



17 North Second Street
12th Floor
Harrisburg, PA 17101-1601
717-731-1970 Main
717-731-1985 Main Fax
www.postschell.com

Devin Ryan

dryan@postschell.com
717-612-6052 Direct
717-731-1981 Direct Fax
File #: 176212

June 28, 2019

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 v. Peoples Natural Gas Company LLC
Section 1307(f) Docket No. R-2019-3007612 and R-2019-3007617**

Dear Secretary Chiavetta:

Enclosed for filing is the Joint Petition for Settlement in the above-referenced proceedings. The Statements in Support are attached via Appendices. Copies will be provided as indicated on the Certificate of Service.

Sincerely,

Devin Ryan

DR/cls
Enclosures

cc: Honorable Katrina L. Dunderdale
Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission : Docket Nos. R-2019-3007612
Office of Consumer Advocate : C-2019-3008565
Office of Small Business Advocate : C-2019-3008753

v.

Peoples Natural Gas Company LLC

Pennsylvania Public Utility Commission : Docket Nos. R-2019-3007617
Office of Consumer Advocate : C-2019-3008564
Office of Small Business Advocate : C-2019-3008752

v.

Peoples Natural Gas Company LLC –
Equitable Division

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

TO ADMINISTRATIVE LAW JUDGE KATRINA L. DUNDERDALE:

Peoples Natural Gas Company LLC (“PNG” or the “Company”), acting on behalf of its Peoples Division (“PNG-Peoples”) and its Equitable Division (“PNG-Equitable”), 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 Settlement of the Section 1307(f), 66 Pa. C.S. § 1307(f), Rate Investigation (“Settlement”). The Joint Petitioners respectfully request that Administrative Law Judge Katrina L. Dunderdale (the

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

As explained below, the Joint Petitioners have agreed to a settlement that resolves all of the issues that have been raised in: (1) PNG-Peoples’s 2019 Purchased Gas Cost (“PGC”) proceeding at Docket Nos. R-2019-3007612, C-2019-3008565, and C-2019-3008753; and (2) PNG-Equitable’s 2019 PGC proceeding at Docket Nos. R-2019-3007617, C-2019-3008564, and C-2019-3008752.

Subject to the terms of the Settlement, the Joint Petitioners request that the Commission: (1) authorize PNG to file the forms of tariff supplements provided as Appendix A hereto, with rates to become effective October 1, 2019, 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 Settlement, the Joint Petitioners state the following:

I. INTRODUCTION

1. PNG is a limited liability company formed under the laws of the Commonwealth of Pennsylvania for the purpose of providing natural gas transmission, distribution, and supplier of last resort services subject to the Commission’s regulatory jurisdiction. PNG operates two divisions – PNG-Peoples and PNG-Equitable. PNG also is an affiliate of Peoples Gas Company LLC (“Peoples Gas”).

¹ The Pennsylvania Independent Oil & Gas Association (“PIOGA”) is not a party to the Settlement but has indicated that it does not object to the Settlement.

² The rates in Appendix A reflect the proposed gas cost rates, any quarterly rate changes that were effective March 1, 2019, and any settlement rate changes. The rates in Appendix A will be updated to reflect any changes as of October 1, 2019, when the final tariff supplements are filed.

2. PNG 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 PNG-Peoples’s annual operating revenues derived from providing gas service to customers in Pennsylvania exceed \$40 million, PNG-Peoples’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 PNG-Equitables’s annual operating revenues derived from providing gas service to customers in Pennsylvania exceed \$40 million, PNG-Equitables’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, 2019, PNG, on behalf of both PNG-Peoples and PNG-Equitables, made its PGC 60-day pre-filing with the Commission in compliance with Section 1307(f) of the Public Utility Code, 66 Pa. C.S. § 1307(f), and the Commission’s regulations at 52 Pa. Code § 53.65.

6. On March 1, 2019, PNG-Peoples and PNG-Equitables 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 7, 2019, I&E filed Notices of Appearance at Docket Nos. R-2019-3007612 and R-2019-3007617.

8. On March 15, 2019, OCA filed Notices of Appearance, Complaints, and Public Statements at Docket Nos. R-2019-3007612 and R-2019-3007617.

9. On March 22, 2019, OSBA filed Notices of Appearance, Complaints, Public Statements, and Verifications at Docket Nos. R-2019-3007612 and R-2019-3007617.

10. On April 1, 2019, a Prehearing Conference Order was issued by the ALJ directing the parties to file Prehearing Memoranda on or before 4:00 PM on April 3, 2019, and scheduling a prehearing conference to be held at 10:00 AM on Thursday, April 4, 2019.

11. Also on April 1, 2019, PNG-Peoples and PNG-Equitable filed with the Commission their definitive PGC filings, including supporting information required by the Commission's regulations and PNG's direct testimony, exhibits, and Pro Forma Tariff Supplements reflecting actual and projected changes in natural gas costs and other tariff changes. In the Tariff Supplements, PNG proposes decreases of \$0.8056/Mcf in its rates for both PNG-Peoples and PNG-Equitable for recovery of purchased gas costs applicable to residential sales service customers, as compared to the rates in effect as of January 1, 2019. Rate changes related to recovery of purchased gas costs were proposed for other customer classes. Furthermore, PNG proposed to continue charging producers a retainage rate of 2.0% for gas from conventional wells gathered into the system.

12. On April 3, 2019, PNG, OCA, OSBA, and I&E filed their prehearing memoranda.

13. On April 4, 2019, PIOGA filed a Petition to Intervene and its prehearing memo.

14. The prehearing conference was held as scheduled on April 4, 2019.

15. On April 8, 2019, 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 PNG-Peoples and PNG-Equitable PGC proceedings with the Peoples Gas PGC proceeding at Docket No. R-2019-3007613 for purposes of hearing.

16. On May 3, 2019, OCA served its written direct testimony.

17. On May 22, 2019, PNG served its written rebuttal testimony.

18. Also on May 22, 2019, PNG filed a Motion for Protective Order.
19. On May 30, 2019, OCA served its written surrebuttal testimony.
20. Also on May 30, 2019, the ALJ issued a Protective Order, as requested by and consistent with PNG's May 22, 2019 Motion for Protective Order.
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.
22. A hearing was held on June 6, 2019, at which time the pre-filed testimony and exhibits were admitted into the record.
23. The Joint Petitioners are in full agreement that the Settlement is in the best interest of PNG-Peoples, PNG-Equitable, the Joint Petitioners, and PNG's customers.
24. The Settlement agreed to by the Joint Petitioners is as follows:

II. SETTLEMENT TERMS

A. RETAINAGE AND LOST AND UNACCOUNTED FOR GAS

25. Effective October 1, 2019, the tariffed retainage rate for all rate classes shall be 5.2%.

26. As proposed in Peoples Natural Gas Statement No. 5, the producer retainage rate shall be the current rate of 2% and will continue to apply regardless of where conventional local gas enters the Company's system. More specifically, the producer retainage rate will remain at 2% for PNG-Peoples and continue to be negotiated at a minimum of 2% for PNG-Equitable.

B. BALANCING CHARGES

27. PNG's balancing charges for this proceeding will be calculated as set forth in the Company's Exhibit No. 12 included in the Annual filing made on April 1, 2019.

C. INTEREST REFUND

28. PNG is refunding additional interest of \$468,304 associated with a prior period adjustment in the October 2016 quarterly filing, as explained in Peoples Natural Gas Statement No. 3.

D. CAPACITY AND COMMODITY CHARGES

29. PNG's proposal to begin including capacity charge over/under collections with the capacity charge is approved. Beginning October 1, 2019, PNG will segregate the recovery of capacity charge and commodity charge over/under collections. After one year of segregating these recoveries, PNG will begin including the capacity charge over/under collections with the projected capacity charge and will charge a single capacity charge effective October 1, 2020. The Gas Cost Adjustment Charge ("GCA") will then only be for the recovery of commodity over/under collections.

E. RECOVERY OF ALLEGHENY VALLEY CONNECTOR ("AVC") AUTHORIZED OVERRUN CHARGES

30. PNG's proposal to recover the \$1,005,000 of AVC authorized overrun charges consistent with the settlement in the 1307(f)-2015 proceeding by including the costs in this proceeding is approved.

F. CALCULATION OF STORAGE COSTS USING WACOG

31. PNG-Peoples received Commission approval to switch from the Last-In-First-Out ("LIFO") storage inventory gas accounting to Weighted Average Commodity Cost of Gas ("WACOG") storage inventory gas accounting. The gas costs to be recovered effective January 1, 2020, include the storage costs calculated using the WACOG methodology.

G. TEXAS EASTERN TRANSMISSION LP (“TETCO”) ASSET MANAGEMENT AGREEMENT (“AMA”)

32. The parties agree that PNG’s awarding of an AMA of its TETCO capacity for the period of November 2018 through October 2019, as described in Peoples Natural Gas Statement No. 2, was reasonable and consistent with the least cost fuel procurement policy.

H. SEPARATION OF RETAINAGE RATES

33. With regard to whether separate retainage rates should be established for customers who acquire their gas through the Company’s gathering system and those customers who do not, PNG agrees that if this issue is raised in the Company’s 2020 PGC case, the Company will not object to providing information in discovery on the basis that the information should only be provided in a base rate proceeding. The scope of such discovery requests will be limited to: (1) the number of PGC and transportation customers served from the gathering and distribution systems and their applicable volumes; (2) whether any gathering system customers receive base rate or retainage discounts, by class and applicable volumes; (3) the number of transporters that source their gas from local producers on the gathering system and their volumes; or (4) other similar requests intended specifically to elicit data related to examining the potential for establishing separate gathering and distribution retainage rates. The Company will only be required to provide information that is readily available or calculable and will not be required to perform studies or unreasonable investigations. The Company retains all rights to oppose any proposal made by any party, including but not limited to whether a proposal is outside the scope of the 1307 (f) proceeding or is otherwise irrelevant.

I. MISCELLANEOUS

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

35. 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, 2019.

36. The parties 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)-2019 definitive filing.

III. RATE IMPACT OF SETTLEMENT

37. In previous proceedings, parties have been directed 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).

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

PNG-Peoples		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	86	\$9.4038	(\$0.8066)	-8.6%	\$0.0000	906.51	906.51	
Commercial SGS	238	\$7.7474	(\$0.7521)	-9.7%	\$0.0000	1,843.17	1,843.17	
Industrial SGS	238	\$7.3178	(\$0.7521)	-10.3%	\$0.0000	1,802.23	1,802.23	
Commercial MGS	3,224	\$7.5444	(\$0.7538)	-10.0%	\$0.0000	22,814.78	22,814.78	
Industrial MGS	3,224	\$6.8814	(\$0.7539)	-11.0%	\$0.0000	20,676.94	20,676.94	
Commercial LGS	50,000	\$7.5845	(\$0.8077)	-10.6%	\$0.0000	345,365.02	345,365.02	
Industrial LGS	50,000	\$6.9514	(\$0.8076)	-11.6%	\$0.0000	313,715.02	313,715.02	

1/ PNG-Peoples net billing rate effective January 1, 2019.

PNG - Equitable		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	86	\$9.0741	(\$0.8066)	-8.9%	\$0.0000	866.04	866.04	
GSS	238	\$8.0651	(\$0.7521)	-9.3%	\$0.0000	1,939.41	1,939.41	
GSL	3,224	\$7.7729	(\$0.7538)	-9.7%	\$0.0000	24,384.70	24,384.70	
GSL > 25,000 Mcf/Yr	50,000	\$7.6130	(\$0.8076)	-10.6%	\$0.0000	358,991.31	358,991.31	

1/ PNG-Equitable net billing rate effective January 1, 2019.

IV. **PROPOSED FINDINGS OF FACT**

39. PNG pursues its goal of least cost reliable service through a combination of local and interstate assets and supplies. The local assets are PNG's on-system storage facility and a

gathering system, which have allowed PNG to enhance the deliverability of local natural gas supplies produced in Pennsylvania and purchased by PNG from Pennsylvania producers. (Peoples Natural Gas Statement No. 2, pp. 4-5.)

40. PNG's interstate assets are comprised of a portfolio of transportation and storage services that PNG has contracted for with various Federal Energy Regulatory Commission ("FERC")-regulated pipelines, specifically, Dominion Energy Transmission, Inc. ("DETI"), TETCO, Equitrans L.P. ("Equitrans"), and National Fuel Gas Supply Corporation ("NFG"). Those assets give PNG access to a variety of locations at which it can receive gas supplies that are produced upstream of the PNG system. The interstate storage assets allow PNG to use its upstream assets more efficiently, mitigate the effects of price swings in the natural gas market, and enhance the deliverability of PNG's interstate natural gas supplies during periods of peak demand. PNG's interstate supplies are primarily EQT Energy, LLC ("EQT Energy") and other Appalachian-produced gas that it purchases from suppliers upstream of the PNG 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, p. 5.)

