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June 22, 2018

VIA ELECTRONIC FILING

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

**Re: Pennsylvania Public Utility Commission, Office of Small Business Advocate &
Office of Consumer Advocate v. Peoples Natural Gas Company LLC
Docket Nos. R-2018-2645278, C-2018-3000567 & C-2018-3000494**

**Pennsylvania Public Utility Commission, Office of Small Business Advocate &
Office of Consumer Advocate v. Peoples Natural Gas Company LLC - Equitable
Division - Docket Nos. R-2018-3000236, C-2018-3000573 & C-2018-3000496**

Dear Secretary Chiavetta:

Enclosed for filing is the Joint Petition for Partial Settlement of the Section 1307(f) Rate Investigation in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,



Devin T. Ryan

DTR/skr
Enclosures

cc: Honorable Jeffrey Watson
Certificate of Service

CERTIFICATE OF SERVICE
(Docket Nos. R-2018-2645278 & R-2018-3000236)

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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Date: June 22, 2018


Devin T. Ryan

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos. R-2018-2645278
Office of Small Business Advocate	:	C-2018-3000567
Office of Consumer Advocate	:	C-2018-3000494
	:	
v.	:	
	:	
Peoples Natural Gas Company LLC	:	

Pennsylvania Public Utility Commission	:	Docket Nos. R-2018-3000236
Office of Small Business Advocate	:	C-2018-3000573
Office of Consumer Advocate	:	C-2018-3000496
	:	
v.	:	
	:	
Peoples Natural Gas Company LLC –	:	
Equitable Division	:	

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

TO ADMINISTRATIVE LAW JUDGE JEFFREY A. WATSON:

Peoples Natural Gas Company LLC (“Peoples Natural Gas” or the “Company”), 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”), and the Office of Small Business Advocate (“OSBA”), parties to the above-captioned consolidated proceeding (hereinafter, collectively referred to as the “Joint Petitioners”), hereby file this Joint Petition for Partial Settlement of the Section 1307(f), 66 Pa.C.S. § 1307(f), Rate Investigation (“Partial Settlement”). The Joint Petitioners respectfully request that Administrative Law Judge

Jeffrey A. Watson (the “ALJ”) recommend approval of, and the Commission approve, this Partial Settlement as set forth below without modification.¹

As explained below, the Joint Petitioners have agreed to a settlement of most of the issues that have been raised in: (1) the Peoples Division’s 2018 Purchased Gas Cost (“PGC”) proceeding at Docket Nos. R-2018-2645278, C-2018-3000567, and C-2018-3000494; and (2) Peoples-Equitable Division’s 2018 PGC proceeding at Docket Nos. R-2018-3000236, C-2018-3000573, and C-2018-3000496. The issue reserved for litigation is whether additional retainage charges to producers or transporters to recover gathering system unaccounted for gas (“UFG”) should be adopted in this proceeding.

Subject to the terms of the Partial Settlement and a decision on the issue reserved for litigation concerning retainage charges to recover gathering system UFG, the Joint Petitioners request that the Commission: (1) authorize Peoples Natural Gas to file the forms of tariff supplements provided as Appendix A hereto, with rates to become effective October 1, 2018, subject to updates and tariff modifications²; 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 Partial Settlement, the Joint Petitioners state the following:

I. INTRODUCTION

1. Peoples Natural Gas is a limited liability company formed under the laws of the Commonwealth of Pennsylvania for the purpose of providing natural gas transmission,

¹ The Pennsylvania Independent Oil & Gas Association (“PIOGA”) is not a party to the Partial Settlement and, while it does not oppose the settlement, it does object to the Proposed Findings of Fact, Findings and Proposed Conclusions of Law to the extent that they are inconsistent with or conflict with PIOGA’s positions on the contested producer retainage issues. Direct Energy Services, LLC (“Direct Energy”) is not a party to the Partial Settlement but has indicated that it does not object.

² The rates in Appendix A reflect the proposed gas cost rates, any quarterly rate changes that were effective March 2, 2018, and any settlement rate changes. The rates in Appendix A will be updated to reflect any changes as of October 1, 2018, when the final tariff supplements are filed.

distribution, and supplier of last resort services subject to the Commission's regulatory jurisdiction. Peoples Natural Gas operates two divisions – the Peoples Division and Peoples-Equitable Division. Peoples Natural Gas also is an affiliate of Peoples Gas Company LLC (“Peoples Gas”).

2. Peoples Natural Gas 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 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 31, 2018, Peoples Natural Gas, 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 2, 2018, 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 9, 2018, I&E filed Notices of Appearance at Docket Nos. R-2018-2645278 and R-2018-3000236.

8. On March 15, 2018, the OCA filed Notices of Appearance, Complaints, and Public Statements at Docket Nos. R-2018-2645278 and R-2018-3000236.

9. On March 20, 2018, the OSBA filed Notices of Appearance, Complaints, Public Statements, and Verifications at Docket Nos. R-2018-2645278 and R-2018-3000236.

10. On March 29, 2018, a Prehearing Conference Order was issued by the ALJ, directing the parties to file Prehearing Memoranda on or before 12:00 PM on April 3, 2018, and scheduling a prehearing conference to be held at 10:00 AM on April 5, 2018.

11. On April 2, 2018, Peoples Division and Peoples-Equitable Division filed with the Commission their definitive PGC filings, including supporting information required by the Commission's regulations, Peoples Natural Gas' direct testimony, exhibits, and Pro Forma Tariff Supplements reflecting actual and projected changes in natural gas costs and other tariff changes.

12. On April 2, 2018, PIOGA filed a Petition to Intervene at Docket Nos. R-2018-2645278 and R-2018-3000236.

13. On April 3, 2018, the parties submitted their prehearing memoranda.

14. The prehearing conference was held as scheduled on April 5, 2018.

15. On April 6, 2018, 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 Gas PGC proceeding at Docket No. R-2018-2645296 for purposes of hearing.

16. On April 30, 2018, Direct Energy Business Marketing, LLC (“Direct Energy”) filed a Petition to Intervene at Docket Nos. R-2018-2645278 and R-2018-3000236.

17. On May 3, 2018, OCA, OSBA, I&E, and PIOGA served written direct testimony.

18. On May 9, 2018, the ALJ issued an Interim Order granting Direct Energy’s Petition to Intervene.

19. On May 23, 2018, Peoples Natural Gas, OSBA, and PIOGA served written rebuttal testimony.

20. On May 31, 2018, Peoples Natural Gas, OCA, OSBA, I&E, and PIOGA served written surrebuttal testimony.

21. In accordance with the Commission’s Rules of Practice and Procedures, 52 Pa. Code § 5.231, the parties engaged in settlement discussions. As a result of those conferences, the Joint Petitioners were able to reach a settlement in principle of all issues, except proposed retainage charges for UFG on the gathering systems.

22. A hearing was held on June 4, 2018, at which time the Joint Petitioners’ pre-filed testimony and exhibits were admitted into the record, and certain witnesses were cross-examined about the issue reserved for litigation.

23. The Joint Petitioners are in full agreement that the Partial Settlement is in the best interest of Peoples Division, Peoples-Equitale Division, the Joint Petitioners, and Peoples Natural Gas’ customers.

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

II. SETTLEMENT TERMS

A. LOST AND UNACCOUNTED FOR GAS

25. Peoples Natural Gas will be subject to a gathering UFG target (“UFG target”) of 9.0% for the year ending August 31, 2019, 8.5% for the year ending August 31, 2020, and 7.5% for the year ending August 31, 2021.

26. There will be no adjustment for gathering system UFG for the year ending August 31, 2017, and no gathering UFG target for the year ending August 31, 2018.

27. In evaluating whether the gathering UFG target is achieved, there will be volumetric credits for (1) actual producer retainage charges or (2) any additional gathering retainage charges approved because producer retainage charges are not approved by the Commission.

28. Exceedances of the gathering UFG target after reflection of the above credits will create a rebuttable presumption that the excess is unreasonable. That presumption may be rebutted by a demonstration that Peoples Natural Gas has taken reasonable actions to reduce gathering UFG and/or demonstration that other factors, such as but not limited to, production on the gathering systems has declined thereby increasing the percentage of gathering UFG experienced. The overall level of Peoples Natural Gas’ UFG will also be considered.

29. Peoples Natural Gas will aggressively implement the Peoples Companies’ Combined UFG Mitigation Plan to Address Gathering Pipelines (“UFG Mitigation Plan”) presented in this proceeding, including: (1) the “find-it / fix it” program under which bare steel gathering lines will be leak surveyed on an annual basis and found leaks will be prioritized for repair, and (2) the plan to remove and replace at-risk gathering pipelines.

30. In order to ensure ongoing safe operations of all gathering facilities, Peoples Natural Gas agrees to continue the practice of treating all non-jurisdictional (DOT) gathering

lines (which account for 92% of all gathering lines) as part of its normal distribution compliance program. This would include damage prevention locates, corrosion prevention, leak surveys, placement of line markers, and atmospheric corrosion surveys.

B. SHARING MECHANISM

31. Peoples Natural Gas' current off-system sales/capacity release sharing mechanism, of 75% to customers and 25% to the Company, shall continue indefinitely. If in a future proceeding any party proposes in direct testimony to change the current mechanism, other parties may offer their own contrary proposals in the next scheduled round of testimony to be submitted in such case. Peoples Natural Gas agrees that it retains the ultimate burden of proof if the sharing mechanism is challenged in a future proceeding.

C. ALLEGHENY VALLEY CONNECTOR CAPACITY COSTS

32. Peoples Natural Gas will retain its current method of recovering Allegheny Valley Connector capacity costs. This agreement is for purposes of settlement of the current case only and this matter may be revisited in future PGC cases.

D. MISCELLANEOUS

33. Except as revised by this Partial Settlement and subject to a decision on the issue reserved for litigation (*i.e.*, gathering system retainage), the proposed rates and other requested approvals contained in the Company's PGC filing should be approved.

34. 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, 2018.

35. 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 Natural Gas Statement No. 2 and related exhibits included in the 1307(f)-2018 definitive filing.

III. RATE IMPACT OF PARTIAL SETTLEMENT

36. In previous proceedings, the ALJ has directed the parties to set forth the following in their Joint Settlement Petitions:

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).

37. Consistent with past proceedings, the requested information is set forth in the tables below:

Peoples Natural Gas							
Rate Schedule	Average Annual Usage (Mcf)	Existing Tariff Rates 1/	As-Filed Gas Cost Change	Percent Change	Settlement Gas Cost Change	Annual Bill As-Filed	Annual Bill Settlement
RS	87	\$8.6347	(\$0.1637)	-1.9%	(\$0.0583)	\$ 913.39	\$ 908.32
Commercial SGS	229	\$7.1054	(\$0.1454)	-2.0%	(\$0.0926)	\$ 1,781.97	\$ 1,760.77
Industrial SGS	229	\$6.6540	(\$0.1454)	-2.2%	(\$0.0925)	\$ 1,743.12	\$ 1,721.93
Commercial MGS	3,418	\$6.9272	\$0.0291	0.4%	(\$0.3100)	\$ 24,746.83	\$ 23,687.25
Industrial MGS	3,418	\$6.2307	\$0.0290	0.5%	(\$0.3099)	\$ 22,365.85	\$ 21,306.62
Commercial LGS	50,000	\$6.8369	\$0.3294	4.8%	(\$0.4944)	\$ 365,182.00	\$ 340,462.00
Industrial LGS	50,000	\$6.1718	\$0.3295	5.3%	(\$0.4944)	\$ 331,932.00	\$ 307,212.00

1/ PNG net billing rate effective January 1, 2018.

Peoples Natural Gas - Equitable Division							
Rate Schedule	Average Annual Usage (Mcf)	Existing Tariff Rates 1/	As-Filed Gas Cost Change	Percent Change	Settlement Gas Cost Change	Annual Bill As-Filed	Annual Bill Settlement
RS	87	\$8.5085	(\$0.1642)	-1.9%	(\$0.0574)	\$ 885.52	\$ 880.52
GSS	229	\$7.3684	(\$0.1456)	-2.0%	(\$0.0923)	\$ 1,858.58	\$ 1,837.45
GSL	3,418	\$7.0989	\$0.0289	0.4%	(\$0.3097)	\$ 26,162.82	\$ 25,104.27
GSL > 25,000 Mcf/Yr	50,000	\$6.7985	\$0.3293	4.8%	(\$0.4942)	\$ 358,190.00	\$ 333,480.00

1/ PNG - ED net billing rate effective January 1, 2018.

IV. PROPOSED FINDINGS OF FACT

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

39. Peoples Natural Gas's interstate assets are comprised of a portfolio of transportation and storage services that Peoples Natural Gas has contracted for with various Federal Energy Regulatory Commission ("FERC")-regulated pipelines, specifically, Dominion Energy Transmission, Inc. ("DETI"), Texas Eastern Transmission LP ("TETCO"), Equitrans L.P. ("Equitrans"), and National Fuel Gas Supply Corporation ("NFG"). Those assets give Peoples Natural Gas access to a variety of locations at which it can receive gas supplies that are produced upstream of the Peoples Natural Gas system. The interstate storage assets allow Peoples Natural Gas to use its upstream assets more efficiently, mitigate the effects of price swings in the natural gas market, and enhance the deliverability of Peoples Natural Gas's interstate natural gas supplies during periods of peak demand. Peoples Natural Gas's interstate supplies are primarily EQT Energy, LLC ("EQT Energy") and other Appalachian-produced gas that it purchases from suppliers upstream of the Peoples Natural Gas system for delivery into various receipt points of the interstate pipelines and occasionally purchases on a delivered to the city-gate basis. (Peoples Natural Gas Statement No. 2, pp. 4-5.)

