution and gathering systems. This recommendation was the result of Mr. Mierzwa's observation that the difference in UFG percentage between the distribution system and the gathering system was sizable (2.7% and 9.2%, respectively) and that transportation customers made greater use of the gathering system than did sales customers and therefore a separate retainage charge for the gathering system was appropriate. OCA St. No. 1 at 8-9. The Companies responded with concerns over the difficulty and the alleged unfairness of separating the retainage charges between the distribution and gathering system. Peoples St. No. 4-R at 13-17. While the OCA understands the points made by the Companies regarding a separation of retainage costs, the OCA nevertheless remains concerned for the level of UFG on the gathering system. In that regard, under this provision of the Settlement, the Companies commit to producing a report from their UFG team for next year's PGC case that will analyze and recommend mitigation measures for UFG on their system, with specific focus on the gathering system. The Companies also commit to examining this issue in its next base rate proceeding.

The OCA is also encouraged that Peoples has assembled a cross functional team led by a new, senior, full-time manager whose primary job description will be managing UFG activity. This level of focus on the problems with UFG, particularly on the gathering system, holds the potential for improvement. For these reasons, the OCA supports this provision of the Settlement.

B. Sharing Mechanism (Settlement ¶ 27)

In this provision, the parties agree that the current 75% customer-25% company capacity release and off-system sales sharing mechanism is to be extended for an additional one-year period through September 30, 2018. The OCA supports this extension.

C. NP-1 Balancing Charges (Settlement ¶ 27)

The Settlement provides that the DTI Rate Schedule GSS deliverability and capacity costs under Contract 300196 and the DTI Rate Schedule FT capacity costs under Contract 200654 will be included in determining the NP-1 balancing charges beginning on October 1, 2017. This will result in balancing charges for Rate Class SGS and MGS customers of \$0.3571 and for LGS customers of \$0.0920. These compare with the rates originally proposed of \$0.3113 for Rates SGS and MGS and \$0.0802 for Rate LGS. This provision is in direct response to the testimony of OCA witness Mierzwa in which he advocated for a portion of the DTI costs to be borne by transportation (specifically NP-1) customers by way of an adjustment to the Companies' balancing charges. In its Rebuttal Testimony, Peoples St. No. 1-R, the Companies agreed in principle to the recovery of a portion of the DTI costs from NP-1 customers. However, it recommended an alternative method for calculating the balancing costs than the method offered by Mr. Mierzwa. That alternative method was detailed in Peoples St. No. 1-R. Upon review of the Companies' alternative method, the OCA is satisfied that it fairly assigns an

appropriate portion of the DTI costs to NP-1 customers. The OCA supports this provision of the Settlement.

D. Actual Gas Cost Reporting (Settlement ¶ 28)

In Paragraph 28 of the Settlement, the parties agree that in an effort to eliminate the request for waivers in connection with Peoples' 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 Companies will not record an estimated cost but will record the cost as zero. The Companies 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 Companies' reports and eliminate the need for repeated waivers.

E. Miscellaneous (Settlement ¶¶ 29-31)

Paragraph 29 of the Settlement provides that the rates proposed and other requested approvals contained in the Companies' filing should be approved.

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

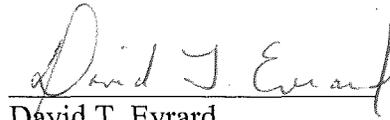
Paragraph 31 states that the parties agree that the Commission should approve the renewals and changes in gas supply, pipeline, and storage capacity contracts that are explained in PTWP's Statement No. 2 and related exhibits.

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,



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June 27, 2017

236236

Appendix “E”

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
v.	:	DOCKET NO. R-2017-2586310
	:	
PEOPLES NATURAL GAS COMPANY LLC	:	
	:	
and	:	
	:	
PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
v.	:	DOCKET NO. R-2017-2586318
	:	
PEOPLES NATURAL GAS COMPANY LLC – EQUITABLE DIVISION	:	

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

I. INTRODUCTION

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

II. PROCEDURAL BACKGROUND

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

On March 8, 2017, the Commission’s Bureau of Investigation and Enforcement (“I&E”) entered a notice of appearance.

The OSBA filed a Complaint in each of the above-captioned proceedings on March 13, 2017.

A Complaint was filed by the Office of Consumer Advocate (“OCA”) on March 23, 2107, in both proceedings.

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 proceedings with the Peoples TWP PGC proceeding at Docket No. R-2017-2586317 for scheduling purposes, establishing a procedural schedule, approving discovery modifications, and granting PIOGA’s Petition to Intervene.

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

The Companies and PIOGA 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.

A hearing was held on June 5, 2017, for the limited purpose of admitting testimony and accompanying exhibits and verifications into the record.

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 review of the Companies’ PGC filings and subsequent discovery, the OSBA was concerned with the following two issues.