41. Over the 1307(f)-2019 historical period, PNG'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, PNG 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, PNG treats them the same as interstate capacity because the Company requires deliveries at the respective delivery points. Therefore, PNG would pursue firm capacity at these

points if firm city-gate delivered supply was not available. (Peoples Natural Gas Statement No. 2, p. 16.)

42. 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 PNG-Peoples. 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 PNG 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 PNG 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.)

43. Beginning April 1, 2014, Equitrans began providing PNG-Peoples 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. 20.)

44. PNG plans to acquire via capacity release from Peoples Gas 4,000 Dth/day of Equitrans Rate GSS storage deliverability and related firm transportation under Rate FTS. PNG

is proposing to acquire this service during the 1307(f)-2019 projected period. (Peoples Natural Gas Statement No. 2, p. 21.)

45. DETI provides service to PNG 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 PNG distribution system that are particularly well suited for gas deliveries from DETI. (Peoples Natural Gas Statement No. 2, p. 22.)

46. TETCO provides PNG with firm transportation service under Rate Schedule FT-1 and also delivers firm to the city-gate purchases made by PNG. PNG 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 PNG at those three points. PNG purchases gas on TETCO and moves it over TETCO's facilities under its Rate FT-1 service agreement primarily to the Ebensburg delivery point. PNG also contracts with gas suppliers for the purchase of firm supply that is delivered on TETCO to PNG 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 PNG to manage the unanticipated swings in demand at its physical interconnections with TETCO. (Peoples Natural Gas Statement No. 2, p. 24.)

47. PNG had 15,650 Dths/day of FT-1 firm transportation service under contract from TETCO for the entire 1307(f)-2019 historical period. Gas supplies under this transportation

contract, which expires on April 30, 2020, are delivered by TETCO primarily at PNG'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. PNG plans to renew this TETCO FT-1 firm transportation service agreement during the 1307(f)-2019 projected period. (Peoples Natural Gas Statement No. 2, pp. 24-25.)

48. 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, PNG recommended seeking proposals for similar arrangements for the following winter which request for proposal ("RFP") resulted in firm agreements covering the 2016-2017, 2017-2018, and 2018-2019 winter periods. This most recent winter included two days with 60 HDDs and 63 HDDs on January 30 and 31, respectively, when PNG 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 PNG service territory. (Peoples Natural Gas Statement No. 2, pp. 26-27.)

49. PNG requires up to 3,000 Dth/day at its Rockwood interconnection with TETCO in TETCO's market zone M-2. Prior to 2007, PNG satisfied this requirement with TETCO firm transportation capacity, but the M-2 firm transportation capacity was not renewed upon its March 31, 2007 expiration. PNG then entered into a series of annual agreements for either firm delivered supply or for the purchase of released capacity that PNG then matched with spot purchases that extended through the 2013-2014 winter period. For the next two winter seasons, PNG satisfied its needs at this delivery point with delivered gas purchases. For the 2017-2018

and 2018-2019 seasons, PNG 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.)

50. RFPs were issued to over 20 potential suppliers for the Company's Rockwood meter in TETO M2 that had an expiration of March 31, 2018, and PNG received seven proposals. PNG entered into an agreement with two suppliers to make deliveries of up to 3,000 Dth/day with no associated reservation fee per month and a commodity based premium to the TETCO M2 index. These agreements expired March 31, 2019. As a result of acceptance of the lowest cost offers, PNG rejected higher cost offers. (Peoples Natural Gas Statement No. 2, pp. 27-28.)

51. 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 2019 through March 2020. 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 2019 through March 2020. (Peoples Natural Gas Statement No. 2, p. 28.)

52. Prior to the winter of 2010-2011, PNG had contracted for firm transportation capacity on Tennessee. Beginning that winter, PNG has continuously pursued a RFP process and contracted for firm city-gate delivered gas supply as a replacement for the firm transportation service that PNG had been purchasing from Tennessee on a year-to-year basis. (Peoples Natural Gas Statement No. 2, p. 29.)

53. The delivered supply agreements required the supplier to utilize Tennessee pipeline delivery points directly into PNG 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 PNG's service territory, which is not physically integrated with the rest of the PNG system. (Peoples Natural Gas Statement No. 2, p. 29.)

54. During the 1307(f)-2019 historical period, following the RFP process, PNG entered into two firm delivered supply agreements with South Jersey Resources and Shell North America. The contracts with each supplier provide for up to 26,000 Dth/day of firm supply delivered to PNG with 0 - 20,000 Dth/day delivered to Pittsburgh Terminal, 0 - 3,000 Dth/day delivered to Pulaski, and 0 - 3,000 Dth/day delivered to New Castle. Like TETCO, Tennessee also provides PNG with an operational balancing agreement to manage unanticipated swings in demands at the Tennessee/ PNG physical interconnections. (Peoples Natural Gas Statement No. 2, pp. 29-30.)

55. 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 2019 through March 2020. (Peoples Natural Gas Statement No. 2, p. 30.)

56. NFG provides PNG with no-notice storage service and firm transportation service under rates approved by the FERC. PNG uses NFG's services primarily to serve the isolated Grove City area of its service territory. Like its other storage assets, PNG 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. PNG 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. 31.)

57. During the entire 1307(f)-2019 historical period and for the first two months of the 1307(f)-2019 projected period, NFG provided 9,793 Dth/day of no-notice storage service to PNG under its Rate ESS and 15,476 Dth/day of firm transportation service to PNG under its Rate EFT. PNG 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 renewed again, effective April 1, 2019. As a result, the NFG contracts will be in effect throughout the 1307(f)-2019 projected period. (Peoples Natural Gas Statement No. 2, pp. 31-32.)

58. PNG 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. 36.)

59. PNG and Peoples Gas have a gas exchange agreement that provides for an exchange of equivalent volumes between PNG 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 PNG at interconnections located in Mars, PA and Indiana, PA. In exchange, PNG receives equivalent volumes of gas from Peoples Gas at various interconnections. (Peoples Natural Gas Statement No. 2, p. 38.)

60. PNG 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, PNG 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 PNG's on-system and off-system storage facilities. (Peoples Natural Gas Statement No. 2, p. 40.)

61. PNG has been purchasing spot market supplies since 1986. Along with its local gas supplies, these are the supplies that PNG uses to meet the demands of those customers who continue to buy their supplies from PNG. With the exception of the EQT Energy supply, these are also the supplies that PNG uses its various interstate pipeline assets to transport and store. (Peoples Natural Gas Statement No. 2, p. 44.)

62. PNG-Peoples and PNG-Equitable purchased gas under the EQT Energy gas purchase agreements during the 1307(f)-2019 historical period. The PNG-Peoples agreement matches gas supply with the Equitrans Sunrise/Mainline firm transportation contract of up to 251,700 Dth/day. The annual quantity is 15 MMDth, and EQT Energy will deliver up to 251,700 Dth/day at active receipt point interconnects with the Equitrans Sunrise and AVC system. The PNG-Equitable 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. 46.)

63. For the period ending August 31, 2017, the overall PNG system loss was 5.1 Bcf, which results in an overall system loss rate of 3.9%, which is 2.3 Bcf or 31% less than the 2011 UFG. (Peoples Natural Gas Statement No. 5, p. 4.)

64. The two main contributors to UFG are Distribution UFG and Gathering UFG. Distribution UFG for the last reporting period is 2.5 Bcf or 1.98%. This level is well below the Commission's target for Distribution UFG of 3.0%. The 2018 reporting period Gathering UFG of 2.7 Bcf equates to a loss rate of 8.94%, down from 10.16% in 2017. (Peoples Natural Gas Statement No. 5, p. 4.)

65. Despite its efforts to reduce UFG and the improved results, PNG is challenged to reduce UFG on its pipelines that gather gas from local production wells. The PNG gathering system comprises approximately 1,500 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. The customers are generally scattered across the gathering system in relatively rural areas, and there are very few areas where there are high concentrations of customers. Since the Commission adopted regulations beginning in 2014, requiring industry-wide UFG reporting, when possible by pipeline system function, PNG has segmented the loss attributable to the gathering pipelines from the loss attributable to other functional pipeline systems. (Peoples Natural Gas Statement No. 5, p. 4.)

66. In the Company's last PGC proceeding, prospective gathering loss rate targets were established. PNG's 2018 gathering loss of 8.94% is below the first future target of 9.0% for the UFG reporting period of September 2018 through August 2019. (Peoples Natural Gas Statement No. 5, pp. 4-5.)

67. The Company began an assessment of additional items that could reduce UFG. As a result, PNG has dedicated an additional \$3.0 million for accelerated cut-offs and short segment gathering line replacements in 2019. This increases the budget for 2019 from \$3.9 to \$6.9 million or by 74%. Including these additional activities in the total UFG plan budget increases the total budget by 14% over the original plan. (Peoples Natural Gas Statement No. 5, p. 6.)

68. PNG has taken several steps to try to reduce UFG on the gathering system, as outlined in Peoples Natural Gas Exhibit No. 17. The Company also completed the following in 2018: (1) installed two additional segmentation meters to help isolate loss areas; (2) expired 205 zero flow production meters; (3) completed 389 meter audits; (4) completed 352 meter service/repair orders; (5) began automation of measurement data for ready UFG analysis; (6) began implementation of the Unauthorized Use Program including a Gas Theft Hotline; and (7) provided enhanced mapping to record monthly pressures and volumes to aid to loss determination. (Peoples Natural Gas Statement No. 5, pp. 6-7.)

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

V. STANDARDS, FINDINGS, AND PROPOSED CONCLUSIONS OF LAW

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

71. With respect to PNG-Peoples's and PNG-Equitable's gas purchases and gas purchasing practices during the 12-month historical reconciliation period ended January 31, 2019, it is requested that the ALJ and the Commission find that PNG-Peoples and PNG-

Equitable 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, 2019:

- a. PNG-Peoples and PNG-Equitable 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 PNG-Peoples and PNG-Equitable 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.

72. PNG-Peoples and PNG-Equitable 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).

73. PNG-Peoples and PNG-Equitable 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).

74. PNG-Peoples and PNG-Equitable 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).

75. PNG-Peoples and PNG-Equitable 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).

76. PNG-Peoples and PNG-Equitable 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).

77. Neither PNG-Peoples, nor PNG-Equitable, 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).

78. During the eight-month interim period beginning February 1, 2019, and the projected 12-month period beginning October 1, 2019, when rates contained in this 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 PNG-Peoples's and PNG-Equitable's projected purchases and purchasing policies, that the rates to be adopted by the Commission result from PNG-Peoples's and PNG-Equitable'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 PNG-Peoples's and PNG-Equitable's gas

³ The proposed tariff rates effective October 1, 2019, will be updated to reflect actual and projected over/undercollections through September 30, 2019, as stated in Paragraph 35 of this Settlement.

purchases and gas purchasing practices complied with Section 1318. If in an appropriate future proceeding PNG-Peoples's and PNG-Equitable's gas purchases and gas purchasing practices from February 1, 2019, through September 30, 2020, 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, 2019, and the 12-month application period commencing October 1, 2019, and ending September 30, 2020.

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

VI. PROPOSED ORDERING PARAGRAPHS

80. That the Settlement among Peoples Natural Gas Company LLC, acting on behalf of its Peoples Division and Peoples-Equitable Division, the Pennsylvania Public Utility Commission's Bureau of Investigation and Enforcement, the Office of Consumer Advocate, and the Office of Small Business Advocate in the above-captioned case is hereby approved and adopted.

81. That Peoples Natural Gas Company LLC shall file tariff supplements, on behalf of both Divisions, to become effective on October 1, 2019, on not less than one day's notice of the final Commission order approving the Settlement, containing changes in rates to provide for the recovery of its costs of purchased gas, consistent with the terms and conditions of the Settlement.

82. 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

Settlement submitted in this proceeding as though each term and condition stated therein had been subject of an individual ordering paragraph.

83. That upon Peoples Natural Gas Company LLC's filing of tariff supplements acceptable to the Commission as conforming with this order and the Settlement and the Commission's approval thereof, the purchased gas rates established therein shall become effective for service rendered on and after October 1, 2019.

84. That the complaints filed by the Office of Small Business Advocate in these proceedings at Docket Nos. C-2019-3008753 and C-2019-3008752 be marked closed.

85. That the complaints filed by the Office of Consumer Advocate in these proceedings at Docket Nos. C-2019-3008565 and C-2019-3008564 be marked closed.

86. That the investigations at Docket Nos. R-2019-3007612 and R-2019-3007617 be marked closed.

VII. THE PUBLIC INTEREST

87. This Settlement was achieved by the Joint Petitioners after an extensive investigation of PNG's filings, including extensive informal and formal discovery and the service of written direct testimony by PNG and OCA, written rebuttal testimony by PNG, and written surrebuttal testimony by OCA.

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

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

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

VIII. CONDITIONS OF SETTLEMENT

91. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained in this Settlement without modification. This Settlement shall become effective on the date on which the Commission enters a final order that adopts the terms and conditions of this Settlement. If the Commission enters a final order that approves this Settlement, but with one or more modifications, this Settlement shall nonetheless become effective unless one or more of the Joint Petitioners elects to withdraw from the Settlement. Such election to withdraw must be made in writing, filed with the Secretary of the Commission, and served upon all parties within five business days after the entry of an Order modifying the Settlement. In such event, the Settlement shall be void and of no effect.