40. Over the 1307(f)-2018 reconciliation period, Peoples Natural Gas's natural gas capacity portfolio included: (1) interstate pipeline transportation and storage services from Equitrans; (2) interstate pipeline transportation and storage services from DETI; (3) interstate

pipeline transportation service from TETCO; and (4) interstate pipeline transportation and storage services from NFG. In addition, Peoples Natural Gas 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 Natural Gas treats them the same as interstate capacity because the Company requires deliveries at the respective delivery points. Therefore, Peoples Natural Gas would pursue firm capacity at these points if firm city-gate delivered supply was not available. (Peoples Natural Gas Statement No. 2, pp. 15-16.)

41. 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. As a result, commencing this date, the AVC capacity has been used to serve both Peoples and Equitable Divisions. 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 Natural Gas and its customers with access to AVC storage capacity of 8.6 MMDth annually and maximum deliverability of 200,000 Dth per day. The FTS service agreement provides Peoples Natural Gas and its customers up to 251,700 Dth per day of firm transportation capacity. These service agreements provide for a total of 451,700 Dth per day of firm capacity on the AVC system. (Peoples Natural Gas Statement No. 2, p. 19.)

42. Beginning April 1, 2014, Equitrans began providing the Peoples Division firm transportation service under Rate Schedule FTS from Equitrans’ Mainline system. This firm capacity replaced 251,700 Dth per day of firm transportation and storage capacity previously provided by DETI under service agreements that expired March 31, 2014. Gas transported under this agreement is sourced from receipt points on the Sunrise section of the Mainline system 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 Natural Gas Statement No. 2, p. 19.)

43. DETI provides service to Peoples Natural Gas under four service agreements and three rate schedules. DETI 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. These agreements promote service reliability in parts of the Peoples Natural Gas distribution system that are particularly well suited for gas deliveries from DETI. (Peoples Natural Gas Statement No. 2, p. 21.)

44. TETCO provides Peoples Natural Gas with firm transportation service under Rate Schedule FT-1 and also delivers firm to the city-gate purchases made by Peoples Natural Gas. Peoples Natural Gas 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 Natural Gas at those three points. Peoples Natural Gas purchases gas on TETCO and moves it over TETCO's facilities under its Rate FT-1 service agreement primarily to the Ebensburg delivery point. Peoples Natural Gas also contracts with gas suppliers for the purchase of firm supply that is delivered on TETCO to Peoples city-gates at the Claysburg and Rockwood delivery points in addition to occasionally supplementing the firm transportation deliveries at Ebensburg. TETCO also provides an operational balancing agreement that helps

Peoples Natural Gas to manage the unanticipated swings in demand at its physical interconnections with TETCO. (Peoples Natural Gas Statement No. 2, pp. 22-23.)

45. Peoples Natural Gas had 15,650 Dths/day of FT-1 firm transportation service under contract from TETCO for the entire 1307(f)-2018 reconciliation period. Gas supplies under this transportation contract, which expires on April 30, 2019, are delivered by TETCO primarily at Peoples Natural Gas's Ebensburg delivery point located in TETCO's market zone M3. This service agreement may also be used to deliver gas supplies at Claysburg, also in M3, and Rockwood, which is upstream of Ebensburg in TETCO's market zone M2. Peoples Natural Gas plans to renew this TETCO FT-1 firm transportation service agreement during the 1307(f)-2018 projected period. (Peoples Natural Gas Statement No. 2, p. 23.)

46. The Company proposed in the 1307(f)-2015 proceeding to put in place an arrangement for additional firm gas deliveries of up to 25,000 Dth per Day to the Ebensburg delivery point for the 2015-2016 winter period. In the following year's 1307(f)-2016 proceeding, Peoples Natural Gas recommended seeking proposals for similar arrangements for the following winter which request for proposal ("RFP") resulted in firm agreements covering both the 2016-2017 and 2017-2018 winter periods. This most recent winter included two days with 61 HDDs on Jan. 5th and 6th when Peoples Natural Gas used the firm agreements to deliver over 29,000 Dths per day at Ebensburg which assisted effectively to hold up the eastern portion of the Peoples Natural Gas service territory. (Peoples Natural Gas Statement No. 2, p. 25.)

47. Peoples Natural Gas requires up to 3,000 Dth/day at its Rockwood interconnection with TETCO in TETCO's market zone M-2. Prior to 2007, Peoples Natural Gas 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 Natural Gas then entered into a series of

annual agreements for either firm delivered supply or for the purchase of released capacity that Peoples Natural Gas then matched with spot purchases that extended through the 2013-2014 winter period. For the next two winter seasons, Peoples Natural Gas satisfied its needs at this delivery point with delivered gas purchases. For the 2017-2018 season, Peoples Natural Gas issued RFPS and contracted for a firm delivered gas agreements for up to 3,000 Dth/day each. (Peoples Natural Gas Statement No. 2, p. 25.)

48. RFPs were issued to over 20 potential suppliers for the Company's Rockwood meter in TETO M2 that had an expiration of March 31, 2017, and Peoples Natural Gas received five responsive proposals. Peoples Natural Gas entered into an agreement with a supplier to make deliveries of up to 3,000 Dth/day with an associated reservation fee of \$1,800 per month and a commodity based premium to the TETCO M2 index. This agreement expired March 31, 2018. As a result of acceptance of the lowest cost offer, Peoples Natural Gas rejected four higher cost offers. (Peoples Natural Gas Statement No. 2, p. 26.)

49. The Company has proposed to issue an RFP to potential suppliers for TETCO Zone M-2 firm delivered supply up to 3,000 Dth/day for the winter period November 2018 through March 2019. The Company also proposes to issue a separate RFP to potential suppliers for TETCO Zone M-3 firm delivered supply up to 24,000 Dth/day for the winter period November 2018 through March 2019. (Peoples Natural Gas Statement No. 2, p. 27.)

50. Prior to the winter of 2010-2011, Peoples Natural Gas had contracted for firm transportation capacity on Tennessee. Beginning that winter, Peoples Natural Gas has continuously pursued a RFP process and contracted for firm city-gate delivered gas supply as a replacement for the firm transportation service that Peoples Natural Gas had been purchasing from Tennessee on a year-to-year basis. (Peoples Natural Gas Statement No. 2, p. 27.)

51. The delivered supply agreements required the supplier to utilize Tennessee pipeline delivery points directly into Peoples Natural Gas 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 Natural Gas’s service territory, which is not physically integrated with the rest of the Peoples Natural Gas system. (Peoples Natural Gas Statement No. 2, p. 27.)

52. During the 1307(f)-2018 reconciliation period, following the RFP process, Peoples Natural Gas 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 Natural Gas with 0 - 20,000 Dth/day delivered to Pittsburgh Terminal, 3,000 Dth/day delivered to Pulaski, and 3,000 Dth/day delivered to New Castle. Like TETCO, Tennessee also provides Peoples Natural Gas with an operational balancing agreement to manage unanticipated swings in demands at the Tennessee/ Peoples Natural Gas physical interconnections. (Peoples Natural Gas Statement No. 2, p. 28.)

53. 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 period of November 2018 through March 2019. (Peoples Natural Gas Statement No. 2, p. 28.)

54. NFG provides Peoples Natural Gas with no-notice storage service and firm transportation service under rates approved by the FERC. Peoples Natural Gas uses NFG’s services primarily to serve the isolated Grove City area of its service territory. Like its other storage assets, Peoples Natural Gas uses its storage service from NFG 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 Natural Gas utilizes its firm transportation service from NFG both to support the NFG storage service and for deliveries from other supply sources. (Peoples Natural Gas Statement No. 2, p. 29.)

55. During the entire 1307(f)-2018 reconciliation period and for the first two months of the 1307(f)-2018 projected period, NFG provided 9,793 Dth/day of no-notice storage service to Peoples Natural Gas under its Rate ESS and 15,476 Dth/day of firm transportation service to Peoples Natural Gas under its Rate EFT. Peoples Natural Gas 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, 2018. As a result, the NFG contracts will be in effect throughout the 1307(f)-2018 projected period. (Peoples Natural Gas Statement No. 2, p. 30.)

56. Peoples Natural Gas 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 Natural Gas Statement No. 2, p. 33.)

57. Peoples Natural Gas and Peoples Gas have a gas exchange agreement that provides for an exchange of equivalent volumes between Peoples Natural Gas and Peoples Gas 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 Gas receives gas from Peoples Natural Gas at interconnections

located in Mars, PA and Indiana, PA. In exchange, Peoples Natural Gas receives equivalent volumes of gas from Peoples Gas at various interconnections. (Peoples Natural Gas Statement No. 2, p. 36.)

58. Peoples Natural Gas has traditionally used gas produced locally in Pennsylvania as the source of supply to which it turns first in fulfilling its supply requirements. In order to absorb local gas into its system, Peoples Natural Gas 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 Natural Gas's on-system and off-system storage facilities. (Peoples Natural Gas Statement No. 2, p. 38.)

59. Peoples Natural Gas has been purchasing spot market supplies since 1986. Along with its local gas supplies, these are the supplies that Peoples Natural Gas uses to meet the demands of those customers who continue to buy their supplies from Peoples Natural Gas. With the exception of the EQT Energy supply, these are also the supplies that Peoples Natural Gas uses its various interstate pipeline assets to transport and store. (Peoples Natural Gas Statement No. 2, pp. 41-42.)

60. Peoples Division and Equitable Division purchased gas under the EQT Energy gas purchase agreements during the 1307(f)-2018 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 Natural Gas Statement No. 2, p. 44.)

61. 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. (I&E Statement No. 1, p. 4.)

62. For the period ending August 31, 2017, the overall Peoples Natural Gas system loss was 5.8 Bcf, which results in an overall system loss rate of 4.84%, which is 1.6 Bcf or 21% less than the 2011 UFG. (Peoples Natural Gas Statement No. 1, p. 10.)

63. Consistent with the settlement terms in the 1307(f)-2017 proceeding, during the reconciliation period of this case, the Peoples Companies' UFG Mitigation Team ("UFG Team") met weekly. The UFG Team established and reviewed any potential operational changes that could have contributed to calculation errors as well as reviewing all existing UFG mitigation measures. The team's work ruled out certain facilities as being major contributors to UFG, identified additional measures that could reduce UFG and further identified areas of the system for concentration of the Company's efforts. (Peoples Natural Gas Statement No. 1, p. 11.)

64. The Company also began an assessment of the future operations of its gathering system and prepared a report on that assessment to date that also addresses future UFG mitigation. This is consistent with the terms of paragraph 25 of the 1307(f)-2017 settlement where the Company committed to provide 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.

65. In this proceeding, the Peoples Companies submitted their UFG Mitigation Plan, in which they have identified additional UFG mitigation measures that especially focus on

reductions in the gathering systems. (Peoples Natural Gas Statement No. 1, p. 12; Peoples Natural Gas Exhibit No. 2)

66. Peoples Natural Gas monitors and participates in various proceedings before the FERC. Peoples Natural Gas undertakes legal action as necessary to protect the interests of its ratepayers. (Peoples Natural Gas Exhibit No. 15; Peoples Natural Gas Statement No. 3, pp. 3-4.)

V. STANDARDS, FINDINGS, AND PROPOSED CONCLUSIONS OF LAW

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

68. 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, 2018, 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, 2018:

- 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.

69. 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).

70. 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).

71. 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).

72. 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).

73. 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).

74. 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).

75. During the eight-month interim period beginning February 1, 2018, and the projected 12-month period beginning October 1, 2018, when rates contained in this Partial Settlement will be in effect,³ 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 the parties 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, 2018, through September 30, 2019, 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, 2018, and the 12-month application period commencing October 1, 2018, and ending September 30, 2019.

76. The Joint Petition for Partial Settlement is in the public interest.

³ The proposed tariff rates effective October 1, 2018, will be updated to reflect actual and projected over/undercollections through September 30, 2018, as stated in Paragraph 34 of this Partial Settlement.

VI. PROPOSED ORDERING PARAGRAPHS

77. That the Partial 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, and the Office of Small Business Advocate in the above-captioned case is hereby approved and adopted.

78. That Peoples Natural Gas Company LLC shall file tariff supplements, on behalf of both Divisions, to become effective on October 1, 2018, on not less than one-day's notice of the final Commission order approving the Partial Settlement, containing changes in rates to provide for the recovery of its costs of purchased gas, consistent with the terms and conditions of the Partial Settlement and the resolution of the issue reserved for litigation.

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

80. That upon Peoples Natural Gas Company LLC's filing of tariff supplements acceptable to the Commission as conforming with this order and the Partial Settlement and the Commission's approval thereof, the purchased gas rates established therein shall become effective for service rendered on and after October 1, 2018.

81. That the complaints filed by the Office of Small Business Advocate in these proceedings at Docket Nos. C-2018-3000567 and C-2018-3000573 be marked closed.

82. That the complaints filed by the Office of Consumer Advocate in these proceedings at Docket Nos. C-2018-3000494 and C-2018-3000496 be marked closed.

83. That the investigations at Docket Nos. R-2018-2645278 and R-2018-3000236 be marked closed.

VII. THE PUBLIC INTEREST

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

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

86. The Partial 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.

87. Attached as **Appendices B through E** are Statements in Support submitted by Peoples Natural Gas on behalf of both Divisions, I&E, OCA, and OSBA setting forth the bases upon which they believe the Partial Settlement is in the public interest.