A. Retainage and Lost and Unaccounted For Gas (Joint Petition at ¶ II.A, pp. 5-6)

The Companies’ reported lost and unaccounted for gas (“LUFG”) level has steadily increased over the last three years from a low of 3.79% in 2014 to a high 5.54% in 2016 (excluding gas used for Company operations).¹ OSBA witness, Brian Kalcic, recommended that the Commission direct the Companies (i) to provide an estimate of the improvements in LUFG levels that may be expected over time from prioritizing existing mitigation measures in its next PGC proceeding, or (ii) to sponsor an alternative mitigation plan in that proceeding that will produce measurable improvements in LUFG levels for ratepayers.²

In Section II.A of the Joint Petition, the Companies commit to continue efforts to reduce distribution and gathering system LUFG. They further agree to provide to the Joint Petitioners by April 2, 2018, a report from their LUFG team providing an analysis and recommendations to

¹ OSBA Statement No. 1 at 1.

² *Id.* at 4.

mitigate LUFG, with a specific focus on the gathering system, and to examine this issue in their next base rate proceeding.

The OSBA determines that its concerns about the Companies' LUFG levels have been addressed satisfactorily in Section II.A of the Joint Petition, and that the settlement is therefore reasonable and in the interest of the Companies' Small C&I customers.

B. Sharing Mechanism (Joint Petition at ¶ II.B, p. 6)

Under the Companies current revenue sharing mechanism, set to expire on September 30, 2017, the margins generated from eligible capacity release transactions, off-system sales and parks/loans are shared between 1307(f) customers and the Companies, with customers receiving 75% and shareholders retaining 25%.³ The Companies initially proposed to extend the current sharing mechanism "indefinitely," with the understanding that the extension would not preclude any party from challenging the sharing mechanism in future PGC proceedings.⁴

The OSBA agreed that the sharing mechanism should be extended, but not indefinitely, in order to keep the burden of proof on the Companies regarding all components of their annual PGC filing. OSBA witness, Mr. Kalcic recommended that the sharing mechanism be extended for two years through September 30, 2019.⁵

The Joint Petition extends the sharing mechanism for one year through September 30, 2018. Since this one-year extension addresses the OSBA's concerns with an indefinite extension, the OSBA determines that the settlement is therefore reasonable and in the interest of the Companies' Small C&I customers.

³ OSBA Statement No. 1 at 4.

⁴ *Id.*

⁵ *Id.*

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 Companies' 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 DSA*
Deputy Small Business Advocate
Attorney ID No. 306921

For:

John R. Evans
Small Business Advocate

Office of Small Business Advocate
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Harrisburg, PA 17101

Dated: June 27, 2017

Appendix “F”

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility	:	Docket Nos. R-2017-2586310
Commission	:	C-2017-2593177
Office of Small Business Advocate	:	C-2017-2595998
Office of Consumer Advocate	:	
	:	
v.	:	
	:	
Peoples Natural Gas Company LLC	:	

Pennsylvania Public Utility	:	Docket Nos. R-2017-2586318
Commission	:	C-2017-2593515
Office of Small Business Advocate	:	C-2017-2596006
Office of Consumer Advocate	:	
	:	
v.	:	
	:	
Peoples Natural Gas Company LLC –	:	
Equitable Division	:	

**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 these Section 1307(f) proceedings because of concerns related to the measures of the Peoples Natural Gas Company LLC (“Peoples”), acting on behalf of its Peoples Division (“Peoples Division”) and its Equitable Division (“Peoples-Equitable Division”)

(collectively, “Company”) 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 of both the Peoples and Peoples-Equitable Divisions will be 6.4% effective October 1, 2017, and (ii) the Company will continue its efforts to reduce UFG on its distribution and gathering systems, and will also provide a report by next year’s Section 1307(f) filing date with an analysis and recommendations to mitigate UFG, with a specific focus on the gathering system. Settlement, ¶s 24, 25.

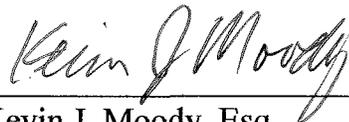
In PIOGA’s view, these provisions represent an appropriate response to the concerns expressed by the Office of Consumer Advocate (OCA) with the higher level of UFG on the Company’s gathering pipelines and the OCA’s proposal for separate retainage rates for the Company’s “distribution system” and “gathering system.” While the OCA’s proposal for a combined 13.1% retainage rate for transportation customers using the Company’s “gathering system” if the customer was served by the Company’s “distribution system” was not to be assessed to producers delivering into the “gathering system,” the nature of the relationship between producers and other natural gas suppliers (NGSs) and retail customers means that some portion, or all, of the increased gathering retainage charge could likely be borne by the transportation customers’ producers or NGSs. This would reduce revenues to producers and NGSs that are already dealing with problems caused by Pennsylvania’s low-price natural gas environment. PIOGA Statement No. 1-R (rebuttal Testimony of James V. Brant), at p.4, lines 10-16.

In addition, as explained in both PIOGA's and the Company's rebuttal testimony, the Company's Peoples Division and Equitable Division pipeline systems each do not consist of a separate and discrete "distribution system" and "gathering system." On the contrary, the Divisions' distribution and gathering pipelines and facilities are interspersed throughout the service territories to serve sales and transportation customers as an integrated operation. PIOGA St. No. 1-R, at p. 3, lines 18-23; Peoples Statement No. 4-R (Petrichevich), at p.14, lines 11-22. Accordingly, it would not be fair to impose on transportation customers "using the gathering system" additional and higher retainage charges. PIOGA St. No. 1-R, at p. 4, lines 7-9; Peoples Statement No. 4-R, at pp.15, line 1 – 17, line 7.

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,



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Dated: June 27, 2017