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

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

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

95. This Settlement is being presented only in the context of this proceeding in an effort to resolve the proceeding in a manner which is fair and reasonable. The Settlement is presented without prejudice to any position which any of the Joint Petitioners may have advanced and without prejudice to the position any of the Joint Petitioners may advance in the future on the merits of the issues in future proceedings except to the extent necessary to effectuate the terms and conditions of the Settlement. This Settlement does not preclude the Joint Petitioners from taking other positions in proceedings of other public utilities under Section 1307(f) of the Public Utility Code, 66 Pa. C.S. § 1307(f), or any other proceeding.

IX. CONCLUSION

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

Respectfully submitted,

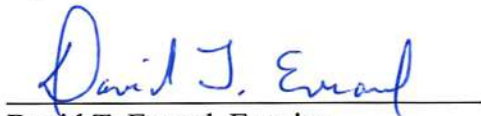


Michael W. Gang, Esquire
Anthony D. Kanagy, Esquire
Devin T. Ryan, Esquire
Post & Schell, P.C.
17 North Second Street
12th Floor
Harrisburg, PA 17101-1601

Date: June 28, 2019

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

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



David T. Evrard, Esquire
Lauren M. Burge, Esquire
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

Date: 6/28/19

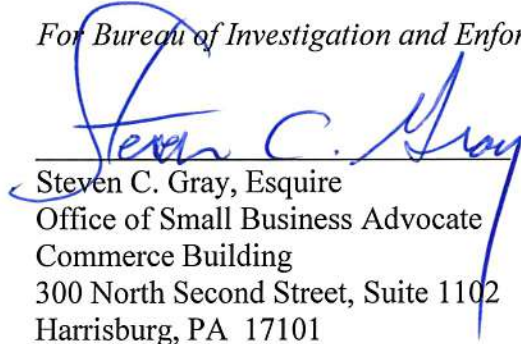
For Office of Consumer Advocate



John M. Coogan, Esquire
Bureau of Investigation and Enforcement
Commonwealth Keystone Building
400 North Street, 2nd Floor West
PO Box 3265
Harrisburg, PA 17105-3265

Date: JUNE 28, 2019

For Bureau of Investigation and Enforcement



Steven C. Gray, Esquire
Office of Small Business Advocate
Commerce Building
300 North Second Street, Suite 1102
Harrisburg, PA 17101

Date: 6/28/19

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)-2019 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	\$0.9953	\$1.0788	\$0.0835
Rider B			
<u>Rate RS, SGS, MGS, LGS, NGPV</u>			
Capacity Charge	\$0.9953	\$1.0788	\$0.0835
Gas Cost Adjustment Charge	(0.0372)	(\$0.0112)	\$0.0260
Natural Gas Supply Charge	\$3.8865	\$3.0009	(\$0.8856)
Rate RS, GS-T (Residential)			
AVC Capacity Charge	\$0.6225	\$0.6131	(\$0.0094)
Rate SGS, GS-T (SGS)			
AVC Capacity Charge	\$0.5745	\$0.6040	\$0.0295
Rate MGS, GS-T (MGS)			
AVC Capacity Charge	\$0.3750	\$0.4027	\$0.0277
Rate LGS, GS-T (LGS)			
AVC Capacity Charge	\$0.2151	\$0.1890	(\$0.0261)
<u>Rider E – Merchant Function Charge</u>			
Rate RS	\$0.1257	\$0.1056	(\$0.0201)
Rate SGS, MGS, LGS	\$0.0321	\$0.0269	(\$0.0052)
<u>Balancing Charges</u>			
SGS, MGS	\$0.3848	\$0.4062	\$0.0214
LGS	\$0.0812	\$0.0886	\$0.0074
<u>Retainage Rate</u>	6.6%	5.2%	(1.4%)

ISSUED: _____

EFFECTIVE: _____

	Rider B - Gas Cost Charges				Base Rate Charges (5)	Rider A STAS (6)	Rider E MFC (7)	Rider Supplier Choice (8)	Rider F USR (9)	Rider G GPC (10)	Rider H Rate Credit (11)	Rider K DSIC Charge (12)	Rider TCJA (13)	Total Rate (14=SUM 1 to 13)	
	Capacity (1)	AVC Capacity (2)	GCA (3)	Commodity (4)											
Residential Sales															
Customer Charge					\$ 13.9500	-0.23%		\$ 0.0115				\$ -	\$ 0.6975	\$ (0.7294)	\$ 13.9296
Capacity	\$ 1.0788	\$ 0.6131						\$ 0.0280							\$ 1.7199
Price to Compare - PTC			\$ (0.0112)	\$ 3.0009				\$ 0.0776		\$ 0.1055					\$ 3.1728
Delivery Charge					\$ 3.1330				\$ 0.5479		\$ -	\$ 0.1946	\$ (0.1638)		\$ 3.7117
State Tax Surcharge						\$ (0.0072)									\$ (0.0072)
Total per MCF							\$ 0.1056								\$ 8.5972
Commercial SGS															
Customer Charge															
0 to 499 MCF/Yr					\$ 14.8800			\$ 0.0115			\$ -	\$ 0.7440	\$ (0.7781)		\$ 14.8574
500 to 999 MCF/Yr					\$ 27.0000			\$ 0.0115			\$ -	\$ 1.3500	\$ (1.4118)		\$ 26.9497
Capacity	\$ 0.4062	\$ 0.6040													\$ 1.0102
Price to Compare - PTC	\$ 0.6726		\$ (0.0112)	\$ 3.0009				\$ 0.0269		\$ 0.1055					\$ 3.7947
Delivery Charge					\$ 2.1939							\$ 0.1163	\$ (0.1147)		\$ 2.1955
State Tax Surcharge						\$ (0.0050)									\$ (0.0050)
Total per MCF	\$ 1.0788						\$ 0.0269								\$ 6.9953
Industrial SGS															
Customer Charge															
0 to 499 MCF/Yr					\$ 20.0000			\$ 0.0115			\$ -	\$ 1.0000	\$ (1.0458)		\$ 19.9657
500 to 999 MCF/Yr					\$ 27.0000			\$ 0.0115			\$ -	\$ 1.3500	\$ (1.4118)		\$ 26.9497
Capacity	\$ 0.4062	\$ 0.6040													\$ 1.0102
Price to Compare - PTC	\$ 0.6726		\$ (0.0112)	\$ 3.0009				\$ 0.0269		\$ 0.1055					\$ 3.7947
Delivery Charge					\$ 1.7623							\$ 0.0947	\$ (0.0922)		\$ 1.7649
State Tax Surcharge						\$ (0.0041)									\$ (0.0041)
Total per MCF	\$ 1.0788						\$ 0.0269								\$ 6.5657
Commercial MGS															
Customer Charge															
1,000 to 2,499 MCF/Yr					\$ 50.0000						\$ -	\$ 2.5000	\$ (2.6145)		\$ 49.8855
2,500 to 24,999 MCF/Yr					\$ 77.0000						\$ -	\$ 3.8500	\$ (4.0263)		\$ 76.8237
Capacity	\$ 0.4062	\$ 0.4027													\$ 0.8089
Price to Compare - PTC	\$ 0.6726		\$ (0.0112)	\$ 3.0009				\$ 0.0269		\$ 0.1055					\$ 3.7947
Delivery Charge					\$ 2.1904						\$ -	\$ 0.1161	\$ (0.1145)		\$ 2.1920
State Tax Surcharge						\$ (0.0050)									\$ (0.0050)
Total per MCF	\$ 1.0788						\$ 0.0269								\$ 6.7906

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: _____

	Rider B - Gas Cost Charges				Base Rate Charges (5)	Rider A STAS (6)	Rider E MFC (7)	Rider Supplier Choice (8)	Rider F USR (8)	Rider G GPC (9)	Rider H Rate Credit (10)	Rider K DSIC Charge (11)	Rider TCJA (12)	Total Rate (13=SUM 1 to 12)
	Capacity (1)	AVC Capacity (2)	GCA (3)	Commodity (4)										
Industrial MGS						-0.23%						5.00%	-5.2290%	
Customer Charge														
1,000 to 2,499 MCF/Yr					\$ 50.0000						\$ -	\$ 2.5000	\$ (2.6145)	\$ 49.8855
2,500 to 24,999 MCF/Yr					\$ 77.0000						\$ -	\$ 3.8500	\$ (4.0263)	\$ 76.8237
Capacity	\$ 0.4062	\$ 0.4027												\$ 0.8089
Price to Compare - PTC	\$ 0.6726		\$ (0.0112)	\$ 3.0009		\$ 0.0269			\$ 0.1055					\$ 3.7947
Delivery Charge					\$ 1.5243						\$ -	\$ 0.0828	\$ (0.0797)	\$ 1.5274
State Tax Surcharge						\$ (0.0035)								\$ (0.0035)
Total per MCF	\$ 1.0788					\$ 0.0269								\$ 6.1275
Commercial LGS														
Customer Charge														
25,000 to 49,999 MCF/Yr					\$ 443.0000						\$ -	\$ 22.1500	\$ (23.1645)	\$ 441.9855
50,000 to 99,999 MCF/Yr					\$ 545.0000						\$ -	\$ 27.2500	\$ (28.4981)	\$ 543.7520
100,000 to 199,999 MCF/Yr					\$ 793.0000						\$ -	\$ 39.6500	\$ (41.4660)	\$ 791.1840
Over 200,000 MCF/Yr					\$ 1,215.0000						\$ -	\$ 60.7500	\$ (63.5324)	\$ 1,212.2177
Capacity	\$ 0.0886	\$ 0.1890												\$ 0.2776
Price to Compare - PTC	\$ 0.9902		\$ (0.0112)	\$ 3.0009		\$ 0.0269			\$ 0.1055					\$ 4.1123
Delivery Charge					\$ 2.3913						\$ -	\$ 0.1262	\$ (0.1250)	\$ 2.3924
State Tax Surcharge						\$ (0.0055)								\$ (0.0055)
Total per MCF	\$ 1.0788					\$ 0.0269								\$ 6.7768
Industrial LGS														
Customer Charge														
25,000 to 49,999 MCF/Yr					\$ 443.0000						\$ -	\$ 22.1500	\$ (23.1645)	\$ 441.9855
50,000 to 99,999 MCF/Yr					\$ 545.0000						\$ -	\$ 27.2500	\$ (28.4981)	\$ 543.7520
100,000 to 199,999 MCF/Yr					\$ 1,144.0000						\$ -	\$ 57.2000	\$ (59.8198)	\$ 1,141.3802
Over 200,000 MCF/Yr					\$ 2,009.0000						\$ -	\$ 100.4500	\$ (105.0506)	\$ 2,004.3994
Capacity	\$ 0.0886	\$ 0.1890												\$ 0.2776
Price to Compare - PTC	\$ 0.9902		\$ (0.0112)	\$ 3.0009		\$ 0.0269			\$ 0.1055					\$ 4.1123
Delivery Charge					\$ 1.7553						\$ -	\$ 0.0944	\$ (0.0918)	\$ 1.7579
State Tax Surcharge						\$ (0.0040)								\$ (0.0040)
Total per MCF	\$ 1.0788					\$ 0.0269								\$ 6.1438

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. TO GAS—PA PUC NO. 45

REVISOR PAGE NO. 4

CANCELLING _____ REVISED PAGE NO. 4

	Base Rate Charges	Rider A STAS	Rider E MFC	Rider F USR	Rider B Capacity AVC Capacity		BB&A	Rider Supplier Choice	Rider H Rate Credit	Rider K DSIC Charge	Rider TCJA	Total Rate (12=SUM 1 to 11)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12=SUM 1 to 11)
Rate GS-T Residential		-0.23%								5.00%	-5.2290%	
Customer Charge	\$ 13.9500							\$ 0.0115	\$ -	\$ 0.6975	\$ (0.7294)	\$ 13.9296
Capacity			\$ 0.0280		\$ 1.0788	\$ 0.6131						\$ 1.7199
Delivery Charge	\$ 3.1330			\$ 0.5479					\$ -	\$ 0.1854	\$ (0.1638)	\$ 3.7025
State Tax Surcharge		\$ (0.0072)										\$ (0.0072)
Total per MCF												\$ 5.4152
Rate GS-T Commercial SGS												
Customer Charge												
0 to 499 MCF/Yr	\$ 14.8800							\$ 0.0115	\$ -	\$ 0.7440	\$ (0.7781)	\$ 14.8574
500 to 999 MCF/Yr	\$ 27.0000							\$ 0.0115	\$ -	\$ 1.3500	\$ (1.4118)	\$ 26.9497
1/ Capacity/BB&A					\$ 0.6040	\$ 0.4062				\$ -		\$ 1.0102
Delivery Charge	\$ 2.1939									\$ 0.1097	\$ (0.1147)	\$ 2.1889
State Tax Surcharge		\$ (0.0050)										\$ (0.0050)
Total per MCF												\$ 3.1940
Rate GS-T Industrial SGS												
Customer Charge												
0 to 499 MCF/Yr	\$ 20.0000							\$ 0.0115	\$ -	\$ 1.0000	\$ (1.0458)	\$ 19.9657
500 to 999 MCF/Yr	\$ 27.0000							\$ 0.0115	\$ -	\$ 1.3500	\$ (1.4118)	\$ 26.9497
1/ Capacity/BB&A					\$ 0.6040	\$ 0.4062						\$ 1.0102
Delivery Charge	\$ 1.7623									\$ 0.0881	\$ (0.0922)	\$ 1.7583
State Tax Surcharge		\$ (0.0041)										\$ (0.0041)
Total per MCF												\$ 2.7644
Rate GS-T Commercial MGS												
Customer Charge												
1,000 to 2,499 MCF/Yr	\$ 50.0000							\$ -	\$ -	\$ 2.5000	\$ (2.6145)	\$ 49.8855
2,500 to 24,999 MCF/Yr	\$ 77.0000							\$ -	\$ -	\$ 3.8500	\$ (4.0263)	\$ 76.8237
1/ Capacity/BB&A					\$ 0.4027	\$ 0.4062						\$ 0.8089
Delivery Charge	\$ 2.1904								\$ -	\$ 0.1095	\$ (0.1145)	\$ 2.1854
State Tax Surcharge		\$ (0.0050)										\$ (0.0050)
Total per MCF												\$ 2.9892