VIII. CONDITIONS OF PARTIAL SETTLEMENT

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

that approves this Partial Settlement, but with one or more modifications, this Partial Settlement shall nonetheless become effective unless one or more of the Joint Petitioners elects to withdraw from the Partial 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 Partial Settlement. In such event, the Partial Settlement shall be void and of no effect.

89. The Joint Petitioners acknowledge and agree that this Partial 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.

90. This Partial Settlement is proposed by the Joint Petitioners to settle all of their issues in the instant proceeding, with the exception of the issue reserved for litigation. If the Commission does not approve the Partial 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 Partial 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.

91. The Joint Petitioners acknowledge that the Partial 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 Partial Settlement may not be cited as precedent in any future proceeding, except to the extent required to implement this Partial Settlement.

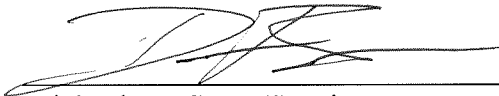
92. This Partial Settlement is being presented only in the context of this proceeding in an effort to resolve the proceeding in a manner which is fair and reasonable. The Partial

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 Partial Settlement. This Partial 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.

IX. 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 Partial 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 Partial Settlement and ruling on the reserved issue.

Respectfully submitted,

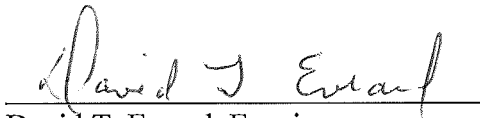


Date: 6/22/2018

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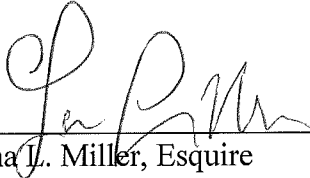
*For Peoples Natural Gas Company LLC,
acting on behalf of its Peoples Division and
Peoples Natural Gas Company LLC –
Equitable Division*



Date: 6/22/18

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Date: 6/22/2018

For Office of Small Business Advocate

Appendix A

PEOPLES NATURAL GAS COMPANY LLC

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

Annual 1307(f)-2018 Gas Cost Filing

ISSUED: _____
BY: **Morgan K. O'Brien**
President
375 North Shore Drive
Pittsburgh, PA 15212

EFFECTIVE: _____

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	\$1.0511	\$1.0398	(\$0.0113)
Rider B			
<u>Rate RS, SGS, MGS, LGS, NGPV</u>			
Capacity Charge	\$1.0511	\$1.0398	(\$0.0113)
Gas Cost Adjustment Charge	\$0.2940	(\$0.0597)	(\$0.3537)
Natural Gas Supply Charge	\$2.7113	\$2.8474	\$0.1361
Rate RS, GS-T (Residential)			
AVC Capacity Charge	\$0.6436	\$0.6568	\$0.0132
Rate SGS, GS-T (SGS)			
AVC Capacity Charge	\$0.6160	\$0.6084	(\$0.0076)
Rate MGS, GS-T (MGS)			
AVC Capacity Charge	\$0.4415	\$0.3910	(\$0.0505)
Rate LGS, GS-T (LGS)			
AVC Capacity Charge	\$0.1411	\$0.2065	\$0.0654
<u>Rider E – Merchant Function Charge</u>			
Rate RS	\$0.1053	\$0.0994	(\$0.0059)
Rate SGS, MGS, LGS	\$0.0267	\$0.0253	(\$0.0014)
<u>Balancing Charges</u>			
SGS, MGS	\$0.3571	\$0.3848	\$0.0277
LGS	\$0.0920	\$0.0812	(\$0.0108)

ISSUED: _____

EFFECTIVE: _____

PEOPLES NATURAL GAS COMPANY, LLC

SUPPLEMENT NO. XX TO GAS-PA PUC NO. 45

OCTOBER 2018 ANNUAL

CANCELLING _____ REVISED PAGE NO. 3

REVISOR _____ REVISED PAGE NO. 3

Capacity (1)	Rider B - Gas Cost Charges AVC Capacity (2)	GCA (3)	Commodity (4)	Base Rate Charges (5)	Rider A STAS (6)	Rider E MFC (7)	Rider F USR (9)	Rider G GPC (10)	Rider H Rate Credit (11)	Rider K DSIC Charge (12)	Total Rate (13=SUM 1 to 12)
	\$ 13.9500				-0.43%					5.00%	\$ 14.7013
Residential Sales											
Customer Charge	\$ 1.0398	\$ 0.6568	\$ 2.8474	\$ 0.0270	\$ 0.0724	\$ 0.1055	\$ 0.1877	\$ 0.0135	\$ 0.0538	\$ 0.6975	\$ 1.7236
Capacity	\$ 1.0398	\$ 0.6568	\$ 2.8474	\$ 0.0270	\$ 0.0724	\$ 0.1055	\$ 0.1877	\$ 0.0135	\$ 0.0538	\$ 0.6975	\$ 1.7236
Price to Compare - PTC											
Delivery Charge	\$ 0.6550	\$ (0.0597)	\$ 2.8474	\$ 0.0253	\$ 0.0724	\$ 0.1055	\$ 0.1877	\$ 0.0135	\$ 0.0538	\$ 0.6975	\$ 2.9656
State Tax Surcharge											
Total per MCF	\$ 1.0398	\$ 0.6568	\$ 2.8474	\$ 0.0253	\$ 0.0724	\$ 0.1055	\$ 0.1877	\$ 0.0135	\$ 0.0538	\$ 0.6975	\$ 2.9656
Commercial SGS											
Customer Charge	\$ 0.3848	\$ 0.6084	\$ 2.8474	\$ 0.0253	\$ 0.0724	\$ 0.1055	\$ 0.1877	\$ 0.0135	\$ 0.0538	\$ 0.6975	\$ 2.9656
0 to 499 MCF/Yr	\$ 0.3848	\$ 0.6084	\$ 2.8474	\$ 0.0253	\$ 0.0724	\$ 0.1055	\$ 0.1877	\$ 0.0135	\$ 0.0538	\$ 0.6975	\$ 2.9656
500 to 999 MCF/Yr	\$ 0.6550	\$ (0.0597)	\$ 2.8474	\$ 0.0253	\$ 0.0724	\$ 0.1055	\$ 0.1877	\$ 0.0135	\$ 0.0538	\$ 0.6975	\$ 2.9656

Capacity (1)	Rider B - Gas Cost Charges AVC Capacity (2)	GCA (3)	Commodity (4)	Base Rate Charges (5)	Rider A STAS (6)	Rider E MFC (7)	Rider F USR (9)	Rider G GPC (10)	Rider H Rate Credit (11)	Rider K DSIC Charge (12)	Total Rate (13=SUM 1 to 12)
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Capacity	\$ 1.0398	\$ 0.6568	\$ 2.8474	\$ 0.0270	\$ 0.0724	\$ 0.1055	\$ 0.1877	\$ 0.0135	\$ 0.0538	\$ 0.6975	\$ 1.7236
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Delivery Charge	\$ 0.6550	\$ (0.0597)	\$ 2.8474	\$ 0.0253	\$ 0.0724	\$ 0.1055	\$ 0.1877	\$ 0.0135	\$ 0.0538	\$ 0.6975	\$ 2.9656
State Tax Surcharge											
Total per MCF	\$ 1.0398	\$ 0.6568	\$ 2.8474	\$ 0.0253	\$ 0.0724	\$ 0.1055	\$ 0.1877	\$ 0.0135	\$ 0.0538	\$ 0.6975	\$ 2.9656
Commercial SGS											
Customer Charge	\$ 0.3848	\$ 0.6084	\$ 2.8474	\$ 0.0253	\$ 0.0724	\$ 0.1055	\$ 0.1877	\$ 0.0135	\$ 0.0538	\$ 0.6975	\$ 2.9656
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500 to 999 MCF/Yr	\$ 0.6550	\$ (0.0597)	\$ 2.8474	\$ 0.0253	\$ 0.0724	\$ 0.1055	\$ 0.1877	\$ 0.0135	\$ 0.0538	\$ 0.6975	\$ 2.9656

Capacity (1)	Rider B - Gas Cost Charges AVC Capacity (2)	GCA (3)	Commodity (4)	Base Rate Charges (5)	Rider A STAS (6)	Rider E MFC (7)	Rider F USR (9)	Rider G GPC (10)	Rider H Rate Credit (11)	Rider K DSIC Charge (12)	Total Rate (13=SUM 1 to 12)
	\$ 13.9500				-0.43%					5.00%	\$ 14.7013
Residential Sales											
Customer Charge	\$ 1.0398	\$ 0.6568	\$ 2.8474	\$ 0.0270	\$ 0.0724	\$ 0.1055	\$ 0.1877	\$ 0.0135	\$ 0.0538	\$ 0.6975	\$ 1.7236
Capacity	\$ 1.0398	\$ 0.6568	\$ 2.8474	\$ 0.0270	\$ 0.0724	\$ 0.1055	\$ 0.1877	\$ 0.0135	\$ 0.0538	\$ 0.6975	\$ 1.7236
Price to Compare - PTC											
Delivery Charge	\$ 0.6550	\$ (0.0597)	\$ 2.8474	\$ 0.0253	\$ 0.0724	\$ 0.1055	\$ 0.1877	\$ 0.0135	\$ 0.0538	\$ 0.6975	\$ 2.9656
State Tax Surcharge											
Total per MCF	\$ 1.0398	\$ 0.6568	\$ 2.8474	\$ 0.0253	\$ 0.0724	\$ 0.1055	\$ 0.1877	\$ 0.0135	\$ 0.0538	\$ 0.6975	\$ 2.9656
Commercial MGS											
Customer Charge	\$ 0.3848	\$ 0.6084	\$ 2.8474	\$ 0.0253	\$ 0.0724	\$ 0.1055	\$ 0.1877	\$ 0.0135	\$ 0.0538	\$ 0.6975	\$ 2.9656
1,000 to 2,499 MCF/Yr	\$ 0.3848	\$ 0.6084	\$ 2.8474	\$ 0.0253	\$ 0.0724	\$ 0.1055	\$ 0.1877	\$ 0.0135	\$ 0.0538	\$ 0.6975	\$ 2.9656
2,500 to 24,999 MCF/Yr	\$ 0.6550	\$ (0.0597)	\$ 2.8474	\$ 0.0253	\$ 0.0724	\$ 0.1055	\$ 0.1877	\$ 0.0135	\$ 0.0538	\$ 0.6975	\$ 2.9656

Capacity (1)	Rider B - Gas Cost Charges AVC Capacity (2)	GCA (3)	Commodity (4)	Base Rate Charges (5)	Rider A STAS (6)	Rider E MFC (7)	Rider F USR (9)	Rider G GPC (10)	Rider H Rate Credit (11)	Rider K DSIC Charge (12)	Total Rate (13=SUM 1 to 12)
	\$ 13.9500				-0.43%					5.00%	\$ 14.7013
Residential Sales											
Customer Charge	\$ 1.0398	\$ 0.6568	\$ 2.8474	\$ 0.0270	\$ 0.0724	\$ 0.1055	\$ 0.1877	\$ 0.0135	\$ 0.0538	\$ 0.6975	\$ 1.7236
Capacity	\$ 1.0398	\$ 0.6568	\$ 2.8474	\$ 0.0270	\$ 0.0724	\$ 0.1055	\$ 0.1877	\$ 0.0135	\$ 0.0538	\$ 0.6975	\$ 1.7236
Price to Compare - PTC											
Delivery Charge	\$ 0.6550	\$ (0.0597)	\$ 2.8474	\$ 0.0253	\$ 0.0724	\$ 0.1055	\$ 0.1877	\$ 0.0135	\$ 0.0538	\$ 0.6975	\$ 2.9656
State Tax Surcharge											
Total per MCF	\$ 1.0398	\$ 0.6568	\$ 2.8474	\$ 0.0253	\$ 0.0724	\$ 0.1055	\$ 0.1877	\$ 0.0135	\$ 0.0538	\$ 0.6975	\$ 2.9656
Commercial MGS											
Customer Charge	\$ 0.3848	\$ 0.6084	\$ 2.8474	\$ 0.0253	\$ 0.0724	\$ 0.1055	\$ 0.1877	\$ 0.0135	\$ 0.0538	\$ 0.6975	\$ 2.9656
1,000 to 2,499 MCF/Yr	\$ 0.3848	\$ 0.6084	\$ 2.8474	\$ 0.0253	\$ 0.0724	\$ 0.1055	\$ 0.1877	\$ 0.0135	\$ 0.0538	\$ 0.6975	\$ 2.9656
2,500 to 24,999 MCF/Yr	\$ 0.6550	\$ (0.0597)	\$ 2.8474	\$ 0.0253	\$ 0.0724	\$ 0.1055	\$ 0.1877	\$ 0.0135	\$ 0.0538	\$ 0.6975	\$ 2.9656

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

SUPPLEMENT NO. xx TO GAS—PA PUC NO. 45
 CANCELLING _____ REVISED PAGE NO. 3A
 _____ REVISED PAGE NO. 3A

OCTOBER 2018 ANNUAL	Rider B - Gas Cost Charges	Rider A	Rider E	Rider F	Rider G	Rider H	Rider K	Total Rate				
Capacity	AVC Capacity	Commodity	Base Rate	STAS	MFC	Choice	USR	GPC	Rate Credit	DSIC Charge	(11)	(12=SUM 1 to 11)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	5.00%	
Industrial MGS												
Customer Charge												
1,000 to 2,499 MCF/Yr				\$ 50.0000								\$ 52.5000
2,500 to 24,999 MCF/Yr				\$ 77.0000								\$ 80.8500