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

ISSUED: _____

EFFECTIVE: _____

PEOPLES NATURAL GAS COMPANY, LLC

SUPPLEMENT NO. TO GAS—PA PUC NO. 45

REVISÉ PAGE NO. 4A

CANCELLING _____ REVISÉ PAGE NO. 4A

	Base Rate Charges	Rider A STAS	Rider E MFC	Rider F USR	Rider B Capacity AVC Capacity		BB&A	Rider Supplier Choice	Rider H Rate Credit	Rider K DSIC Charge	Rider TCJA	Total Rate (12=SUM 1 to 11)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12=SUM 1 to 11)
Rate GS-T Industrial MGS		-0.23%								5.00%	-5.2290%	
Customer Charge												
1,000 to 2,499 MCF/Yr	\$ 50.0000								\$ -	\$ 2.5000	\$ (2.6145)	\$ 49.8855
2,500 to 24,999 MCF/Yr	\$ 77.0000								\$ -	\$ 3.8500	\$ (4.0263)	\$ 76.8237
1/ Capacity/BB&A					\$ 0.4027	\$ 0.4062						\$ 0.8089
Delivery Charge	\$ 1.5243								\$ -	\$ 0.0762	\$ (0.0797)	\$ 1.5208
State Tax Surcharge		\$ (0.0035)										\$ (0.0035)
Total per MCF												\$ 2.3262
Rate GS-T Commercial LGS												
Customer Charge												
25,000 to 49,999 MCF/Yr	\$ 443.0000								\$ -	\$ 22.1500	\$ (23.1645)	\$ 441.9855
50,000 to 99,999 MCF/Yr	\$ 545.0000								\$ -	\$ 27.2500	\$ (28.4981)	\$ 543.7520
100,000 to 199,999 MCF/Yr	\$ 793.0000								\$ -	\$ 39.6500	\$ (41.4660)	\$ 791.1840
Over 200,000 MCF/Yr	\$ 1,215.0000								\$ -	\$ 60.7500	\$ (63.5324)	\$ 1,212.2177
1/ Capacity/BB&A					\$ 0.1890	\$ 0.0886						\$ 0.2776
Delivery Charge	\$ 2.3913								\$ -	\$ 0.1196	\$ (0.1250)	\$ 2.3858
State Tax Surcharge		\$ (0.0055)										\$ (0.0055)
Total per MCF												\$ 2.6579
Rate GS-T Industrial LGS												
Customer Charge												
25,000 to 49,999 MCF/Yr	\$ 443.0000								\$ -	\$ 22.1500	\$ (23.1645)	\$ 441.9855
50,000 to 99,999 MCF/Yr	\$ 545.0000								\$ -	\$ 27.2500	\$ (28.4981)	\$ 543.7520
100,000 to 199,999 MCF/Yr	\$ 1,144.0000								\$ -	\$ 57.2000	\$ (59.8198)	\$ 1,141.3802
Over 200,000 MCF/Yr	\$ 2,009.0000								\$ -	\$ 100.4500	\$ (105.0506)	\$ 2,004.3994
1/ Capacity/BB&A					\$ 0.1890	\$ 0.0886						\$ 0.2776
Delivery Charge	\$ 1.7553								\$ -	\$ 0.0878	\$ (0.0918)	\$ 1.7513
State Tax Surcharge		\$ (0.0040)										\$ (0.0040)
Total per MCF												\$ 2.0248

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)**

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

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

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

- (9) Unless otherwise agreed under paragraph (17) below, the Company will arrange its utilization of available capacity by endeavoring to fairly accommodate, to the extent practicable, the interests of its retail and transportation ratepayers.
- a. Available System Capacity for Transportation Service: Capacity for the transportation of ratepayer-owned gas is available on the Company's system to the same extent as capacity is available for the general system supplies that the Company acquires for its retail ratepayers, except where operational constraints may require otherwise. Those operational constraints can include the safety of persons or property and the displacement of locally produced or purchased retail gas supplies.
 - b. Actual Unavailability of or Restrictions on Capacity: In the event that capacity on the Company's system either is unavailable for the transportation of ratepayer-owned gas or is available but restricted, the Company will provide its transportation ratepayer or the ratepayer's designated representative with a written explanation of why capacity is unavailable or restricted and the steps examined by the Company to alleviate the unavailability or restriction. Where capacity is restricted, the Company will allocate capacity to its transportation ratepayers without regard to the sources of the ratepayers' natural gas supplies.
 - c. Anticipated Unavailability of or Restrictions on Capacity: Whenever the Company anticipates that an extraordinary activity or occurrence will make capacity either unavailable or available but restricted, the Company will provide written notice to Pennsylvania producers, as early as possible, of the specific portions of the Company's system on which capacity may be unavailable or available but restricted and of the length of time that the unavailability or restriction likely will last.
- (10) As soon as practical after the ratepayer learns of any disruption or interruption in its supply of gas, the ratepayer shall notify the Company.
- (11) The measurements at the point of receipt and delivery shall be the responsibility of the Company. All quantities of gas received, transported, and delivered shall be expressed in terms of "Mcf." A ratepayer's gas received by the Company in Btus will be converted to Mcf using the current applicable conversion factor as determined annually in the Company's 1307(f) proceeding.
- (12) The Company shall retain 5.2 percent of the total volume of gas received into its system on behalf of all (D) ratepayers as gas used in Company operations and for unaccounted-for gas under Transportation Agreements that have been or are entered into pursuant to this rate, except in the following circumstances, where the Company may exercise its discretion to waive retainage in conjunction with a positive cost/benefit analysis:

RATE GS-T
GENERAL SERVICE - TRANSPORTATION

RULES AND DELIVERY TERMS (Continued)

A balancing charge will be assessed against each Mcf of gas transported at \$0.4062 per Mcf for small and (l) medium general service ratepayers and \$0.0886 per Mcf for large general service ratepayers. This rate will be (l) recalculated in each of the Company's annual 1307(f) gas cost proceedings.

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

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

RATE GS-SB
GENERAL SERVICE - STANDBY

AVAILABILITY

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

RULES AND DELIVERY TERMS

Priority-One Transportation Ratepayers

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

Non-Priority-One Transportation Ratepayers

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

Back-up Standby Service

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

RATE TABLE

Capacity Charges Applicable under the Rate Schedule:

RS Capacity Charge per Mcf	\$1.0788 (l)
SGS Capacity Charge per Mcf	\$1.0788 (l)
MGS Capacity Charge per Mcf	\$1.0788 (l)
LGS Capacity Charge per Mcf	\$1.0788 (l)

Standby Charges for Priority One Transportation Ratepayers

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

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

$$\begin{aligned} \text{Demand} &= \frac{\text{DC} - \text{B} - \text{R}}{\text{S} + \text{P1AC} + \text{SBC}} && \text{(C)} \\ \text{Commodity} &= \frac{\text{CC}}{\text{S} + \text{SBR}} && \text{(C)} \\ \text{Over/Under Collection} &= \frac{\text{E} + \text{DOU}}{\text{S} + \text{SBR}} && \text{(C)} \end{aligned}$$

(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	\$1.0788 (I)	(\$0.0112) (I)	\$3.0009 (D)	\$0.6131 (D)
Rate SGS	\$1.0788 (I)	(\$0.0112) (I)	\$3.0009 (D)	\$0.6040 (I)
Rate MGS	\$1.0788 (I)	(\$0.0112) (I)	\$3.0009 (D)	\$0.4027 (I)
Rate LGS	\$1.0788 (I)	(\$0.0112) (I)	\$3.0009 (D)	\$0.1890 (D)

TRANSPORTATION P1 Rate Schedule	Capacity Charge	AVC Capacity Charge 1/
GS-T Residential	\$1.0788 (I)	\$0.6131 (D)
GS-T Commercial SGS	\$1.0788 (I)	\$0.6040 (I)
GS-T Commercial MGS	\$1.0788 (I)	\$0.4027 (I)
GS-T Commercial LGS	\$1.0788 (I)	\$0.1890 (D)

TRANSPORTATION NP1 Rate Schedule	AVC Capacity Charge 1/
GS-T Commercial SGS	\$0.6040 (I)
GS-T Industrial SGS	\$0.6040 (I)
GS-T Commercial MGS	\$0.4027 (I)
GS-T Industrial MGS	\$0.4027 (I)
GS-T Commercial LGS	\$0.1890 (D)
GS-T Industrial LGS	\$0.1890 (D)

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

(continued)

ISSUED: _____

EFFECTIVE: _____

RIDER B

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

"AVC"	The projected capacity costs associated with the Allegheny Valley Connector Interstate Pipeline System.
"DC":	The projected demand or capacity cost of purchased gas.
"CC":	The projected commodity cost of purchased gas.
"DOU"	Experienced net overcollection or undercollection of the demand or capacity cost of purchased gas, including any interstate pipeline refunds of demand costs. Any changes in demand costs will be reflected in this calculation. ¹
"E":	Experienced net overcollection or undercollection of the commodity cost of purchased gas ¹ .
"S":	Projected retail sales in Mcf during the application period.
"NP1"	Projected volumes in Mcf for NP-1 transportation ratepayers and any ratepayer served by a NP-1 Supplier.
"P1AC"	Projected volumes in Mcf for P-1 transportation ratepayers who are assigned capacity.
"SBC":	Projected contracted standby volumes in Mcf by NP-1 transportation ratepayers.
"SBR":	Projected retail commodity standby volumes in Mcf.
"R":	Shared (savings) or costs for demand charge recovery from the capacity-release program.
"B":	Balancing recovery.

(C)

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

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

FILING WITH THE COMMISSION

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

REPORTING REQUIREMENTS

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

¹Interest will be applied in accordance with the applicable law.

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 MCF 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	\$0.0280	(I)
Gas Cost Adjustment Charge per Mcf	(\$0.0003)	(I)
Commodity Charge per Mcf	\$0.0779	(D)
Total MFC per Mcf	\$0.1056	(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	\$0.0072	(I)
Gas Cost Adjustment Charge per Mcf	(\$0.0001)	(I)
Commodity Charge per Mcf	\$0.0198	(D)
Total MFC per Mcf	\$0.0269	(D)

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)-2019 Gas Cost Filing

ISSUED: _____

EFFECTIVE: _____

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

LIST OF CHANGES MADE BY THIS TARIFF SUPPLEMENT

	<u>Current</u>	<u>Proposed</u>	<u>Increase (Decrease)</u>
Rate RS			
Natural Gas Supply Charge	\$ 4.8818	\$ 4.0797	\$ (0.8021)
Natural Gas Delivery Charge	\$ 3.1315	\$ 3.1575	\$ 0.0260
Rate GSS			
Natural Gas Supply Charge	\$ 4.8818	\$ 4.0797	\$ (0.8021)
Natural Gas Delivery Charge	\$ 2.5538	\$ 2.5798	\$ 0.0260
Rate GSL			
Natural Gas Supply Charge	\$ 4.8818	\$ 4.0797	\$ (0.8021)
Natural Gas Delivery Charge	\$ 2.4578	\$ 2.4838	\$ 0.0260
Rate FDS			
Capacity and Balancing Charge	\$ 0.9953	\$ 1.0788	\$ 0.0835
Rate GDS & Rate DDS			
Balancing Charge Annual Throughput < 25,000	\$ 0.3848	\$ 0.4062	\$ 0.0214
Balancing Charge Annual Throughput > 25,000	\$ 0.0812	\$ 0.0886	\$ 0.0074
Rider A - Purchased Gas Cost			
Current PGC	\$ 4.8446	\$ 4.0685	\$ (0.7761)
C factor	\$ 4.8818	\$ 4.0797	\$ (0.8021)
E factor	\$ (0.0372)	\$ (0.0112)	\$ 0.0260
AVC Capacity Charge			
Rate RS and Rate FDS	\$ 0.6225	\$ 0.6131	\$ (0.0094)
Rate GSS and Rate GDS (0 to 999 Mcf/yr)	\$ 0.5745	\$ 0.6040	\$ 0.0295
Rate GSL and Rate GDS (1,000 to 24,999 Mcf/yr)	\$ 0.3750	\$ 0.4027	\$ 0.0277
Rate GSL and Rate GDS (greater than 25,000 Mcf/yr)	\$ 0.2151	\$ 0.1890	\$ (0.0261)
Rider F - Merchant Function Charge			
Rate RS	\$ 0.1257	\$ 0.1056	\$ (0.0201)
Rate GSS and Rate GSL	\$ 0.0321	\$ 0.0269	\$ (0.0052)
Shrinkage	6.6%	5.2%	-1.4%

PEOPLES NATURAL GAS COMPANY, LLC
EQUITABLE DIVISION

SUPPLEMENT NO. TO GAS—PA PUC NO. 46
REVISOR _____ REVISED PAGE NO. 2A
CANCELING _____ REVISED PAGE NO. 2A

	Rider A - Gas Cost Charges				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)	Rider TCJA (12)	Total Rate (13=SUM 1 to 12)
	Capacity (1)	AVC Capacity (2)	GCA (3)	Commodity (4)									
Residential Sales						-0.96%					5.00%	-7.4932%	
Customer Charge					\$ 13.2500					\$ 0.0001	\$ 0.6625	\$ (0.9928)	\$ 12.9198
Capacity	\$ 1.0788	\$ 0.6131					\$ 0.0280						\$ 1.7199
Price to Compare - PTC			\$ (0.0112)	\$ 3.0009			\$ 0.0776	\$ 0.1055					\$ 3.1728
Delivery Charge					\$ 3.1687		\$ 0.2904				\$ 0.1835	\$ (0.2374)	\$ 3.4052
State Tax Surcharge						\$ (0.0304)							\$ (0.0304)
Total per MCF							\$ 0.1056						\$ 8.2675
General Service Small - Sales													
Customer Charge													
< 500 MCF/Yr					\$ 17.0000					\$ 0.0001	\$ 0.8500	\$ (1.2738)	\$ 16.5763
500 to 1,000 MCF/Yr					\$ 28.0000					\$ 0.0001	\$ 1.4000	\$ (2.0981)	\$ 27.3020
1/ Capacity	\$ 0.4062	\$ 0.6040											\$ 1.0102
Price to Compare - PTC	\$ 0.6726		\$ (0.0112)	\$ 3.0009			\$ 0.0269	\$ 0.1055					\$ 3.7947
Delivery Charge					\$ 2.5910						\$ 0.1362	\$ (0.1941)	\$ 2.5330
State Tax Surcharge						\$ (0.0249)							\$ (0.0249)
Total per MCF	\$ 1.0788												\$ 7.3130
General Service Large - Sales													
Customer Charge													
1,001 to 4,999 MCF/Yr					\$ 150.0000						\$ 7.5000	\$ (11.2400)	\$ 146.2602
5,000 to 25,000 MCF/Yr					\$ 300.0000						\$ 15.0000	\$ (22.4800)	\$ 292.5204
1/ Capacity	\$ 0.4062	\$ 0.4027											\$ 0.8089
Price to Compare - PTC	\$ 0.6726		\$ (0.0112)	\$ 3.0009			\$ 0.0269	\$ 0.1055					\$ 3.7947
Delivery Charge					\$ 2.4950						\$ 0.1314	\$ (0.1870)	\$ 2.4394
State Tax Surcharge						\$ (0.0240)							\$ (0.0240)
Total per MCF	\$ 1.0788												\$ 7.0191
General Service Large - Sales													
> 25,000 MCF/Yr					\$ 1,600.0000						\$ 80.0000	\$ (119.8910)	\$ 1,560.1088
1/ Capacity	\$ 0.0886	\$ 0.1890											\$ 0.2776
Price to Compare - PTC	\$ 0.9902		\$ (0.0112)	\$ 3.0009			\$ 0.0269	\$ 0.1055					\$ 4.1123
Delivery Charge					\$ 2.4950						\$ 0.1314	\$ (0.1870)	\$ 2.4394
State Tax Surcharge						\$ (0.0240)							\$ (0.0240)
Total per MCF	\$ 1.0788												\$ 6.8054

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
EQUITABLE DIVISION

SUPPLEMENT NO. TO GAS—PA PUC NO. 46
REVISOR: _____ REVISED PAGE NO. 2B
CANCELING _____ REVISED PAGE NO. 2B

	Base Rate Charges (1)	Capacity Charge (2)	AVC Charge (3)	Balancing Charge (4)	Rider F MFC (5)	Rider D USR (6)	Rider A Capacity (7)	Rider STAS (8)	Rider- Supplier Choice (9)	Rider E DSIC Charge (10)	Rider TCJA (11)	Total Rate (12=SUM 1 to 11)
Residential - Transport								-0.96%		5.00%	-7.4932%	
Customer Charge	\$ 13.2500							\$ 0.0001	\$ 0.6625	\$ (0.9928)		\$ 12.9198
Capacity		\$ 1.0788	\$ 0.6131		\$ 0.0280							\$ 1.7199
Delivery Charge	\$ 3.1687					\$ 0.2904				\$ 0.1744	\$ (0.2374)	\$ 3.3960
State Tax Surcharge								\$ (0.0304)				\$ (0.0304)
Total per MCF												\$ 5.0855
General Service Small - Transport												
Customer Charge												
< 500 MCF/Yr	\$ 17.0000							\$ 0.0001	\$ 0.8500	\$ (1.2738)		\$ 16.5763
500 to 1,000 MCF/Yr	\$ 28.0000							\$ 0.0001	\$ 1.4000	\$ (2.0981)		\$ 27.3020
1/ Capacity/BB&A			\$ 0.6040	\$ 0.4062								\$ 1.0102
Delivery Charge	\$ 2.5910									\$ 0.1296	\$ (0.1941)	\$ 2.5264
State Tax Surcharge								\$ (0.0249)				\$ (0.0249)
Total per MCF												\$ 3.5117
General Service Large - Transport												
Customer Charge												
1,001 to 4,999 MCF/Yr	\$ 150.0000								\$ 7.5000	\$ (11.2398)		\$ 146.2602
5,000 to 25,000 MCF/Yr	\$ 300.0000								\$ 15.0000	\$ (22.4796)		\$ 292.5204
1/ Capacity/BB&A			\$ 0.4027	\$ 0.4062								\$ 0.8089
Delivery Charge	\$ 2.4950									\$ 0.1248	\$ (0.1870)	\$ 2.4328
State Tax Surcharge								\$ (0.0240)				\$ (0.0240)
Total per MCF												\$ 3.2177
General Service Large - Transport												
Customer Charge												
> 25,000 MCF/Yr	\$ 1,600.0000								\$ 80.0000	\$ (119.8912)		\$ 1,560.1088
1/ Capacity/BB&A			\$ 0.1890	\$ 0.0886								\$ 0.2776
Delivery Charge	\$ 2.4950								\$ 0.1248	\$ (0.1870)		\$ 2.4328
State Tax Surcharge								\$ (0.0240)				\$ (0.0240)
Total per MCF												\$ 2.6864

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

ISSUED: _____

EFFECTIVE: _____

RULES AND REGULATIONS - (Continued)

11.4 Shrinkage

The Company's retention allowance for delivery service shrinkage is 5.2 (D) percent of the total volume delivered into its system. The Company reserves the right to discount shrinkage at the Company's discretion.

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

11.5 Quality of Gas

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

11.6 Obligation To Serve

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

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

11.7 Company Agency

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

(D) Indicates Decrease.

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:	\$4.0797 per Mcf	(D)
Natural Gas Delivery Charge:	\$3.1575 per Mcf	(I)

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.

(I) Indicates Increase.

RATE GSS - GENERAL SERVICE SMALL

APPLICABILITY

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

AVAILABILITY

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

RATE

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

Monthly Service Charge:		
Annual Throughput < 500	\$17.00	per meter
Annual Throughput 500 - 1,000	\$28.00	per meter
Natural Gas Supply Charge:	\$4.0797	per Mcf (D)
Natural Gas Delivery Charge:	\$2.5798	per Mcf (I)

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.
 (I) Indicates Increase.

RATE GSL - GENERAL SERVICE LARGE

APPLICABILITY

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

AVAILABILITY

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

RATE

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

Monthly Service Charge:

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

Natural Gas Supply Charge: \$4.0797 per Mcf (D)

Natural Gas Delivery Charge: \$2.4838 per Mcf (I)

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.

(I) Indicates Increase.

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):	\$ 1.0788 per Mcf	(I)
------------------------------------	-------------------	-----

MINIMUM CHARGE

The minimum monthly payment shall be the Monthly Service charge.

(I) Indicates Increase.

PEOPLES NATURAL GAS COMPANY LLC

SUPPLEMENT NO.

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

REVISED PAGE NO. 53

CANCELING REVISED PAGE NO. 53

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	\$0.4062 per Mcf	(I)
Annual Throughput > 25,000	\$0.0886 per Mcf	(I)

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	\$0.4062 per Mcf	(I)
Annual Throughput > 25,000	\$0.0886 per Mcf	(I)

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

Distribution System Improvement Charge Rider E

SPECIAL PROVISIONS

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

BALANCING PROVISIONS

Daily Balancing

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

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

(I) Indicates Increase.

RIDER A - (Continued)

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

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

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

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

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

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

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

"The Current PGC" -- is \$4.0685 per Mcf, comprised of a C factor of \$4.0797 (D), (D) and an E factor of (\$0.0112). These rates do not include AVC Capacity (I) 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%	\$0.6131 (D)
Rate GSS and Rate GDS (0 to 999 Mcf/yr)	11.94%	\$0.6040 (I)
Rate GSL and Rate GDS (1,000 to 24,999 Mcf/yr)	12.99%	\$0.4027 (I)
Rate GSL and Rate GDS (greater than 25,000 Mcf/yr)	8.82%	\$0.1890 (D)

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

Annual Reconciliation

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

Discounted Rate Customers

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

(D) Indicates Decrease.

(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	\$0.0280	(I)
Gas Cost Adjustment Charge per Mcf	(\$0.0003)	(I)
Commodity Charge per Mcf	<u>\$0.0779</u>	(D)
Total MFC per Mcf	\$0.1056	(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	\$0.0072	(I)
Gas Cost Adjustment Charge per Mcf	(\$0.0001)	(I)
Commodity Charge per Mcf	<u>\$0.0198</u>	(D)
Total MFC per Mcf	\$0.0269	(D)

(I) Indicates Increase.

(D) Indicates Decrease.

APPENDIX “B”

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos.	R-2019-3007612
Office of Consumer Advocate	:		C-2019-3008565
Office of Small Business Advocate	:		C-2019-3008753
	:		
v.	:		
	:		
Peoples Natural Gas Company LLC	:		
	:		
Pennsylvania Public Utility Commission	:	Docket Nos.	R-2019-3007617
Office of Consumer Advocate	:		C-2019-3008564
Office of Small Business Advocate	:		C-2019-3008752
	:		
v.	:		
	:		
Peoples Natural Gas Company LLC –	:		
Equitable Division	:		

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

I. INTRODUCTION

Peoples Natural Gas Company LLC (“PNG” or the “Company”), acting on behalf of its Peoples Division (“PNG-Peoples”) and Equitable Division (“PNG-Equitable”), hereby files this Statement in Support of the Joint Petition for Settlement (“Settlement”) entered into by PNG, the Bureau of Investigation & Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), the Office of Consumer Advocate (“OCA”), and the Office of Small Business Advocate (“OSBA”) (collectively, “Joint Petitioners”)¹ in the above-captioned Purchased Gas Cost (“PGC”) proceeding. PNG respectfully requests that Administrative Law Judge Katrina L.

¹ The Pennsylvania Independent Oil and Gas Association (“PIOGA”) is the only other party in this proceeding and, as noted in the Joint Petition for Settlement, does not oppose the Settlement.

Dunderdale (the “ALJ”) recommend approval of, and the Commission approve, the Settlement, including the terms and conditions thereof, without modification.

The Settlement, if approved, will resolve all of the issues raised by the Joint Petitioners in this proceeding, including whether PNG’s historic natural gas costs were incurred and projected natural gas costs will be incurred under a least cost fuel procurement policy. The Settlement provides benefits to customers and is in the public interest. Thus, it should be approved without modification.

The Settlement was achieved only after a comprehensive investigation of PNG’s natural gas procurement policies and operations. In addition to a comprehensive filing, PNG responded to numerous formal discovery requests (many of which had multiple subparts). In support of their positions, PNG and OCA served testimony and accompanying exhibits, which were subsequently admitted into the record at the evidentiary hearing held on June 6, 2019. The Joint Petitioners participated in numerous settlement discussions and formal negotiations, which ultimately led to the Settlement.