1/ Capacity	\$ 0.3848	\$ 0.3910										\$ 0.7758
Price to Compare - PTC	\$ 0.6550	\$ (0.0597)	\$ 2.8474	\$ 0.0253	\$ 0.1055							\$ 3.5735
Delivery Charge			\$ 1.5243									\$ 1.6071
State Tax Surcharge			\$ (0.0066)									\$ (0.0066)
Total per MCF	\$ 1.0398		\$ 0.0253									\$ 5.9498

Commercial LGS	Customer Charge	Capacity	Price to Compare - PTC	Delivery Charge	State Tax Surcharge	Total per MCF
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	\$ 0.0812	\$ 0.2065										\$ 0.2877
Price to Compare - PTC	\$ 0.9586	\$ (0.0597)	\$ 2.8474	\$ 0.0253	\$ 0.1055							\$ 3.8771
Delivery Charge			\$ 2.3913									\$ 2.5174
State Tax Surcharge			\$ (0.0103)									\$ (0.0103)
Total per MCF	\$ 1.0398		\$ 0.0253									\$ 6.6719

Industrial LGS	Customer Charge	Capacity	Price to Compare - PTC	Delivery Charge	State Tax Surcharge	Total per MCF
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	\$ 0.0812	\$ 0.2065										\$ 0.2877
Price to Compare - PTC	\$ 0.9586	\$ (0.0597)	\$ 2.8474	\$ 0.0253	\$ 0.1055							\$ 3.8771
Delivery Charge			\$ 1.7553									\$ 1.8496
State Tax Surcharge			\$ (0.0075)									\$ (0.0075)
Total per MCF	\$ 1.0398		\$ 0.0253									\$ 6.0069

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

SUPPLEMENT NO. xx TO GAS—PA PUC NO. 45

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Base Rate	Rider A	Rider E	Rider F	Rider B	Rider Supplier	Rider H	Rider K	Total Rate
Charges	STAS	MFC	USR	Capacity	Choice	Rate Credit	DSIC Charge	(11)=SUM 1 to 10)
(1)	(2)	(3)	(4)	(5)	(8)	(9)	(10)	(11)=SUM 1 to 10)
\$ 13.9500	-0.43%							5.00%
		\$ 0.0270	\$ 0.4163	\$ 1.0398	\$ 0.6568			\$ 14.7013

Rate GS-T Residential

Customer Charge

Capacity	\$ 3.1330	\$ 1.7236
Delivery Charge		\$ 3.7281
State Tax Surcharge	\$ (0.0135)	\$ (0.0135)
Total per MCF		\$ 5.4382

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

Delivery Charge

State Tax Surcharge	\$ 2.1939	\$ 0.1097	\$ 2.3036
Total per MCF	\$ (0.0094)	\$ (0.0094)	\$ (0.0094)

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

Delivery Charge

State Tax Surcharge	\$ 1.7623	\$ 0.0881	\$ 1.8504
Total per MCF	\$ (0.0076)	\$ (0.0076)	\$ (0.0076)

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

Delivery Charge

State Tax Surcharge	\$ 2.1904	\$ 0.1095	\$ 2.2999
Total per MCF	\$ (0.0094)	\$ (0.0094)	\$ (0.0094)

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 GS-T
GENERAL SERVICE - TRANSPORTATION

RULES AND DELIVERY TERMS (Continued)

A balancing charge will be assessed against each Mcf of gas transported at \$0.3848 per Mcf for small and (I) medium general service ratepayers and \$0.0812 per Mcf for large general service ratepayers. This rate will be (D) 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.

ISSUED: _____

EFFECTIVE: _____

**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:

RS Capacity Charge per Mcf	\$1.0398 (D)
SGS Capacity Charge per Mcf	\$1.0398 (D)
MGS Capacity Charge per Mcf	\$1.0398 (D)
LGS Capacity Charge per Mcf	\$1.0398 (D)

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 NGSs. However, such additional terms with respect to capacity assignment requirements shall be subject to review in the Company's annual Section 1307(f) proceeding.

ISSUED: _____

EFFECTIVE: _____

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:

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

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

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

(For definitions of "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:

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	\$1.0398 (D)	(\$0.0597) (D)	\$2.8474 (I)	\$0.6568 (I)
Rate SGS	\$1.0398 (D)	(\$0.0597) (D)	\$2.8474 (I)	\$0.6084 (D)
Rate MGS	\$1.0398 (D)	(\$0.0597) (D)	\$2.8474 (I)	\$0.3910 (D)
Rate LGS	\$1.0398 (D)	(\$0.0597) (D)	\$2.8474 (I)	\$0.2065 (I)

TRANSPORTATION P1 Rate Schedule	Capacity Charge	AVC Capacity Charge 1/
GS-T Residential	\$1.0398 (D)	\$0.6568 (I)
GS-T Commercial SGS	\$1.0398 (D)	\$0.6084 (D)
GS-T Commercial MGS	\$1.0398 (D)	\$0.3910 (D)
GS-T Commercial LGS	\$1.0398 (D)	\$0.2065 (I)

TRANSPORTATION NP1 Rate Schedule	AVC Capacity Charge 1/
GS-T Commercial SGS	\$0.6084 (D)
GS-T Industrial SGS	\$0.6084 (D)
GS-T Commercial MGS	\$0.3910 (D)
GS-T Industrial MGS	\$0.3910 (D)
GS-T Commercial LGS	\$0.2065 (I)
GS-T Industrial LGS	\$0.2065 (I)

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: _____

EFFECTIVE: _____

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 Rate RS customers is:

Capacity Charge per Mcf	\$0.0270	(D)
Gas Cost Adjustment Charge per Mcf	(\$0.0015)	(D)
Commodity Charge per Mcf	\$0.0739	(I)
Total MFC per Mcf	\$0.0994	(D)

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 B and Rider D. The current MFC applicable to these ratepayers is:

SGS, MGS, LGS

Capacity Charge per Mcf	\$0.0069	(D)
Gas Cost Adjustment Charge per Mcf	(\$0.0004)	(D)
Commodity Charge per Mcf	\$0.0188	(I)
Total MFC per Mcf	\$0.0253	(D)

ISSUED: _____

EFFECTIVE: _____

SUPPLEMENT NO. ____
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)-2018 Gas Cost Filing

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

EFFECTIVE: _____

LIST OF CHANGES MADE BY THIS TARIFF SUPPLEMENT

	<u>Current</u>	<u>Proposed</u>	<u>Increase</u> <u>(Decrease)</u>
Rate RS			
Natural Gas Supply Charge	\$ 3.7624	\$ 3.8872	\$ 0.1248
Natural Gas Delivery Charge	\$ 3.4627	\$ 3.1090	\$ (0.3537)
Rate GSS			
Natural Gas Supply Charge	\$ 3.7624	\$ 3.8872	\$ 0.1248
Natural Gas Delivery Charge	\$ 2.8850	\$ 2.5313	\$ (0.3537)
Rate GSL			
Natural Gas Supply Charge	\$ 3.7624	\$ 3.8872	\$ 0.1248
Natural Gas Delivery Charge	\$ 2.7890	\$ 2.4353	\$ (0.3537)
Rate FDS			
Capacity and Balancing Charge	\$ 1.0511	\$ 1.0398	\$ (0.0113)
Rate GDS & Rate DDS			
Balancing Charge Annual Throughput < 25,000	\$ 0.3571	\$ 0.3848	\$ 0.0277
Balancing Charge Annual Throughput > 25,000	\$ 0.0920	\$ 0.0812	\$ (0.0108)
Rider A - Purchased Gas Cost			
Current PGC	\$ 4.0564	\$ 3.8275	\$ (0.2289)
C factor	\$ 3.7624	\$ 3.8872	\$ 0.1248
E factor	\$ 0.2940	\$ (0.0597)	\$ (0.3537)
AVC Capacity Charge			
Rate RS and Rate FDS	\$ 0.6436	\$ 0.6568	\$ 0.0132
Rate GSS and Rate GDS (0 to 999 Mcf/yr)	\$ 0.6160	\$ 0.6084	\$ (0.0076)
Rate GSL and Rate GDS (1,000 to 24,999 Mcf/yr)	\$ 0.4415	\$ 0.3910	\$ (0.0505)
Rate GSL and Rate GDS (greater than 25,000 Mcf/yr)	\$ 0.1411	\$ 0.2065	\$ 0.0654
Rider F - Merchant Function Charge			
Rate RS	\$ 0.1053	\$ 0.0994	\$ (0.0059)
Rate GSS and Rate GSL	\$ 0.0267	\$ 0.0253	\$ (0.0014)

ISSUED:

EFFECTIVE:

PEOPLES NATURAL GAS COMPANY, LLC
EQUITABLE DIVISION

SUPPLEMENT NO. xx TO GAS—PA PUC NO. 46
CANCELLING _____ REVISED PAGE NO. 2A

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	Capacity (1)	AVC Capacity (2)	GCA (3)	Commodity (4)	Base Rate Charges (5)	Rider STAS (6)	Rider F MFC (7)	Rider D USR (8)	Rider G GPC (9)	Rider- Supplier Choice (10)	Rider E DSIC Charge (11)	Total Rate (12=SUM 1 to 11)
Residential Sales												
Customer Charge					\$ 13.2500	-1.05%				\$ 0.0468	0.00%	\$ 13.2968
Capacity	\$ 1.0398	\$ 0.6568					\$ 0.0270					\$ 1.7236
Price to Compare - PTC			\$ (0.0597)	\$ 2.8474			\$ 0.0724	\$ 0.1055				\$ 2.9656
Delivery Charge					\$ 3.1687		\$ 0.4623					\$ 3.6310
State Tax Surcharge						\$ (0.0333)						\$ (0.0333)
Total per MCF						\$ 0.0994						\$ 8.2869
General Service Small - Sales												
Customer Charge												
< 500 MCF/Yr					\$ 17.0000					\$ 0.0468		\$ 17.0468
500 to 1,000 MCF/Yr					\$ 28.0000					\$ 0.0468		\$ 28.0468
Capacity	\$ 0.3848	\$ 0.6084										\$ 0.9932
Price to Compare - PTC			\$ (0.0597)	\$ 2.8474			\$ 0.0253	\$ 0.1055				\$ 3.5735
Delivery Charge					\$ 2.5910							\$ 2.5910
State Tax Surcharge						\$ (0.0272)						\$ (0.0272)
Total per MCF												\$ 7.1305
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
Capacity	\$ 0.3848	\$ 0.3910										\$ 0.7758
Price to Compare - PTC			\$ (0.0597)	\$ 2.8474			\$ 0.0253	\$ 0.1055				\$ 3.5735
Delivery Charge					\$ 2.4950							\$ 2.4950
State Tax Surcharge						\$ (0.0262)						\$ (0.0262)
Total per MCF												\$ 6.8181
General Service Large - Sales												
> 25,000 MCF/Yr					\$ 1,600.000							\$ 1,600.0000
Capacity	\$ 0.0812	\$ 0.2065										\$ 0.2877
Price to Compare - PTC			\$ (0.0597)	\$ 2.8474			\$ 0.0253	\$ 0.1055				\$ 3.8771
Delivery Charge					\$ 2.4950							\$ 2.4950
State Tax Surcharge						\$ (0.0262)						\$ (0.0262)
Total per MCF												\$ 6.6336

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
EQUITABLE DIVISION

SUPPLEMENT NO. xx TO GAS—PA PUC NO. 46
CANCELLING _____ REVISED PAGE NO. 2B
_____ REVISED PAGE NO. 2B

OCT 2018 ANNUAL

	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)	Supplier Choice (9)	DSIC Charge (10)	Rider E (11=SUM 1 to 10)	Total Rate
Residential - Transport	\$ 13.2500							-1.05%	\$ 0.0468	\$ -	0.00%	\$ 13.2968
Customer Charge		\$ 1.0398	\$ 0.6568	\$ 0.0270		\$ 0.4623						\$ 1.7236
Capacity	\$ 3.1687											\$ 3.6310
Delivery Charge												\$ -
State Tax Surcharge												\$ (0.0333)
Total per MCF												\$ (0.0333)

General Service Small - Transport												
Customer Charge	\$ 17.0000								\$ 0.0468	\$ -		\$ 17.0468
< 500 MCF/Yr	\$ 28.0000								\$ 0.0468	\$ -		\$ 28.0468
500 to 1,000 MCF/Yr												

General Service Large - Transport												
Customer Charge	\$ 2.5910											\$ 0.9932
Capacity/BB&A			\$ 0.6084	\$ 0.3848								\$ -
Delivery Charge												\$ -
State Tax Surcharge												\$ (0.0272)
Total per MCF												\$ (0.0272)

General Service Large - Transport												
Customer Charge	\$ 150.0000											\$ 150.0000
1,001 to 4,999 MCF/Yr	\$ 300.0000											\$ 300.0000
5,000 to 25,000 MCF/Yr												

General Service Large - Transport												
Customer Charge	\$ 2.4950											\$ 0.7758
Capacity/BB&A			\$ 0.3910	\$ 0.3848								\$ -
Delivery Charge												\$ -
State Tax Surcharge												\$ (0.0262)
Total per MCF												\$ (0.0262)

General Service Large - Transport												
Customer Charge	\$ 1,600.0000											\$ 1,600.0000
> 25,000 MCF/Yr												

General Service Large - Transport												
Customer Charge	\$ 2.4950											\$ 0.2877
Capacity/BB&A			\$ 0.2065	\$ 0.0812								\$ -
Delivery Charge												\$ -
State Tax Surcharge												\$ (0.0262)
Total per MCF												\$ (0.0262)

General Service Large - Transport												
Customer Charge	\$ 2.7565											\$ 2.7565
> 25,000 MCF/Yr												

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 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:	\$4.5440 per Mcf	(I)
Natural Gas Delivery Charge:	\$3.1090 per Mcf	(D)

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, Rider Supplier Choice and state tax adjustment surcharge also apply to this rate.