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

For these reasons and the reasons set forth below, the Settlement is just and reasonable, and PNG’s 2019 1307(f) filings for PNG-Peoples and PNG-Equitable, as modified by the Settlement, should be approved.

II. COMMISSION POLICY FAVORS SETTLEMENT

Commission policy promotes settlements. *See* 52 Pa. Code § 5.231(a). Settlements reduce the time and expense that the parties must expend litigating a case and, at the same time, conserve administrative resources. The Commission has stated that settlement results are often preferable to those achieved at the conclusion of a fully-litigated proceeding. *See* 52 Pa. Code § 69.401. To accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. PUC v. York Water Co.*, Docket No. R-00049165 (Order Entered Oct. 4, 2004); *Pa. PUC v. C.S. Water and Sewer Assocs.*, 74 Pa. P.U.C. 767 (1991). As explained herein, the terms of the Settlement are in the public interest and should be adopted without modification.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

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

A. PGC RATES

Under the Settlement, the Joint Petitioners have agreed that the proposed rates and other requested approvals contained in the Company's PGC filing should be approved, except to the extent that they are modified by the Settlement. (Settlement ¶ 34.) Further, the proposed rates will be updated in the Company's compliance filing to reflect updated actual and projected over/undercollections through September 30, 2019. (Settlement ¶ 35.) Finally, the Joint Petitioners have agreed 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)-2019 definitive filing. (Settlement ¶ 36.)

The PGC and balancing rates that PNG proposes to place into effect on October 1, 2019, are supported by record evidence. PNG explained in detail the development of the natural gas supply rates utilizing cost projections, sales projections, and the reconciliation process. PNG's testimony provides full support for the rates and their underlying calculations. (*See* Peoples Natural Gas Statement No. 3; Peoples Natural Gas Statement No. 3-R.) Accordingly, these settlement provisions concerning PNG's proposed PGC and balancing rates are just and reasonable and should be approved without modification.

B. RETAINAGE AND LOST AND UNACCOUNTED FOR GAS

1. Retainage Rate

In this proceeding, PNG recommended decreasing the tariffed retainage rate from 6.6% to 5.2% for all non-discounted transportation customers. (Peoples Natural Gas Statement No. 3, pp. 3-4; Peoples Natural Gas Exhibit No. 4; Peoples Natural Gas Exhibit No. 6.) The proposed retainage rate was calculated based on the most recent three-year average for unaccounted for gas ("UFG") and company use ("CU"). (Peoples Natural Gas Statement No. 3, pp. 3-4; Peoples Natural Gas Exhibit No. 4.) This differed from prior 1307(f) proceedings, where PNG used a two-year average. (Peoples Natural Gas Statement No. 3, p. 3.) The Company made the change to a three-year average to have a consistent calculation across both PNG and Peoples Gas Company LLC ("Peoples Gas") and to help flatten out changes with respect to individual yearly UFG losses. (Peoples Natural Gas Statement No. 3, p. 3.) In moving from a two-year average to a three-year average, there was only a minimal difference in the overall UFG/CU percentage. (Peoples Natural Gas Statement No. 3, p. 3.)

OCA witness Mierzwa proposed a retainage rate of 5.3% for non-discounted transportation customers in his direct testimony. (OCA Statement No. 1, pp. 3, 7-8; OCA Schedule JDM-1.) To derive that proposed retainage rate, Mr. Mierzwa recommended that the

Company utilize a three-year average of actual UFG volumes rather than applying a three-year percentage average of UFG to its projected receipt volumes during the 2019 PGC period. (OCA Statement No. 1, pp. 6-8.) Mr. Mierzwa made this recommendation because, according to him, system losses and UFG “are not directly related to system receipts.” (OCA Statement No. 1, p. 7.)

In rebuttal, PNG disagreed with Mr. Mierzwa’s recommendation. (Peoples Natural Gas Statement No. 3-R, pp. 3-5.) Although Mr. Mierzwa attempted to eliminate volumes from the calculation, the proposed retainage rate is dependent on the volumes paying the maximum retainage rate. (Peoples Natural Gas Statement No. 3-R, p. 3.) PNG believes that it is improper to eliminate system throughput because throughput is integral to the UFG calculation. (Peoples Natural Gas Statement No. 3-R, pp. 3-4.) PNG is not aware of any gas utilities that make such an assumption. (Peoples Natural Gas Statement No. 3-R, p. 4.)

To attempt to address OCA’s concerns without eliminating throughput, PNG proposed a revised retainage rate calculation, which resulted in no change from the as-filed percentage of 5.2%. (Peoples Natural Gas Statement No. 3-R, p. 4; Peoples Natural Gas Exhibit No. 4-R.) As the Company explained, the customer throughput used in Peoples Natural Gas Exhibit No. 4, line 12, did not include all system throughputs found in line 5. (Peoples Natural Gas Statement No. 3-R, p. 4.) The additional throughputs include off system deliveries, exchanges with Peoples Gas, and storage turn. (Peoples Natural Gas Statement No. 3-R, p. 4.) PNG believes that the most appropriate way to address OCA’s concern regarding the retainage calculation is to account for all throughput volumes and any associated recoveries. (Peoples Natural Gas Statement No. 3-R, p. 4.) Accordingly, on Peoples Natural Gas Exhibit No. 4-R, the line 12 throughput was

adjusted to include those volumes and an additional recovery was inserted, matching these flows. (Peoples Natural Gas Statement No. 3-R, pp. 4-5.)

In surrebuttal, OCA witness Mierzwa stated that the Company's revisions "have adequately addressed [his] concern with respect to using a three-year percentage average of the recovery requirement to calculate the retainage charge." (OCA Statement No. 1S, p. 3.) Therefore, "the retainage charge of 5.2 percent presented on PNG Exhibit No. 4-R should be approved." (OCA Statement No. 1S, p. 3.)

Under the Settlement, the tariffed retainage rate for all rate classes shall be 5.2% effective October 1, 2019. (Settlement ¶ 25.) As a result, the Settlement is consistent with the Joint Petitioners' positions regarding the proposed retainage rate. Thus, the settlement provision is reasonable and in the public interest and should be approved without modification.

2. Producer Retainage Charge

The Company proposed to maintain its producer retainage charge at the level currently approved by the Commission for all conventional production, regardless of where it enters the system. (Peoples Natural Gas Statement No. 5, p. 7.) Specifically, producer retainage would remain at 2% for PNG-Peoples and continue to be negotiated at a minimum of 2% for PNG-Equitable. (Peoples Natural Gas Statement No. 5, p. 7.) The purpose of the producer retainage charge is to recover a portion of the gathering system losses from producers, who are the primary beneficiaries of the gathering system and, therefore, should contribute to the costs of the UFG. (Peoples Natural Gas Statement No. 5, p. 7.)

No party opposed the Company's proposal to continue its currently-effective producer retainage charges, and the Settlement expressly incorporates the Company's unopposed proposal. (Settlement ¶ 26.) Therefore, this settlement provision is reasonable and in the public interest and should be approved without modification.

C. BALANCING CHARGES

PNG's proposed balancing charges were set forth in Peoples Natural Gas Exhibit No. 12. (Peoples Natural Gas Statement No. 3, p. 18; Peoples Natural Gas Exhibit No. 12.) The balancing charges were derived based on the assets used to provide balancing services for PNG's transportation customers, which consist of Allegheny Valley Connector ("AVC") storage, non-AVC upstream pipeline storage that PNG currently has under contract, and on-system storage. (Peoples Natural Gas Statement No. 3, p. 17.)

In his direct testimony, OCA witness Mierzwa recommended that the Company's proposed balancing charges be adjusted to: (1) include on-system storage losses of 110,000 Mcf, with an annual cost of \$299,603; (2) include the overrun charges of \$133,237 experienced by the Company during historic review period; and (3) exclude 18,900 Mcf/day of daily deliverability associated with the Company's Dominion Energy Transmission, Inc. ("DETI") storage contract that does not provide service to the Company's city-gate. (OCA Statement No. 1, pp. 3, 10-12; OCA Schedule JDM-2.) Based on these adjustments, Mr. Mierzwa proposed increasing the Rate SGS/MGS balancing charge from \$0.4062/Mcf to \$0.4260/Mcf and increasing the Rate LGS balancing charge from \$0.0886/Mcf to \$0.0930/Mcf. (OCA Statement No. 1, pp. 11-12; OCA Schedule JDM-2.)

In rebuttal, the Company: (1) disagreed with including on-system storage losses; (2) agreed with including the historic period overrun charges; and (3) agreed with excluding the daily deliverability associated with the Company's DETI storage contract that does not provide service to the Company's city-gate, on the condition that on the associated costs of such storage (demand, capacity, injection/withdrawal and associated FTNN) from the balancing charge calculation be removed as well. (Peoples Natural Gas Statement No. 3-R, p. 2.)

PNG witness Caldro explained that OCA's proposal to include on-system storage losses should be rejected because gas purchased for on-system storage is not used by or for transportation customers. (Peoples Natural Gas Statement No. 3-R, p. 2.) Therefore, it is not appropriate to assign on-system storage losses to transportation customers. (Peoples Natural Gas Statement No. 3-R, p. 2.) The on-system storage deliverability is what satisfies transportation customers' balancing needs, not the on-system storage commodity. (Peoples Natural Gas Statement No. 3-R, p. 2.) Furthermore, PNG witness Caldro stated that in order to complete the removal of the 18,900 Mcf/day of upstream DETI daily deliverability as proposed by Mr. Mierzwa, the costs associated with the upstream DETI storage contract must be removed as well. (Peoples Natural Gas Statement No. 3-R, p. 3.) Indeed, if the upstream contract deliverability does not support balancing the system, then the associated costs should not be in the balancing charge. (Peoples Natural Gas Statement No. 3-R, p. 3.) The Company presented the revised balancing charge calculation in Peoples Natural Gas Exhibit No. 12-R. (Peoples Natural Gas Statement No. 3-R, p. 3.)

OCA witness Mierzwa maintained in surrebuttal that it is appropriate to include on-system storage losses in the balancing charge calculation. (OCA Statement No. 1S, pp. 1-2.) According to Mr. Mierzwa, "[i]f there was no gas in the Company's on-system storage facilities, there would be no deliverability available from on-system storage to meet transportation customer balancing requirements." (OCA Statement No. 1S, p. 2.) Mr. Mierzwa also disagreed with removing the costs associated with the upstream DETI storage contract. (OCA Statement No. 1S, p. 2.) As alleged support, Mr. Mierzwa contended that the 18,900 Mcf/day of deliverability provided by the DETI storage contract supports the Company's upstream balancing requirements. (OCA Statement No. 1S, p. 2.)

Under the Settlement, the Joint Petitioners agreed as a compromise that PNG's balancing charges for this proceeding will be calculated as set forth in the Company's Exhibit No. 12 included in the Annual filing made on April 1, 2019. (Settlement ¶ 27.) PNG presented substantial evidence in this proceeding in support of its originally-proposed balancing charges. Moreover, after reviewing all of the testimony submitted in this proceeding and as part of a broader compromise on all of the issues, the Joint Petitioners have agreed that the originally-proposed balancing charges should be adopted. Therefore, this settlement provision is reasonable and in the public interest and should be approved without modification.

D. INTEREST REFUND

PNG witness Caldoro explained in his direct testimony that the Company is refunding additional interest of \$468,304 associated with a prior period adjustment in the October 2016 quarterly filing. (Peoples Natural Gas Statement No. 3, p. 14.) During the most recent Commission audit of PNG's purchased gas costs for the years ended January 31, 2015 and 2016, the audit staff reviewed how the Company calculated interest associated with that prior period adjustment, and the Company agreed that additional interest was due to its ratepayers. (Peoples Natural Gas Statement No. 3, p. 14.) Although PNG did not agree with the audit staff on how much the additional interest should be, the Company calculated what it believes to be the correct amount of additional interest associated with the prior period adjustment. (Peoples Natural Gas Statement No. 3, p. 14.) That calculation was included as page 16 of Peoples Natural Gas Exhibit No. 10. (Peoples Natural Gas Statement No. 3, p. 14.)

No parties opposed PNG refunding the additional interest of \$468,304 to ratepayers, and the Settlement memorializes this unopposed refund. (Settlement ¶ 28.) The settlement provision is reasonable and in the public interest and should be approved without modification, as it refunds additional interest to ratepayers. PNG notes that the contested issues between PNG

and the Bureau of Audits will be addressed in the complaint proceeding at Docket Nos. M-2019-3008275, *et al.*

E. CAPACITY AND COMMODITY CHARGES

In its direct testimony, PNG stated that it currently includes capacity charge over/under collections along with commodity charge over/under collections in its Gas Cost Adjustment Charge (“GCA”) and recovers the GCA from sales customers. (Peoples Natural Gas Statement No. 3, p. 19.) When Priority-One ratepayers switch from sales to transportation service they continue to pay the capacity charge but do not pay the GCA. (Peoples Natural Gas Statement No. 3, pp. 19-20.) Thus, these switching customers do not share in the over/under collections of capacity charges. (Peoples Natural Gas Statement No. 3, p. 20.)