(D) Indicates Decrease.

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:	\$4.4956 per Mcf	(I)
----------------------------	------------------	-----

Natural Gas Delivery Charge:	\$2.5313 per Mcf	(D)
------------------------------	------------------	-----

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, Rider Supplier Choice 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.

(D) Indicates Decrease.

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:	\$4.2782	per Mcf	(I)
Natural Gas Delivery Charge:	\$2.4353	per Mcf	(D)

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.

(D) Indicates Decrease.

ISSUED:

EFFECTIVE:

CANCELING

RATE FDS - FIRM DELIVERY SERVICE

APPLICABILITY

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

AVAILABILITY

Service under this rate schedule is available for resale service and to any Priority-one customer as defined in Rule 7.1 of the Rules and Regulations of this tariff where the customer's full commodity requirements are supplied through a single aggregation pool pursuant to the Company's Firm Pooling Service (FPS).

RATE

The applicable rate for each district 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:

Residential	\$ 13.25 per meter
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

Delivery Charge:

Residential Service	\$ 3.1687 per Mcf
Small Commercial, Industrial and Resale	\$ 2.5910 per Mcf
Large Commercial and Industrial	\$ 2.4950 per Mcf

Capacity Charge:

Pursuant to Special Provision (a):	\$ 1.0398 per Mcf	(D)
------------------------------------	-------------------	-----

MINIMUM CHARGE

The minimum monthly payment shall be the Monthly Service charge.

(I) Indicates Increase.

ISSUED:

EFFECTIVE:

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	\$0.3848 per Mcf	(I)
Annual Throughput > 25,000	\$0.0812 per Mcf	(D)

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	\$0.3848 per Mcf	(I)
Annual Throughput > 25,000	\$0.0812 per Mcf	(D)

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.

ISSUED:

EFFECTIVE:

CANCELING _____

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 \$3.8275 per Mcf, comprised of a C factor of \$3.8872 (D), (I) and an E factor of (\$0.0597). These rates do not include AVC Capacity (D) Costs.

"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.

(D) Indicates Decrease.
(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%	\$0.6568 (I)
Rate GSS and Rate GDS (0 to 999 Mcf/yr)	11.94%	\$0.6084 (D)
Rate GSL and Rate GDS (1,000 to 24,999 Mcf/yr)	12.99%	\$0.3910 (D)
Rate GSL and Rate GDS (greater than 25,000 Mcf/yr)	8.82%	\$0.2065 (I)

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 MFC 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	\$0.0270	(D)
Gas Cost Adjustment Charge per Mcf	(\$0.0015)	(D)
Commodity Charge per Mcf	<u>\$0.0739</u>	(I)
Total MFC per Mcf	\$0.0994	(D)

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	\$0.0069	(D)
Gas Cost Adjustment Charge per Mcf	(\$0.0004)	(D)
Commodity Charge per Mcf	<u>\$0.0188</u>	(I)
Total MFC per Mcf	\$0.0253	(D)

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

Appendix B

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos. R-2018-2645278
Office of Small Business Advocate	:	C-2018-3000567
Office of Consumer Advocate	:	C-2018-3000494

v.

Peoples Natural Gas Company LLC

Pennsylvania Public Utility Commission	:	Docket Nos. R-2018-3000236
Office of Small Business Advocate	:	C-2018-3000573
Office of Consumer Advocate	:	C-2018-3000496

v.

Peoples Natural Gas Company LLC –
Equitable Division

**PEOPLES NATURAL GAS COMPANY LLC’S
STATEMENT IN SUPPORT OF THE
JOINT PETITION FOR PARTIAL SETTLEMENT**

I. INTRODUCTION

Peoples Natural Gas Company LLC (“Peoples Natural Gas” or the “Company”), on behalf of its Peoples and Peoples-Equitable Divisions, submits this Statement in Support of the Joint Petition for Partial Settlement (“Partial Settlement”) in the above-captioned proceeding.

II. THE PARTIAL SETTLEMENT

A. LOST AND UNACCOUNTED FOR GAS

1. The principal issue in this proceeding is Unaccounted For Gas (“UFG”) sometimes referred to as Lost and Unaccounted For Gas (“LUFG”). As part of its filing in this proceeding, and as provided in the 2017 Purchased Gas Cost (“PGC”) settlements, Peoples

Natural Gas and Peoples Gas Company LLC (“Peoples Gas”) (collectively the “Peoples Companies”) submitted a detailed Combined UFG Mitigation (“UFG Mitigation Plan”) in their respective PGC proceedings. (See Peoples Natural Gas Exhibit No. 2) The Company explained that UFG on the Peoples Companies’ distribution systems had been reduced to 2.42% for Peoples Natural Gas and 2.4% for Peoples Gas, both well below the Pennsylvania Public Utility Commission (“Commission”) standard of 3.5%. (Peoples Natural Gas Statement No. 5-R, p. 9, lines 20-23). Therefore, the UFG Mitigation Plan was focused on the Peoples Companies’ extensive gathering systems that collected conventional or shallow gas to serve their customers.

2. Peoples Natural Gas also proposed a charge to conventional gas producers that is designed to recover some of the gas lost on the gathering system. (Peoples Natural Gas Statement No. 1, p. 13, lines 16-18) This charge is referred to as a producer retainage charge and is the subject of the remaining litigation in this proceeding. This charge, if adopted, would reduce the amounts charged to customers for gas lost on the gathering systems.¹ (Peoples Natural Gas Statement No. 3, p. 3, lines 16-23)

3. The Commission’s Bureau of Investigation and Enforcement (“I&E”) proposed that a cap of 8% be applied to the amount of lost gas on the gathering system and that this cap be reduced over time. (I&E Statement No. 1, p. 13, line 17 to p. 14, line 17) The Company opposed this cap, noting, among other things, its focus on distribution system repairs to maximize the safety of customers. (Peoples Natural Gas Statement No. 1-R, p. 3, line 4 to p. 14, line 22; Peoples Natural Gas Statement No. 5-R, p. 4, line 5 to p. 19, line 22)

4. In this regard, under current ownership, the Peoples Companies have significantly increased capital spending on the distribution systems. Specifically, for the five years prior to

¹ The Office of Consumer Advocate (“OCA”) supports the Company’s producer retainage charge. (OCA Statement No. 1, p. 10, lines 9-11) If the Company’s proposal is not adopted, the OCA recommends that increased retainage charges to transportation customers be adopted. (OCA Statement No. 1, p. 11, lines 2-16)

the acquisitions of the Peoples Companies' and the current five-year period of 2014-2018, Peoples Natural Gas increased its capital spending from \$201.1 million to \$465.2 million (131% increase), Peoples-Equitable Division increased its capital spending from \$165.5 million to \$297.3 million (80% increase), and Peoples Gas increased its capital spending from \$49.3 million to \$102.6 million (108% increase). (Peoples Natural Gas Statement No. 5-R, p. 5, line 25 to p. 7, line 1) These expenditures, along with additional maintenance expenditures, have substantially reduced UFG on the Peoples Companies' distribution systems and improved the safety of these systems. (Peoples Natural Gas Statement No. 5-R, p. 5, line 21 to p. 9, line 23)

5. Further, the Peoples Companies are proposing an additional \$21.5 million of capital expenditures on the gathering systems over the next four years and further study of the various segments on these systems to determine the best plan for UFG reductions on the gathering systems. (Peoples Natural Gas Statement No. 1-R, p. 3, lines 13-15; Peoples Natural Gas Exhibit No. 2)

6. Based on this exchange of testimony and settlement discussions, the Parties were able to develop a settlement that is designed to further reduce UFG on the Company's gathering system. The settlement of these issues is contained in Section II.A. of the Partial Settlement, Paragraphs 25 through 30, and is repeated here for convenience of the Administrative Law Judge and the Commission:

25. Peoples Natural Gas will be subject to a gathering UFG target ("UFG target") of 9.0% for the year ending August 31, 2019, 8.5% for the year ending August 31, 2020, and 7.5% for the year ending August 31, 2021.

26. There will be no adjustment for gathering system UFG for the year ending August 31, 2017, and no gathering UFG target for the year ending August 31, 2018.

27. In evaluating whether the gathering UFG target is achieved, there will be volumetric credits for (1) actual producer retainage charges or (2) any additional gathering retainage charges approved because producer retainage charges are not approved by the Commission.

28. Exceedances of the gathering UFG target after reflection of the above credits will create a rebuttable presumption that the excess is unreasonable. That presumption may be rebutted by a demonstration that Peoples Natural Gas has taken reasonable actions to reduce gathering UFG and/or demonstration that other factors, such as but not limited to, production on the gathering systems has declined thereby increasing the percentage of gathering UFG experienced. The overall level of Peoples Natural Gas' UFG will also be considered.

29. Peoples Natural Gas will aggressively implement the Peoples Companies' Combined UFG Mitigation Plan to Address Gathering Pipelines ("UFG Mitigation Plan") presented in this proceeding, including: (1) the "find-it / fix it" program under which bare steel gathering lines will be leak surveyed on an annual basis and found leaks will be prioritized for repair, and (2) the plan to remove and replace at-risk gathering pipelines.

30. In order to ensure ongoing safe operations of all gathering facilities, Peoples Natural Gas agrees to continue the practice of treating all non-jurisdictional (DOT) gathering lines (which account for 92% of all gathering lines) as part of its normal distribution compliance program. This would include damage prevention locates, corrosion prevention, leak surveys, placement of line markers, and atmospheric corrosion surveys.

7. The Company fully supports these settlement provisions. The issues concerning UFG on the gathering system are complex. The Peoples Companies' gathering systems comprise approximately 2,100 miles of older, low pressure pipe, much of which has provided service for producers and customers for many years and is nearing the end of its useful life. (Peoples Natural Gas Statement No. 1, p. 10, lines 5-7; Peoples Natural Gas Exhibit No. 2, pp. 1-2) There is declining production on the Company's gathering system, but the gas produced is the lowest cost of gas available for Peoples Natural Gas' customers. (Peoples Natural Gas Statement No. 5-R, p. 13, line 20 to p. 14, line 2; p. 23, line 17 to p. 24, line 3; Peoples Natural Gas

Statement No. 1-R, p. 10, lines 7-10; Peoples Natural Gas Exhibit No. 5-R) The declining production, by itself, tends to increase the percentage of gas lost. (Peoples Natural Gas Statement No. 1-R, p. 9, lines 3-15)

8. Moreover, as explained in the UFG Mitigation Plan, replacing all yellow category at-risk gathering pipe is estimated to cost in excess of \$738 million. (Peoples Natural Gas Statement No. 5-R, p. 16, lines 13-14) By comparison, the current net book value of all the Peoples Companies' tangible plant is \$1.8 billion, and the Companies are projected to spend approximately \$822.5 million on replacement of distribution mains and services over the five-year term of the Combined Distribution Long-Term Infrastructure Improvement Plan ("LTIIP"). (Peoples Natural Gas Statement No. 5-R, p. 16, lines 14-18)

9. The UFG Mitigation Plan is designed to find solutions to reducing UFG on the Peoples Companies' gathering systems, while maintaining service, to the extent possible, to customers served from those systems. The settlement provisions, which create a UFG target commencing with the year starting September 1, 2018, will require accelerated action by the Company. Although some UFG reductions may be achieved by replacing gathering lines and repairing leaks, it is simply uneconomic to replace or repair all the gathering lines. It is likely that some gathering lines will have to be transferred to producers or abandoned to achieve these targets.² The Company is committed to take these actions to attempt to achieve the targets contained in the Partial Settlement.

² Transferring a gathering line to producer or producers would place all responsibility for UFG on the line to a producer or producers, thereby reducing the Company's UFG. Although the Peoples Companies do not currently plan to transfer gathering lines to which customers are attached, the Peoples Companies would only transfer such lines after obtaining Commission approval.

B. OFF-SYSTEM SALE AND CAPACITY RELEASE SHARING MECHANISM

10. Peoples Natural Gas proposed to make the currently-approved mechanism for sharing proceeds from off-system sales and capacity release revenues (75% to customers and 25% to Company) permanent. (Peoples Natural Gas Statement No. 3, p. 18, line 22 to p. 19, line 8) As explained in rebuttal testimony, several other natural gas distribution companies have adopted this approach, including the Company's affiliate, Peoples Gas. (Peoples Natural Gas Statement No. 3-R, p. 5, lines 1-12) As reflected in Paragraph 31 of the Partial Settlement, the mechanism is extended indefinitely, but Peoples Natural Gas retains the ultimate burden of proof in a future proceeding if a party were to challenge the mechanism.