In its Audit Report, the Commission’s Audit Staff recommended that PNG separate its recovery of capacity charge and commodity charge over/under collections. Therefore, in this proceeding, PNG proposed to begin including capacity charge over/under collections with the capacity charge. (Peoples Natural Gas Statement No. 3, p. 20.) Beginning October 1, 2019, PNG will segregate the recovery of capacity charge and commodity charge over/under collections. (Peoples Natural Gas Statement No. 3, p. 20.) After one year of segregating these recoveries, PNG will begin including the capacity charge over/under collections with the projected capacity charge effective October 1, 2020. (Peoples Natural Gas Statement No. 3, p. 20.) The GCA will then be only for the recovery of commodity over/under collections. (Peoples Natural Gas Statement No. 3, p. 20.)

No party opposed the Company’s proposal to include capacity charge over/under collections with the capacity charge. The Settlement incorporates the Company’s unopposed proposal. For the reasons stated above, the settlement provision is reasonable and in the public interest.

F. RECOVERY OF ALLEGHENY VALLEY CONNECTOR (“AVC”) AUTHORIZED OVERRUN CHARGES

In the settlement in the 1307(f)-2015 proceeding, PNG agreed to remove \$1,005,000 of AVC authorized overrun charges from the historic period (12 months ended January 2015) commodity costs, and recover such costs from 1307(f) retail sales customers and from non-choice transportation customers through capacity charges for a one-year period beginning October 1, 2015. (Peoples Natural Gas Statement No. 3, p. 16.) In its October 1, 2015 rate filing, the Company adjusted the GCA by \$1,005,000 to remove the cost of the AVC authorized overrun from commodity costs pursuant to that settlement. (Peoples Natural Gas Statement No. 3, p. 16.) However, the Company erroneously did not include the \$1,005,000 cost in the capacity cost actuals. (Peoples Natural Gas Statement No. 3, p. 16.) This resulted in these costs not being recovered by PNG. (Peoples Natural Gas Statement No. 3, p. 16.) Accordingly, PNG proposed to recover the \$1,005,000 of AVC authorized overrun charges consistent with the settlement in the 1307(f)-2015 proceeding by including the costs in this proceeding.

No party opposed the Company’s proposal to recover the \$1,005,000 of AVC authorized overrun charges, and the Settlement adopts the Company’s proposal. (Settlement ¶ 30.) The settlement provision is reasonable and in the public interest because it allows PNG to recover previously authorized costs that were not recovered.

G. CALCULATION OF STORAGE COSTS USING WACOG

In its direct testimony, PNG explained that storage injections and withdrawals are calculated using the Weighted Average Commodity Cost of Gas (“WACOG”) methodology for the PNG-Equitale, whereas they are calculated using the Last-In-First-Out (“LIFO”) methodology for PNG-Peoples. (Peoples Natural Gas Statement No. 3, p. 12.) However, the Peoples Division filed a petition on February 8, 2019, proposing to switch from the LIFO

method to the WACOG method effective January 1, 2020. (Peoples Natural Gas Statement No. 3, pp. 12-13; Peoples Natural Gas Exhibit No. 15.) The timing of the switch for the purchased gas cost calculation coincides with the switch for storage inventory pricing as proposed in the Company's 2019 base rate case filed January 28, 2019 in Docket No. R-2018-3006818. (Peoples Natural Gas Statement No. 3, p. 12.) The LIFO to WACOG injection/withdrawal pricing switch can be seen on Peoples Natural Gas Exhibit No. 9, page 4 of 11. (Peoples Natural Gas Statement No. 3, p. 12; Peoples Natural Gas Exhibit No. 9.)

No party submitted testimony regarding PNG-Peoples's switch from LIFO to WACOG as its storage accounting methodology.

The Settlement states that PNG-Peoples received Commission approval to switch from the LIFO storage inventory gas accounting to WACOG storage inventory gas accounting. (Settlement ¶ 31.) The gas costs to be recovered effective January 1, 2020, include the storage costs calculated using the WACOG methodology. (Settlement ¶ 31.) This settlement provision recognizes the Commission-approved change in PNG-Peoples's storage accounting methodology.

H. TEXAS EASTERN TRANSMISSION LP (“TETCO”) ASSET MANAGEMENT AGREEMENT (“AMA”)

In October 2018, PNG solicited proposals for an AMA of its TETCO capacity for the period of November 2018 through October 2019. (Peoples Natural Gas Statement No. 2, pp. 49-50.) The request stipulated that the asset manager would provide supply to PNG with the same operational availability of capacity as if the Company retained control of the TETCO capacity. (Peoples Natural Gas Statement No. 2, p. 50.) Following the RFP, the AMA was awarded for the entire period at a rate payable to PNG of \$320,000 per month, or \$3,840,000 total for the term of the arrangement. (Peoples Natural Gas Statement No. 2, p. 50.) PNG's TETCO capacity

was then released at zero cost per month for the same period. (Peoples Natural Gas Statement No. 2, p. 50.) The AMA specifies that PNG may call on the capacity at specific points at monthly baseload or daily levels, or some combination. (Peoples Natural Gas Statement No. 2, p. 50.)

The release of this capacity benefits 1307(f) customers because they receive 75% of the proceeds from the release as a credit against the cost of the capacity. (Peoples Natural Gas Statement No. 2, p. 50.) Therefore, this credit will reduce the capacity charges that customers will pay by approximately \$2.88 million while maintaining the same level of service that has historically been available from this capacity. (Peoples Natural Gas Statement No. 2, p. 50.)

No parties submitted testimony concerning the Company's awarding of an AMA for its TETCO capacity.

Under the Settlement, the Joint Petitioners agree that PNG's awarding of an AMA of its TETCO capacity for the period of November 2018 through October 2019, as described in Peoples Natural Gas Statement No. 2, was reasonable and consistent with the least cost fuel procurement policy. (Settlement ¶ 32.) Given the benefits to PGC customers due to the release of the TETCO capacity, the settlement provision is reasonable and in the public interest and should be approved without modification.

I. SEPARATION OF RETAINAGE RATES

In last year's PGC proceeding, Commissioner Place asked the Company to provide the "[a]dministrative costs related to implementation of separate retention fuel charges for gathering and distribution versus combined billing as is done today on Equitable." (Peoples Natural Gas Statement No. 5, pp. 10-11.) As Ms. Petrichevich explained, this question refers to the administrative costs of applying separate gathering retainage charges to producers that deliver

into the distribution system versus the gathering system. (Peoples Natural Gas Statement No. 5, p. 11.)

In response to Commissioner Place's question, Ms. Petrichevich testified that applying the same retainage charge to producers regardless of whether they are delivering into the distribution system or gathering system does create some level of "administrative ease," but the administrative cost of implementing a different method for PNG-Peoples (assessing retainage only on conventional gas delivered into gathering pipelines) is not significant. (Peoples Natural Gas Statement No. 5, p. 11.) This is not a cost issue, but one of maintaining simplicity to the market and ensuring that producers contribute to the use of the pipeline systems. (Peoples Natural Gas Statement No. 5, p. 11.) Changing PNG-Peoples's practice to only assess retainage on gathering may incent producers to move production from the gathering system to the distribution system. (Peoples Natural Gas Statement No. 5, p. 11.) Given that conventional production volumes are declining, which is making the existing gathering system less efficient to operate, a shift of this nature would only serve to accelerate the eroding efficiency. (Peoples Natural Gas Statement No. 5, pp. 11-12.) Further, charging retainage only to deliveries to the gathering system and not to the distribution system also may incent producers to move their production to the distribution system and could create operational problems for customers since local production gas can contain water and impurities. (Peoples Natural Gas Statement No. 5, p. 12.)

OCA witness Mierzwa argued in his direct testimony that the Company should provide information related to adopting separate retainage rates for customers for the use of PNG's gathering and distribution systems in its next PGC proceeding. (OCA Statement No. 1, pp. 3, 8-9.) From Mr. Mierzwa's perspective, the third question from Commissioner Place's Statement in

last year's PGC proceeding concerned "whether separate retainage charges should be assessed to customers that procure their gas supplies from local producers that deliver gas into PNG's gathering system" and "customers that procure their gas supplies from interstate sources which are delivered directly into PNG's distribution system and do not require delivery by PNG's gathering system." (OCA Statement No. 1, p. 8.) Mr. Mierzwa believes that adopting separate gathering and distribution system retainage charges for customers "would more reasonably assign responsibility for losses to those customers that use the facilities that cause these losses." (OCA Statement No. 1, p. 9.)

In rebuttal testimony, PNG disagreed with Mr. Mierzwa's proposal and disputed his interpretation of Commissioner Place's Statement. (Peoples Natural Gas Statement No. 5-R, pp. 2-5.) In the last PGC case, the Company requested to implement a producer retainage charge on both Peoples Gas's system and PNG-Peoples's system that was consistent with the already approved application of producer retainage on PNG-Equitables's system. (Peoples Natural Gas Statement No. 5-R, p. 2.) Therefore, PNG believes Commissioner Place's Statement relates only to the application of the producer retainage charge, particularly given the context of his specific support for a retention charge on conventional gas producers. (Peoples Natural Gas Statement No. 5-R, p. 3.) Furthermore, Ms. Petrichevich explained that the "[s]eparate application of transportation retainage rates based on where the transportation customer's nominated gas supplies enter the system runs counter to the goals of administrative ease, fairness and cost causation." (Peoples Natural Gas Statement No. 5-R, pp. 4-5.)

In his surrebuttal testimony, Mr. Mierzwa continued to recommend that PNG be required to provide the information that he requested in the next PGC proceeding. (OCA Statement No. 1S, p. 6.)

The Settlement reflects a compromise of the parties' positions on this issue. Under the Settlement, with regard to whether separate retainage rates should be established for customers who acquire their gas through the gathering system, PNG agrees that if this issue is raised in the Company's 2020 PGC case, the Company will not object to providing information in discovery on the basis that the information should only be provided in a base rate proceeding. (Settlement ¶ 33.) The scope of such discovery requests is limited under the terms of the Settlement. (Settlement ¶ 33.) The Company will only be required to provide information that is readily available or calculable and will not be required to perform studies or unreasonable investigations. (Settlement ¶ 33.) The Company also retains all rights to oppose any proposal made by any party, including but not limited to whether a proposal is outside the scope of the 1307 (f) proceeding or is otherwise irrelevant. (Settlement ¶ 33.)

These settlement terms reflect a reasonable compromise of the parties' positions, by enabling parties to propound discovery related to the issue of separate retainage rates for customers in next year's PGC proceeding, while limiting the scope of such discovery and preserving the Company's rights to oppose any such proposal to institute separate retainage rates for customers. As a result, the settlement terms are reasonable and in the public interest and should be approved without modification.

IV. CONCLUSION

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

Based on the foregoing, and as set forth in Section V of the Joint Petition for Settlement, PNG, on behalf of PNG-Peoples and PNG-Equitable, respectfully requests that Your Honor and the Commission make all the findings required under 66 Pa. C.S. § 1318 with regard to its gas purchases and gas purchasing practices for the 12-month period ending January 31, 2019, find the rates proposed in the Joint Petition for Settlement to be just and reasonable, and approve the Joint Petition for Settlement without modification.

Respectfully submitted,



William H. Roberts II (ID # 54724)
Peoples Natural Gas Company LLC
375 North Shore Drive
Pittsburgh, PA 15212
Phone: 412-208-6527
Fax: 412-208-6834
E-mail: WilliamH.RobertsII@peoples-gas.com

Michael W. Gang (ID # 25670)
Anthony D. Kanagy (ID # 85522)
Devin T. Ryan (ID # 316602)
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, PA 17101-1601
Phone: 717-731-1970
Fax: 717-731-1985
E-mail: mgang@postschell.com
E-mail: akanagy@postschell.com
E-mail: dryan@postschell.com

Of Counsel:

Post & Schell, P.C.

Dated: June 28, 2019

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

APPENDIX “C”

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos. R-2019-3007612
Office of Small Business Advocate	:	C-2019-3008752
Office of Consumer Advocate	:	C-2019-3008565
	:	
v.	:	
	:	
Peoples Natural Gas Company LLC	:	

Pennsylvania Public Utility Commission	:	Docket Nos. R-2019-3007617
Office of Small Business Advocate	:	C-2019-3008753
Office of Consumer Advocate	:	C-2018-3008564
	:	
v.	:	
	:	
Peoples Natural Gas Company LLC – Equitable Division	:	

STATEMENT OF THE
OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF THE
JOINT PETITION FOR 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 Settlement in the above-captioned proceeding and states as follows:

On March 1, 2019, 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 1, 2019,

the Company submitted its formal 2019 PGC filing, pursuant to which, the Company proposed a reduction in its residential PGC rate of \$0.649 per Mcf from the April 1, 2019 rate when new rates take effect on October 1, 2019.