11. The Partial Settlement adopts Peoples Natural Gas' proposal as modified by the Partial Settlement. Peoples Natural Gas supports this Partial Settlement provision because it will avoid unnecessary presentations by the Company in future proceedings.

C. ALLEGHENY VALLEY CONNECTOR CAPACITY COSTS

12. In this proceeding, Peoples Natural Gas proposed to allocate the costs of the Allegheny Valley Connector ("AVC"), an interstate pipeline owned by Equitrans, L.P. ("Equitrans"), based on customer demand, like the Company does with other interstate capacity costs. (Peoples Natural Gas Statement No. 3, p. 13, line 4 to p. 14, line 19; Peoples Natural Gas Statement No. 3-R, p. 2, line 7 to p. 4, line 2) Because these facilities were owned by Peoples Natural Gas and transferred to Equitrans when Peoples Natural Gas acquired Equitable Gas Company, these costs have been allocated on the basis that they were recovered by Peoples Natural Gas when it owned the facilities. (Peoples Natural Gas Statement No. 3, p. 13, lines 4-11) The OCA proposed to retain the current allocation. (OCA Statement No. 1, p. 6, lines 6-22; OCA Statement No. 1-S, p. 2, line 19 to p. 3, line 5)

13. Paragraph 32 of the Partial Settlement provides that the current allocation of AVC costs shall continue for this case and maybe revisited in future PGC cases. Peoples Natural Gas supports this resolution.

III. PUBLIC INTEREST

14. Peoples Natural Gas believes that the Partial Settlement is in the public interest for several reasons.

15. The Partial Settlement resolves difficult issues with regard to UFG on the gathering systems. It provides a basis for monitoring the progress of the Peoples Companies over the three years ending August 31, 2021, as the Companies implement their UFG Mitigation Plan.

16. The Partial Settlement avoids future presentation and litigation on the Off-System Sale and Capacity Release Sharing Mechanism, while preserving Parties' rights to raise issues or changes in the future.

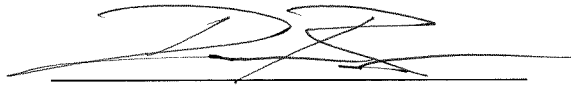
17. The Partial Settlement also resolves the issues with the allocation of Peoples Natural Gas' AVC costs.

18. The Partial Settlement avoids hearings and briefing on the settled issues, thereby preventing the incurrence of additional time and expense by the Commission and the Parties.

IV. CONCLUSION

19. For the reasons set forth above, the Partial Settlement is just and reasonable and is in the public interest. Therefore, Peoples Natural Gas Company LLC requests that the presiding Administrative Law Judge and the Pennsylvania Public Utility Commission approve it.

Respectfully submitted,



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

Date: June 22, 2018

Appendix C

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos. R-2018-2645278
Office of Small Business Advocate	:	C-2018-3000567
Office of Consumer Advocate	:	C-2018-3000494
	:	
v.	:	
	:	
Peoples Natural Gas Company LLC	:	

Pennsylvania Public Utility Commission	:	Docket Nos. R-2018-3000236
Office of Small Business Advocate	:	C-2018-3000573
Office of Consumer Advocate	:	C-2018-3000496
	:	
v.	:	
	:	
Peoples Natural Gas Company LLC –	:	
Equitable Division	:	

STATEMENT OF THE
OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF THE
JOINT PETITION FOR PARTIAL SETTLEMENT OF
THE SECTION 1307(f) RATE INVESTIGATION

I. INTRODUCTION

The Office of Consumer Advocate (OCA) submits this Statement in Support of the Joint Petition for Partial Settlement in the above-captioned proceeding and states as follows:

On March 2, 2018, Peoples Natural Gas Company LLC (PNG or Company) submitted the pre-filing information and data required in connection with its annual purchased gas cost (PGC) filing under § 1307(f) of the Public Utility Code (66 Pa.C.S. § 1307(f)) and the Public Utility Commission’s (Commission) regulations at 52 Pa. Code §§ 53.64(c) and 53.65. On April 2, 2018,

the Company submitted its formal 2018 PGC filing, pursuant to which, the Company proposed a reduction in its residential PGC rate from \$4.70 per Mcf (the rate in effect on January 1, 2018) to \$4.5237, which would take effect on October 1, 2018.

On March 15, 2018, the OCA filed a Formal Complaint against the Company's proposed rates, seeking to ensure that the rates were not excessive, discriminatory, or otherwise contrary to Commission regulation or policy. On March 20, 2018, the Office of Small Business Advocate (OSBA) also filed a Formal Complaint against the proposed rates. On March 9, 2018, the Commission's Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance in the case. On April 2, 2018, the Pennsylvania Independent Oil & Gas Association (PIOGA) filed a Petition to Intervene in the proceedings, which was subsequently granted. On April 30, 2018, Direct Energy filed a Petition to Intervene, which was also granted. All parties engaged in discovery regarding the proposed rates.

A prehearing conference was held on April 5, 2018, at which a procedural schedule was established. Pursuant to that schedule, on May 3, 2018, the OCA submitted the Direct Testimony of its expert witness, Jerome D. Mierzwa. Mr. Mierzwa's testimony recommended, among other things, that PNG's proposal to include Allegheny Valley Connector (AVC) capacity costs with other purchased gas capacity costs and to recover these costs through a single capacity charge be rejected. The Company responded to Mr. Mierzwa's recommendation in Rebuttal Testimony filed on May 23, 2018. Mr. Mierzwa then defended his recommendation in Surrebuttal Testimony submitted on May 31, 2018.

Prior to the submission of Surrebuttal Testimony, the Company initiated settlement discussions with the parties, and those discussions have produced the instant Joint Petition for Partial Settlement, which addresses various issues in the case but reserves for litigation the key issue of imposing a retainage charge on conventional gas producers for gas gathered into the Peoples system. For the reasons set forth below, the OCA submits that the Partial Settlement is in the public interest and should be adopted by the Commission.

II. PROPOSED PARTIAL SETTLEMENT

The Settlement addresses the following issues:

A. Lost and Unaccounted For Gas (Settlement ¶¶ 25–30)

The Partial Settlement establishes Unaccounted For Gas (UFG) targets for PNG's gathering system for three consecutive years beginning with the PGC year ending August 31, 2019. For that year the target will be 9.0%. For the year ending August 31, 2020, the target will be 8.5% and for the year ending August 31, 2021, it will be 7.5%. ¶ 25. There will be no target for the year ending August 31, 2018 and there will be no retroactive adjustment for gathering system UFG for the year ending August 31, 2017. ¶ 26.

In evaluating whether the UFG target is achieved in a given year, volumetric credits will be given to reflect the actual producer retainage charge or, if the producer retainage charge is not approved by the Commission, any other gathering retainage charges approved by the Commission. ¶ 27.

If in a given year gathering system UFG exceeds the established target, a rebuttable presumption will be created that the excess is unreasonable. The presumption may be rebutted by PNG demonstrating that it has taken reasonable steps to reduce gathering UFG and/or demonstrating that other factors, such as production on the gathering systems has declined thereby

increasing the percentage of gathering UFG experienced. PNG's overall level of UFG will also be considered. ¶ 28.

The Partial Settlement further provides that PNG will commit to aggressively pursuing the “Peoples Companies’ Combined UFG Mitigation Plan to Address Gathering Pipelines” that was presented by PNG as an exhibit in this proceeding. This will include the “find it/fix it” program under which bare steel gathering lines will be surveyed for leaks on an annual basis and if leaks are found, they will be prioritized for repair. It will also include the removal and replacement of at-risk gathering pipelines. ¶ 29.

The Partial Settlement requires PNG to continue the practice of treating all non-jurisdictional (DOT) gathering lines (which account for 92% of all gathering lines) as part of its normal distribution compliance program. This would include One Call locations to prevent line damage, corrosion prevention, leak surveys, placement of line markers, and atmospheric corrosion surveys. ¶ 30.

Paragraphs 25 through 30 represent a resolution between the Company and I&E on the issue of whether a cap should be set on gathering system UFG and whether PNG should be prevented from recovering the costs of UFG volumes that are in excess of the cap. Through its testimony in this case, I&E proposed setting an initial cap of 8% on gathering system UFG and stepping the cap down to 5% over three years. In addition, because PNG's gathering system experienced a 10.16% UFG rate for 2017, I&E recommended a disallowance in this proceeding of gathering system UFG volumes in excess of its proposed initial 8% cap. As discussed above, the Partial Settlement establishes a gathering system UFG cap of 9% beginning in 2019 and lowers that cap to 7.5% by 2021. Further, it employs the concept of a rebuttable presumption to allow

PNG to offer a reasonable explanation for why the cap was exceeded in a given year. In addition, it calls for aggressive implementation of PNG's UFG Mitigation Plan.

Although in this proceeding the OCA did not take a position on the issue of gathering system UFG caps and the consequences of failing to meet them, the OCA, in this and previous PNG PGC cases, has expressed concern over the relatively high level of UFG on the Company's gathering system. Accordingly, the OCA supports the compromise reached in this Partial Settlement and submits that it is in the public interest and should be approved by the Commission.

B. Sharing Mechanism (Settlement ¶ 31)

In this proceeding, PNG proposed that the current 75% (customer)/25% (company) sharing mechanism for capacity release and off-system sales revenues, scheduled to expire on September 30, 2018, be extended indefinitely. Several parties expressed concern over the effect that an indefinite extension would have on the issue of which party would bear the burden of proof with regard to any future changes to the sharing mechanism. Rather than an indefinite extension, those parties recommended that the mechanism be extended for a fixed period of time. Partial Settlement ¶ 31 retains the PNG proposal for an indefinite extension of the sharing mechanism. However, it also includes acknowledgement by PNG the Company retains the ultimate burden of proof if the sharing mechanism is challenged in a future proceeding.

The OCA did not address this issue in this proceeding. However, the OCA does not object to the Partial Settlement's disposition of the matter.

C. Allegheny Valley Connector Capacity Costs (Settlement ¶ 32)

As noted above, in this proceeding, PNG proposed to include AVC capacity costs with other purchased gas capacity costs and to recover those costs through a single capacity charge. The OCA objected to the inclusion of AVC capacity costs with other PGC capacity costs on the

ground that doing so would deviate from the fixed percentage of AVC capacity costs assigned to each customer class as part of the 2013 settlement of the merger between PNG and Equitable Gas Company. OCA witness Mierzwa testified that such a deviation would result in assigning an additional \$1.66 million to the Residential Class.

In Settlement, the Company offered to retain its current method of recovering AVC capacity costs rather than combining all capacity costs into a single charge. The Partial Settlement provides that retention of the current method will apply only to the current case and that the issue may be raised in any future PGC case.

The OCA finds this an acceptable compromise and supports this provision of the Partial Settlement.

D. Miscellaneous (Settlement ¶¶ 33-35)

Paragraph 33 of the Partial Settlement provides that except as revised by the Settlement and subject to a Commission decision on the litigated issue of the producer retainage charge, the rates proposed and other requested approvals contained in the Company's filing should be approved.

Paragraph 34 provides that the Company's compliance filing in this proceeding will reflect updated actual and projected over and undercollections through September 30, 2018.

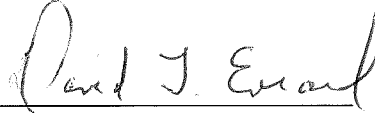
Paragraph 35 provides that the parties agree that the Commission should approve the renewals and changes in gas supply, pipeline, and storage capacity contracts that are explained in PNG's Statement No. 2 and related exhibits included in the Company's definitive filing.

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 22, 2018

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Appendix D

Peoples Natural Gas Company, LLC-Equitable Division (collectively “PNG”) and their customers. In support of this position, I&E offers the following enumerated Comments:

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.¹ Consequently, in all contested proceedings, including those resolved through negotiated settlements, it is incumbent upon I&E to ensure that the public interest is served and to comment on how the amicable resolution of any such proceeding will benefit the public interest. The request for approval of this Joint Petition is based on I&E’s conclusion that the Settlement meets all the legal and regulatory standards necessary for approval. “The prime determinant in the consideration of a proposed Settlement is whether or not it is in the public interest.”² I&E concludes that the Joint Petition meets this standard.

2. On March 2, 2018, PNG submitted its combined pre-filing information regarding its purchased gas cost (“PGC”) filing pursuant to the Public Utility Code.³ PNG’s pre-filing materials were comprised of responses to the Commission’s standard filing requirements and standard exhibits required under the Commission’s regulations.⁴

3. By filing dated April 2, 2018, PNG submitted its annual PGC filing to become effective for services rendered on or after October 1, 2018. PNG’s filing

¹ 66 Pa. C.S. § 308.2(a)(11); Docket No. M-2008-2071852, Final Procedural Order entered on August 11, 2011, p. 10.

² *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).

³ 66 Pa. C.S. 1307(f).

⁴ 52 Pa. Code § 53.64 and 53.65.

included its prepared Direct Testimony, accompanying exhibits, and proposed updated tariff supplement.⁵

4. I&E entered its appearance in these combined matters on March 9, 2018. Additionally, the Office of the Consumer Advocate (“OCA”) filed Formal Complaints and Public Statements on March 15, 2018 and the Office of the Small Business Advocate (“OSBA”) filed Complaints, Public Statements and Notices of Appearance on March 20, 2018. Finally, the Pennsylvania Independent Oil & Gas Association (“PIOGA”) filed a Petition to Intervene on April 2, 2018 and Direct Energy Business Marketing, LLC (“Direct Energy”) filed a Petition to Intervene on April 30, 2018.

5. A Prehearing Conference Order was entered on March 29, 2018, and the Order scheduled a telephonic prehearing conference for April 5, 2018.

6. Counsel for the following parties participated in the Prehearing Conference on April 5, 2018: PNG, I&E, the OCA, the OSBA (collectively, the “Joint Petitioners”)⁶ and PIOGA. Administrative Law Judge (“ALJ”) Jeffrey A. Watson presided, and during the Conference, PIOGA’s Petition to Intervene was granted and the parties established a procedural schedule for this proceeding.⁷

7. On April 6, 2018, a Prehearing Order was entered, and it memorialized the procedural schedule and other matters terms governing the conduct of this proceeding.

⁵ PNG St. No. 1, p. 4.

⁶ PIOGA is not a party to the Partial Settlement and, while it does not oppose the settlement, it does object to the Proposed Findings of Fact, Findings and Proposed Conclusions of Law to the extent that they are inconsistent with or conflict with PIOGA’s positions on the contested producer retainage issues. Direct Energy is not a party to the Partial Settlement but has indicated that it does not object.

⁷ On June 1, 2018, ALJ Watson issued an Interim Order granting Direct Energy’s Petition to Intervene.

8. After the prehearing conference, the Joint Petitioners continued to engage in the discovery process.

9. In accordance with the procedural schedule, I&E served the following testimony and exhibits upon all parties:

- I&E Statement No. 1: Direct Testimony of Ethan Cline
- I&E Exhibit No. 1: Exhibit to accompany the Direct Testimony of Ethan Cline
- I&E Statement No. 1 –SR: Surrebuttal Testimony of Ethan Cline
- I&E Exhibit No. 1 –SR: Exhibit to accompany the Surrebuttal Testimony of Ethan Cline
- I&E Statement No. 2: Direct Testimony of Anthony Spadaccio
- I&E Exhibit No. 2: Exhibit to accompany the Direct Testimony of Anthony Spadaccio
- I&E Statement No. 2 –SR: Surrebuttal Testimony of Anthony Spadaccio

10. In accordance with the Commission’s policy favoring settlements over costly and time-consuming litigation⁸ and in evaluation of the parties’ respective litigation positions, the Joint Petitioners⁹ were successful in achieving a Partial Settlement by comprehensively evaluating parties’ discovery responses and written testimony and by engaging in the settlement negotiation process.

⁸ 52 Pa. Code § 5.231.

⁹ Direct Energy does not join in this Partial Settlement, but it has indicated its non-opposition.

11. The Partial Settlement resolved all issues that I&E raised in these proceedings.

12. An evidentiary hearing was held on June 4, 2018. At the hearing, the parties informed ALJ Watson of the Partial Settlement. Additionally, during the hearing, the Joint Petitioners' pre-served testimony was admitted into the record.

13. I&E submits that the proposed Settlement is in the public interest and should be approved by the ALJ and the Commission for the following reasons:

II. SETTLEMENT

A. LOST AND UNACCOUNTED FOR GAS

The Settlement includes several terms regarding PNG's level of lost and unaccounted for gas ("UFG") for its gathering system. These terms include the following:¹⁰

- PNG Peoples Natural Gas will be subject to a gathering UFG target of 9.0% for the year ending August 31, 2019, 8.5% for the year ending August 31, 2020, and 7.5% for the year ending August 31, 2021. However, there will be no adjustment or gathering system UFG for the year ending August 31, 2017, and no gathering UFG target for the year ending August 31, 2018.
- In evaluating whether the gathering UFG target is achieved, there will be volumetric credits for (1) actual producer retainage charges or (2) any additional gathering retainage charges approved because producer retainage charges are not approved by the Commission.
- Exceedances of the gathering UFG target after reflection of the above credits will create a rebuttable presumption that the excess is unreasonable. That presumption may be rebutted by a demonstration that PNG has taken reasonable actions to reduce gathering UFG and/or a demonstration that other factors, such as but not limited to, production on the gathering systems has declined, thereby increasing the percentage of gathering UFG experienced. The overall level of Peoples Natural Gas' UFG will also be considered.

¹⁰ Joint Petition, pp. 5-7, ¶¶25-30.

- PNG will aggressively implement the Peoples Companies' Combined UFG Mitigation Plan to Address Gathering Pipelines ("UFG Mitigation Plan").
- To ensure the ongoing safe operations of all gathering facilities, PNG agrees to continue the practice of treating all non-jurisdictional (DOT) gathering lines (which account for 92% of all gathering lines) as part of its normal distribution compliance program. This would include damage prevention locates, corrosion prevention, leak surveys, placement of line markers, and atmospheric corrosion surveys.

I&E avers that the above-referenced terms were crucial to its ability to join this Partial Settlement because they were necessary to resolve the central issue that I&E raised in this case regarding PNG's levels of UFG on its gathering system. As I&E witness Cline explained in his direct testimony, UFG represents the difference between the total gas available from all sources and the total gas accounted for as sales, net interchange, and company use.¹¹ Witness Cline explained that increased levels of UFG equate not only to increased costs for customers, but also present a potential safety hazard.¹² In assessing PNG's levels of UFG, witness Cline acknowledged that the Commission has set UFG targets that apply to UFG on PNG's distribution system, and PNG did not exceed the applicable standard of 3.5% because its combined distribution system loss was only 2.42% for the year ended August 31, 2017.¹³ However, while the Commission has not yet established UFG targets for gathering lines, witness Cline identified that PNG reported a gathering system UFG of 10.16%, which was concerning

¹¹ I&E St. No. 1, p. 4.

¹² I&E St. No. 1, p. 10.

¹³ I&E St. No. 1, p. 5.

for several reasons.¹⁴ Chief among these reasons is that PNG's gathering system is unique in that it actually serves a total of 2,861 customers, comprised of 1,652 customers (65 commercial 21 customers + 1,587 residential customers) directly from its gathering systems in the Equitable Division and 1,209 customers (58 commercial customers + 1 industrial 1 customer + 1,150 residential customer) in the Peoples Division.¹⁵ Therefore, these customers are directly impacted by the UFG level.

Additionally, and as recognized by Vice Chairman Place, in PNG's 2017 PGC filings,¹⁶ PNG's level of UFG on its gathering system has been at issue since as early as 2008, even though the PNG committed to monitoring UFG since that time.¹⁷ Despite PNG's commitment, its gathering system UFG has increased, as evidenced by the fact that in its 2017 PGC proceeding, the gathering system losses were 9.2%¹⁸ and that level has increased to 10.16% this year. Consistent with its position in PNG's 2017 PGC filing, whereby I&E indicated that if PNG did not show improvement in the following year, I&E would make an adjustment to disallow recovery in PNG's 2018 PGC,¹⁹ I&E made such a recommendation in this case. More specifically, witness Cline recommended that 661,937 Mcf be disallowed for recovery, which accounts for the volumes of UFG reported by the PNG in its 2017 annual UFG report that are in excess of

¹⁴ I&E St. No. 1, p. 6.

¹⁵ I&E St. No. 1, pp. 9-10.

¹⁶ See Docket Nos. R-2017-258610 and R-2017-2586318.

¹⁷ I&E St. No. 1, p. 8; I&E Ex. No. 1, p. Sch. 2.

¹⁸ I&E St. No. 1, p. 6.

¹⁹ I&E St. No. 1, p. 7.

an 8% UFG standard.²⁰ This resulted in a \$860,648 reduction to PNG's over/under collection calculation.²¹

I&E's adjustment was predicated on witness Cline's recommendation that the target for PNG's UFG be set at 8% for the historic period, and then stepped down by 1% each year to arrive at a level no more than 5%.²² To support his recommendation, witness Cline explained that UFG is a potential safety hazard and customers served directly by gathering lines should receive comparable protections to ensure safe and reliable service as those served by distribution lines.²³ At the same time, he did not recommend that the Commission's UFG targets for distribution line losses be imposed. Instead, his recommendation was also tempered by his observation that gathering systems are not designed in the same manner as distribution systems and have a different function and, therefore, will maintain a higher level of UFG. Finally, witness Cline indicated that the initial 8% UFG target for gathering systems was consistent with a recommendation that I&E previously made in Equitable's 2009 PGC filing (prior to its merger with Peoples) at Docket No. R-2009-7 2088072. In that case, I&E, then the Office of Trial Staff, recommended a distribution UFG level of 5% and a gathering UFG level of 8% (R-2009-2088072 OTS St. 1, pp. 8-10).²⁴

In turn, PNG opposed I&E's recommendation on several bases. These bases included PNG's claim that (1) I&E's recommendation was inconsistent with the

²⁰ I&E St. No. 1, p. 18.

²¹ I&E St. No. 1-SR, p. 4.

²² I&E St. No. 1, p. 14.

²³ I&E St. No. 1, p. 12.

²⁴ I&E St. No. 1, p. 13.

gathering system targets for distribution systems;²⁵ (2) legacy gathering systems have UFG in excess of I&E’s recommended levels;²⁶ (3) no penalty is required to incentivize PNG to address its UFG levels;²⁷ (4) the decline in volumes of local gas being produced into the PNG gathering systems coupled with a slower decline in UFG could result in spikes in UFG percentage;²⁸ (5) PNG included a comprehensive mitigation plan as part of this case;²⁹ and (6) meeting the recommended requirement may force PNG to cap gathering lines, acquire more expensive gas from interstate pipelines, divert funds away from at-risk distribution system replacements, and potentially abandon customers.³⁰ In its surrebuttal testimony,³¹ I&E responded to each of these arguments. However, as this case progressed, and after continued discussions, I&E was able to reach a resolution of these issues with PNG, which is reflected in the above settlement terms.

First, PNG has agreed to be subject to a gathering UFG target (“UFG target”) of 9.0% for the year ending August 31, 2019, 8.5% for the year ending August 31, 2020, and 7.5% for the year ending August 31, 2021. If PNG exceeds the gathering UFG target, after consideration of any applicable credits, it will create a rebuttable presumption that the excess is unreasonable. This term was of substantial import to I&E because PNG’s agreement to adopt these standards is critical to ensuring that its efforts to mitigate UFG on its gathering level are continued and measurable. As indicated above, high levels of

²⁵ PNG St. No. 1-R, pp. 10-11.

²⁶ PNG St. No. 1-R, p. 7.

²⁷ PNG St. No. 5-R, pp. 18.

²⁸ PNG St. No. 1-R, pp. 9-10.

²⁹ PNG St. No. 5-R, p. 15.

³⁰ PNG St. No. 1-R, pp. 12-14.

³¹ I&E St. No. 1-SR.

UFG impose additional costs and increased safety risks upon customers; therefore, ensuring that these levels are lowered is in the public interest. Additionally, as PNG has set forth a mitigation plan in this case, which outlines PNG's continued commitment to address gathering pipelines³² and outlines activity and cost data related to planned removal and replacement of gathering lines annually from January 1, 2018 through December 31, 2021, the established targets can be used as additional metric to gauge PNG's progress over a similar time period. In I&E's view, adding an additional layer of accountability in the form of the agreed upon targets to supplement PNG's mitigation plan is in the public interest.

At the same time, the Joint Petitioners agreed that there will be no adjustment for gathering system UFG for the years ending August 31, 2017 and August 31, 2018. Furthermore, the Joint Petitioners agreed that the presumption of unreasonable UFG levels created when UFG levels exceed the agreed-upon targets may be rebutted by a demonstration that PNG has taken reasonable actions to reduce gathering UFG and/or a demonstration that other factors, such as but not limited to, production on the gathering systems has declined thereby increasing the percentage of gathering UFG experienced. The overall level of PNG's UFG will also be considered. These terms ensure that PNG is not held to a standard that it was unaware existed, and they also allow PNG to tailor and refine its UFG mitigation tactics to increase its ability to comply with the targets. Moreover, these terms ensure that PNG is able to rebut the presumption of

³² PNG Ex. No. 2.

unreasonableness if the levels of UFG exceed the targets for reasons beyond PNG's control. Finally, these terms were necessary for PNG's agreement to the partial settlement. In summary, the gathering system targets present a resolution that is fair and acceptable to PNG and that provide an additional layer of protection against unwarranted costs and increased safety risks to its ratepayers.

Finally, the Joint Petition memorializes PNG's commitment to aggressively implement the Peoples Companies' Combined UFG Mitigation Plan to Address Gathering Pipelines, including: (1) the "find-it / fix it" program under which bare steel gathering lines will be leak surveyed on an annual basis and found leaks will be prioritized for repair, and (2) the plan to remove and replace at-risk gathering pipelines. Additionally, PNG has agreed to continue the practice of treating all non-jurisdictional (DOT) gathering lines (which account for 92% of all gathering lines) as part of its normal distribution compliance program. These practices will include damage prevention locates, corrosion prevention, leak surveys, placement of line markers, and atmospheric corrosion surveys. I&E avers that PNG's commitment to safe operations and UFG mitigation is of paramount importance in this proceeding, as PNG's success in this area will directly translate to its customers. Therefore, the implementation of these measures is in the public interest and worthy of I&E's support.

B. SHARING MECHANISM

Under the terms of the Settlement, the Joint Petitioners have agreed to the following term regarding PNG's current off-system sales/capacity release sharing mechanism:

Peoples Natural Gas' current off-system sales/capacity release sharing mechanism, of 75% to customers and 25% to the Company, shall continue indefinitely. If in a future proceeding any party proposes in direct testimony to change the current mechanism, other parties may offer their own contrary proposals in the next scheduled round of testimony to be submitted in such case. Peoples Natural Gas agrees that it retains the ultimate burden of proof if the sharing mechanism is challenged in a future proceeding.³³

At the outset of this case, I&E did not oppose the sharing mechanism, but it did oppose PNG's proposal to extend it on an indefinite basis. As I&E witness Cline explained, I&E had reservations about approving the mechanism on an indefinite basis, including a concern that the burden to challenge the continuation of the mechanism in future PGC proceedings would transfer from the PNG to the other parties.³⁴ I&E also noted that generally in the context of ratemaking, it may not be prudent to commit to anything in perpetuity because of the evolving nature of the circumstances in each case, meaning that what is beneficial today may not be beneficial tomorrow.³⁵ Alongside I&E, OSBA witness Kalcic opposed the indefinite extension of the sharing mechanism on the basis that it could be construed as transferring the burden of proof from PNG to other parties in future proceedings.³⁶

In response to I&E and OSBA, PNG witness Caldoro argued that approval of a provision for indefinite continuation of a sharing mechanism is not unusual. As an example, witness Caldoro pointed out that another Peoples company, Peoples Gas Company, LLC, had its sharing mechanism extended indefinitely for capacity release sharing in the 2012 PGC

³³ Joint Petition, p. 7, ¶31.

³⁴ I&E St. No. 1, p. 3.

³⁵ Id.

³⁶ OSBA St. No. 1, p. 2.

and for off system sales in the 2014 PGC.³⁷ Additionally, witness Caldro argued that it is cumbersome and inefficient for PNG to propose an extension every year.³⁸

I&E avers that the above settlement term represents a fair compromise of all parties' positions regarding PNG's sharing mechanism and protects the public interest. While the term will resolve PNG's concerns regarding the burden of making a proposal for the mechanism in each annual PGC filing, conserving its resources and promoting efficiency, it also preserves important rights that are necessary to protect PNG's customers. Importantly, this term makes it clear that in future proceedings, parties have the right to offer contrary proposals regarding the sharing mechanism. The ability to offer contrary proposals in the future ensures that there will be an avenue of recourse in the future, which was essential to satisfy I&E's concerns that if the mechanism does not prove to be beneficial to ratepayers in the future, it must be able to be modified. Additionally, this term clarifies that the burden of proof regarding the sharing mechanism will always remain with PNG, which is consistent with the Public Utility Code.

Although the ability to address the sharing mechanism in the future is preserved and remains important, at this juncture, I&E avers that permitting PNG to continue its longstanding asset management sharing mechanism serves the public interest because it benefits both PNG and its ratepayers. More specifically, PNG benefits from the arrangement by receiving a monetary incentive to maximize its efforts to increase capacity release and off-system sales activity. In turn, PGC customers benefit from PNG's efforts in

³⁷ PNG St. No. 3-R, p. 5.

³⁸ Id.

the form of reduced gas costs. Accordingly, this settlement term protects the parties and PNG's customers, and it is therefore in the public interest.

C. ALLEGHENY VALLEY CONNECTOR CAPACITY COSTS

Pursuant to the Settlement, the Joint Petitioners have agreed to the following term, which represents a compromise between PNG and the OCA:

Peoples Natural Gas will retain its current method of recovering Allegheny Valley Connector capacity costs. This agreement is for purposes of settlement of the current case only and this matter may be revisited in future PGC cases.³⁹

The above term resolved an issue that was raised in the direct testimony of OCA witness Mierzwa. In his testimony, witness Mierzwa recommended the rejection of PNG's proposal to modify the cost recovery procedures for the Allegheny Valley Connector ("AVC") costs, which would increase the allocation of costs to the residential class.⁴⁰ In response, PNG witness Anthony Caldoro indicated his disagreement with witness Mierzwa. Specifically, witness Caldoro indicating that AVC costs should not be treated like all of PNG's other capacity costs since AVC capacity costs are primarily used to serve sales and P-1 transportation ratepayers and should be assigned accordingly, as proposed by PNG.⁴¹

Despite these contrary positions, PNG and OCA have apparently agreed to the above-referenced term as a resolution. Although I&E did not take a position regarding this issue, I&E supports this term because it was necessary to facilitate the partial

³⁹ Joint Petition, p. 7, ¶32.

⁴⁰ OCA St. No. 1, p. 6.

⁴¹ PNG St. No. 3-R, p. 2.

settlement of this matter and it does not limit the Joint Petitioners' positions in future PGC proceedings.

D. MISCELLANEOUS

Pursuant to the Partial Settlement, the Joint Petitioners agree that the proposed rates and other requested approvals contained in PNG's PGC filing should be approved. While those costs are subject to review in a future PGC proceeding, I&E maintains that ratepayers are protected in that PNG gains no unwarranted financial advantages through its projected gas purchases and projected gas purchasing policies. As provided for in the Public Utility Code, "[n]o rates for a natural gas distribution utility shall be deemed just and reasonable unless the commission finds that the utility is pursuing a least cost fuel procurement policy...."⁴² The I&E 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 PGC customers. PNG's average costs reported to the Commission in its quarterly filings demonstrate the prudence of its purchasing practices.

The Partial Settlement also provides that the natural gas costs that PNG expects to incur in the upcoming period will be based on PNG's adherence to its established least cost fuel procurement policy. Specifically, PNG's procurement approach attempts to shield customers from the risk of the gas market's volatility through a combination of local and interstate assets and supplies.⁴³ PNG's diligence in adhering to a least cost procurement

⁴² 66 Pa. C.S. § 1318.

⁴³ Joint Petition, p. 8, ¶38.

strategy benefits customers directly in their gas bills. PNG's procurement strategy is in the public interest, as it benefits ratepayers on an annual basis, by ensuring that PNG will continually obtain gas on a reliable basis for its customers, at the most advantageous prices possible.

III. CONCLUSION

14. The Settlement provides that PNG may place into effect the natural gas supply rates as proposed and identified in the appendices attached to the Joint Petition. The proposed rates are subject to quarterly updates, with limited exceptions, as required by the Commission's Regulations. The I&E analysis in this proceeding supports that these rates are just and reasonable, accurately reflect the costs of its purchased natural gas and are based on sound regulatory practices. As such, I&E opines that these rates are in the public interest and should be approved.

15. I&E and, apparently, the Parties to this Joint Petition, are in agreement that PNG will adhere to the purchasing plan as established by the data and calculations provided in PNG's testimony and associated exhibits, as contemplated in the Partial Settlement. The purchasing plan provides reasonable protections for ratepayers and enables the company to adhere to the regulatory requirements in acquiring supplies for its customers. PNG's projections and plans are reasonable and are in the public interest. Therefore, they should be adopted as presented.

16. Although I&E did serve direct and surrebuttal testimony in this proceeding, I&E fully supports the Partial Settlement, which addressed and resolved all concerns raised in I&E's testimony. Accordingly, I&E avers that all issues have been


satisfactorily resolved through discovery and discussions with PNG and are incorporated in the Partial 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. 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 Joint Petition.

18. I&E is satisfied that the provisions and data contained in the PNG's annual PGC filing, as confirmed by this Joint Petition, accurately support the finding that PNG's purchased gas costs and its practices adequately protect the public interest.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement represents that it supports the *Joint Petition for Partial Settlement of Peoples Natural Gas Company, LLC and Peoples Natural Gas Company, LLC-Equitable Division's Section 1307(f) Proceeding* as being in the public interest and respectfully requests that Administrative Law Judge Jeffrey A. Watson recommend, and the Commission subsequently approve, the foregoing Partial Settlement, including all terms and conditions contained therein.

Respectfully Submitted,



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PA Attorney I.D. #313863

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

Dated June 22, 2018

Appendix E

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
	:	DOCKET NO. R-2018-2645278
v.	:	
	:	
PEOPLES NATURAL GAS COMPANY LLC	:	
and		
PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
	:	DOCKET NO. R-2018-3000236
v.	:	
	:	
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 (“PNG” or “Company”), including both its Peoples Division and Equitable Division, are adequately represented and protected.

II. PROCEDURAL BACKGROUND

On March 2, 2018, pursuant to Section 1307(f) of the Public Utility Code, PNG submitted pre-filed supporting information concerning its annual Purchased Gas Cost (“PGC”) Rate filing for its Peoples and Equitable Divisions.

The Commission’s Bureau of Investigation and Enforcement (I&E) entered a Notice of Appearance on March 9, 2018.

On March 15, 2018, the Office of Consumer Advocate (“OCA”) filed Complaint, Public Statement, and Notice of Appearance.

The Office of Small Business Advocate (“OSBA”) filed a Complaint, Public Statement, and Notice of Appearance on March 20, 2018.

On April 2, 2018, the Pennsylvania Independent Oil and Gas Association (“PIOGA”) filed a Petition to Intervene.

Also on April 2, 2018, PNG submitted its annual PGC rate filing.

A Prehearing Conference on this case was held on April 5, 2018, before presiding officer Administrative Law Judge (“ALJ”) Jeffrey A. Watson, at which time a procedural schedule and discovery modifications were established, PIOGA’s Petition to Intervene was granted, and OSBA’s and OCA’s Complaints were consolidated with the Commission’s investigation.

On April 30, 2018, Direct Energy Business Marketing, LLC (“Direct Energy”) filed a Petition to Intervene.

OSBA, OCA, I&E, and PIOGA served written direct testimony on May 3, 2018.

On May 9, 2018, the ALJ issued an Interim Order granting Direct Energy’s Petition to Intervene.

On May 23, 2018, PNG, OSBA, and PIOGA served written rebuttal testimony.

PNG, OCA, OSBA, I&E, and PIOGA served written surrebuttal testimony on May 31, 2018.

The parties engaged in settlement discussions and were successful at resolving all but one issue in this proceeding, prior to the scheduled evidentiary hearings. The issue reserved for litigation is PNG's proposal to charge producers a retainage charge of 2% to contribute toward the costs associated with lost and unaccounted for gas ("UFG") on the Company's gathering system.

An evidentiary hearing was held on June 4, 2018, at which time the parties' pre-served testimony and exhibits were admitted into the record, and certain witnesses were cross-examined with respect to the issue reserved for litigation.

Main briefs on this issue were filed by OSBA, OCA, PNG, and PIOGA on June 19, 2018. Reply briefs are due on June 25, 2018.

The OSBA actively participated in the negotiations that led to the proposed partial settlement, and is a signatory to the Joint Petition For Partial 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

A. Lost and Unaccounted for Gas (Joint Petition at ¶ II.A, p. 5-6)

Although the OSBA did not submit testimony with respect to PNG's UFG, it does have concerns with Company's steadily increasing UFG levels. In Section II.A of the Joint Petition, PNG commits to continue efforts to reduce distribution and gathering system UFG, including:

(1) submitting to annual UFG targets over the next three years, with a rebuttable presumption that any levels over such targets is unreasonable; (2) aggressive implementation of the UFG Mitigation Plan; and (3) continuing the practice of treating all non-jurisdictional (DOT) gathering lines (which account for 92% of all gathering lines) as part of its normal distribution compliance program.

The OSBA determines that PNG's UFG 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 Company's Small C&I customers.

B. Sharing Mechanism (Joint Petition at ¶ II.B, p. 7)

Under the Company's current revenue sharing mechanism, set to expire on September 30, 2018, the margins generated from eligible capacity release transactions, off-system sales and parks/loans are shared between 1307(f) customers and the Company, with customers receiving 75% and shareholders retaining 25%.¹ The Company initially proposed to extend the current sharing mechanism "indefinitely," with the understanding that the sharing formula would remain in place until such time as it is shown to be unreasonable.²

The OSBA agreed that the sharing mechanism should be extended, but not indefinitely.³ The OSBA was concerned that extending the sharing mechanism indefinitely would shift the existing burden of proof from PNG to any party wishing to modify the mechanism in a future proceeding. To ensure that the burden of proof remains with PNG, the OSBA recommended that

¹ OSBA Statement No. 1 at 1.

² *Id.* at 2.

³ *Id.*

the existing sharing mechanism be extended for a finite period. Since PNG's existing mechanism appears to be consistent with the sharing (or incentive) mechanisms approved by the Commission for other NGDCs, OSBA witness, Brian Kalcic, recommended that the Commission approve an extension of the current 75%/25% sharing mechanism for two years through September 30, 2020.⁴

The partial settlement extends the current sharing mechanism indefinitely as initially proposed by PNG. However, PNG "agrees that it retains the ultimate burden of proof if the sharing mechanism is challenged in a future proceeding." Since this alleviates the OSBA's concerns with an indefinite extension and the issue of burden of proof, the OSBA determines that the partial settlement is therefore reasonable and in the interest of the Company's Small C&I customers.

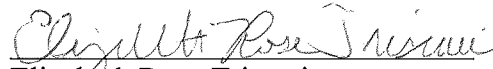
IV. CONCLUSION

Settlement of this proceeding avoids the litigation of complex, competing proposals and saves the possibly significant costs of further administrative proceedings. Such costs are borne not only by the Joint Petitioners, but ultimately by the Company's customers as well. Avoiding further litigation of this matter will serve judicial efficiency, and will allow the OSBA to more efficiently employ its resources in other areas.

⁴ *Id.*

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
Deputy Small Business Advocate
Attorney ID No. 306921

For:

John R. Evans
Small Business Advocate

Office of Small Business Advocate
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Dated: June 22, 2018