On March 15, 2019, 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 22, 2019, the Office of Small Business Advocate (OSBA) also filed a Formal Complaint against the proposed rates. On March 8, 2019, the Commission's Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance in the case. On April 4, 2019, the Pennsylvania Independent Oil & Gas Association (PIOGA) filed a Petition to Intervene in the proceedings, which was subsequently granted. OCA, OSBA and I&E engaged in discovery regarding the proposed rates.

A prehearing conference was held on April 4, 2019, at which a procedural schedule was established for the case. Pursuant to that schedule, on May 3, 2019, the OCA submitted the Direct Testimony of its expert witness, Jerome D. Mierzwa. Mr. Mierzwa's testimony made three recommendations regarding PNG's proposed PGC rates for 2019-2020: (1) that to be consistent with retainage charge calculations of its affiliate Peoples Gas Company, LLC, PNG's retainage charge should be calculated based on a three-year average of the Company's actual lost and unaccounted-for volumes rather than a three-year percentage average of total volumes; (2) that the balancing charges proposed by PNG should be adjusted to include on-system storage losses, the overrun charges experienced by the Company during the historic review period, and exclude the daily deliverability associated with the Company's Dominion Energy Transmission, Inc. (DETI) storage contract that does not provide service to the Company's city gate; and (3) that PNG should provide information related to the adoption of separate retainage rates for use of its gathering and

distribution systems in its next PGC proceeding. The Company responded to Mr. Mierzwa's recommendations in Rebuttal Testimony filed on May 23, 2019. Mr. Mierzwa responded to the Company's rebuttal in Surrebuttal Testimony submitted on May 29, 2019.

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 Settlement, which addresses the various issues in the case. For the reasons set forth below, the OCA submits that the proposed Settlement is in the public interest and should be adopted by the Commission.

II. PROPOSED SETTLEMENT

The Settlement addresses the issues raised by the OCA in the following manner:

A. Retainage and Lost and Unaccounted for Gas (Settlement ¶¶ 25-26)

Paragraph 25 of the Settlement provides that effective October 1, 2019, the tariffed retainage rate for transportation customers in all classes will be 5.2%. As noted above, the OCA recommended an alternative method of calculating the retainage rate, a method which, according to Mr. Mierzwa's Direct Testimony, would have yielded a retainage rate of 5.3%. OCA St. No. 1 at 8; OCA Sched. JDM-1. Specifically, the OCA recommended that PNG's retainage charge be calculated using a three-year average of actual Lost and Unaccounted For Gas (LUFG) volumes, rather than an average of the percentages of LUFG over the previous three years. OCA St. No. 1 at 8-9. The OCA's concern was that the Company was applying its average percentage to projected throughput volumes that were lower than the historical volumes used to arrive at the average percentage.

In response to the OCA, the Company, in its Rebuttal Testimony, proposed including volumes in its retainage calculation that it had omitted from its initial proposal. The additional

volumes represented off-system deliveries, exchanges with PNG's affiliated company Peoples Gas LLC, and what the Company termed "storage turn" (reflecting both the injection and withdrawal of on-system storage gas). PNG St. No. 3-R at 4-5. With the inclusion of the previously omitted volumes, the projected throughput volume used to calculate the retainage charge proved to be higher than the historical volumes. PNG Exh. 4-R. Although these additional volumes did not change the calculated retainage rate (5.2%), the addition of these volumes alleviated concerns of the OCA that the Company was basing its calculation on unrealistically low projected throughput volumes. Accordingly, the OCA agreed to the modified retainage calculation method proposed by the Company in its Rebuttal Testimony.

B. Balancing Charges (Settlement ¶ 27)

Paragraph 27 of the Settlement provides that PNG's balancing charges will be calculated in the manner originally proposed by PNG in its Exh. 12. This provision represents a compromise between the Company and the OCA. As mentioned above, the OCA, through its witness Mr. Mierzwa, recommended that the balancing charges should be adjusted to include on-system storage losses, certain overrun charges that occurred during the historic review period and to exclude the daily deliverability associated with the PNG's DETI storage contract which does not provide service to the Company's city gate. OCA St. No. 1 at 9-12. Employing these recommendations, Mr. Mierzwa recalculated the Company's proposed balancing charges and arrived at somewhat higher charges than did the Company. OCA Sched. JDM-2.

The Company responded to the OCA's recommendations in its Rebuttal Testimony. PNG witness Caldoro disagreed with the OCA regarding inclusion of on-system storage losses in the balancing charge calculation, but agreed with the inclusion of the historic period overrun charges. Regarding the DETI contract, Mr. Caldoro stated that while he agreed with removal of the daily

deliverability associated with the DETI storage contract, he felt that if that was done, it would be proper to also remove the costs associated with the contract (e.g, demand, capacity, injection/withdrawal and associated Firm Transportation No Notice (FTNN)). Utilizing the OCA's changes that the Company found acceptable, and removing the DETI contract costs, Mr. Caldoro presented recalculated balancing charges that were lower than those the Company originally proposed. PNG St. No. 3-R at 2; PNG Exh. 12-R.

Balancing charges are paid by transportation customers, not sales (PGC) customers, and there is an inverse relationship between balancing charges and PGC rates. Higher balancing charges produce lower PGC rates and vice versa. Mr. Mierzwa, relying on his recommendations, calculated balancing charges that were higher than the Company's original proposal. The Company, in rebuttal, produced balancing charges that were lower than originally proposed. As a compromise in settlement, the OCA agreed to accept the balancing charges that were originally proposed.

C. Separation of Retainage Rates (Settlement ¶ 33)

In his Direct Testimony, OCA witness Mierzwa recommended that in next year's PGC proceeding, PNG provide information on the administrative costs of adopting separate retainage rates for transportation customers who procure their gas supplies from local producers that deliver their gas into PNG's gathering system versus transportation customers who procure their gas supplies from interstate or local sources which are delivered directly to PNG's distribution system and do not require delivery by the gathering system. Mr. Mierzwa explained his rationale for recommending an examination of separate retainage rates as follows:

PNG's gathering system is used to collect gas from local production wells and deliver that gas to PNG's distribution system. Those customers that do not utilize PNG's gathering system to obtain their gas supplies from local production wells utilize interstate pipelines to have their gas delivered to PNG's distribution system.

Customers using interstate pipelines to acquire gas supplies are required to pay retainage to the interstate pipelines. Customers relying on PNG's gathering system to deliver gas to PNG's distribution system are not required to pay any portion of the interstate pipeline retainage assessed to customers relying on interstate pipelines to deliver gas to PNG's distribution system. Adopting separate gathering and distribution system retainage fuel charges would more reasonably assign responsibility for losses to those customers that use the facilities that cause these losses.

OCA St. No. 1 at 9.¹

In its Rebuttal Testimony, PNG opposed Mr. Mierzwa's recommendation. Among other reasons, the Company took the position that imposition of separate retainage rates based on where a transportation customer's nominated gas supplies enter the system is contrary to the goals of administrative ease, fairness and cost causation. The Company asserted that because the sourcing of a customer's gas does not affect the operation of the Company's overall system, establishing retainage rates that vary based on how gas enters the system is unreasonable, unfair and unnecessary. PNG St. No. 5-R at 4-5.

Given such fundamental disagreement on this point, the OCA, in settlement, elected not to pursue the separate retainage rate issue as part of this proceeding but wanted to preserve the right, at its discretion, to raise the issue again in PNG's 2020 PGC case. In particular, the OCA sought protection from an attempt by the Company to deflect the issue in the 2020 case by asserting that it is more appropriately addressed in a base rate, as opposed to a PGC, proceeding. In return, the OCA was willing to specify the kinds of information it would seek in discovery on the issue and, to allay concerns on the part of Company that it might be asked to conduct an extensive investigation or study, the OCA agreed to language that commits the Company to providing

¹ Mr. Mierzwa's Direct Testimony points out that for the 12 months ended August 2018, the LUFGR rate on PNG's gathering system was 9.0% and LUFGR on its distribution system was 2.0%. OCA St. No. 1 at 5-6.

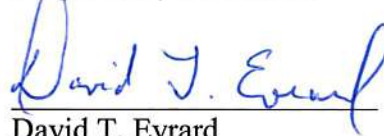
information that readily available and not requiring the Company to perform studies or unreasonable investigations. All of this is set forth in Paragraph 33 of the Settlement.

The OCA is satisfied that these Settlement provisions adequately preserve and protect the OCA's ability, should it decide to do so, to raise the separate retainage rate issue in next year's PGC proceeding.

III. CONCLUSION

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

Respectfully Submitted,



David T. Evrard
Assistant Consumer Advocate
PA Attorney I.D. # 33870
E-mail: devrard@paoca.org

Counsel for:
Tanya J. McCloskey
Acting Consumer Advocate

Office of Consumer Advocate
555 Walnut Street 5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152

June 28, 2019

275176

APPENDIX “D”

“Company”) and their customers. In support of this position, I&E offers the following comments:

I. INTRODUCTION

1. I&E represents the public interest in proceedings relating to rates, rate-related services and application proceedings held before the Commission.¹

Consequently, in all contested proceedings, including those resolved through negotiated settlements, I&E must ensure that the public interest is served and to comment on how 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. Pursuant to the Public Utility Code and Commission regulations, on January 31, 2019, PNG-Peoples and PNG-Equitable submitted 60-day pre-filing information regarding their 2019-2020 Gas Cost Rate (“GCR”) filings, and on March 1, 2019, PNG-Peoples and PNG-Equitable submitted 30-day pre-filing information regarding their 2019-2020 GCR filings.³

3. On April 1, 2019, PNG-Peoples and PNG-Equitable submitted their annual GCR filings to become effective for services rendered on or after October 1, 2019. PNG-

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); 52 Pa. Code 53.64 and 53.65.

Peoples and PNG-Equitable also filed prepared Direct Testimony, accompanying exhibits, and proposed updated tariff supplements.

4. I&E entered its appearance in this matter on March 7, 2019. Additionally, the Office of the Consumer Advocate (“OCA”) filed Notices of Appearance and Formal Complaints on March 15, 2019; the Office of the Small Business Advocate (“OSBA”) filed Notices of Appearance and Formal Complaints on March 22, 2019; and the Pennsylvania Independent Oil and Gas Association (“PIOGA”) filed a Petition to Intervene on April 4, 2019.

5. A Prehearing Conference Order was entered on April 1, 2019, and the Order scheduled a telephonic prehearing conference for April 4, 2019.

6. Counsel for the following parties participated in the Prehearing Conference on April 4, 2019: PNG, I&E, the OCA, the OSBA (collectively, the “Joint Petitioners”),⁴ and PIOGA. Administrative Law Judge Katrina L. Dunderdale (“ALJ Dunderdale”) presided, and during the Conference, the parties established a procedural schedule for this proceeding.

7. On April 8, 2019, a Prehearing Order was entered, and it granted PIOGA’s Petition to Intervene, and memorialized the procedural schedule and other terms governing the conduct of this proceeding.

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

⁴ PIOGA is not a party to the Settlement but has indicated it does not object to the Settlement.

9. After thorough review and investigation of PNG's filings, discovery responses, and filed testimony and exhibits, I&E elected not file testimony in this proceeding.

10. In accordance with the Commission's policy favoring settlements over costly and time-consuming litigation⁵ and in evaluation of the parties' respective litigation positions, the Joint Petitioners were successful in achieving a settlement by comprehensively evaluating parties' discovery responses and written testimony and by engaging in the settlement negotiation process.

12. An evidentiary hearing was held on June 6, 2019. At the hearing, the parties informed ALJ Dunderdale of the Settlement. Additionally, during the hearing, the Joint Petitioners' pre-served testimony was admitted into the record.

13. I&E submits that the proposed Settlement resolves all issues in this proceeding, is in the public interest and should be approved by ALJ Dunderdale and the Commission for the following reasons:

II. SETTLEMENT

A. RETAINAGE AND LOST AND UNACCOUNTED FOR GAS

Retainage and Lost and Unaccounted for Gas Settlement Terms

The terms of the Settlement provide that, effective October 1, 2019, the tariffed retainage rate for all rate classes shall be 5.2%. As proposed in Peoples Natural Gas Statement No. 5, the producer retainage rate shall be the current rate of 2% and will

⁵ 52 Pa. Code § 5.231.

continue to apply regardless of where conventional local gas enters the Company's system. More specifically, the producer retainage rate will remain at 2% for PNG-Peoples and continue to be negotiated at a minimum of 2% for PNG-Equitable.⁶

I&E Position

I&E does not oppose inclusion of these terms in the Settlement.

B. BALANCING CHARGES

Balancing Charges Settlement Terms

The Settlement terms provide that PNG's balancing charges for this proceeding will be calculated as set forth in the Company's Exhibit No. 12 included in the Annual filing made on April 1, 2019.⁷

I&E Position

I&E does not oppose inclusion of these terms in the Settlement.

C. INTEREST REFUND

Interest Refund Settlement Terms

The Settlement terms provide that PNG is refunding additional interest of \$468,304 associated with a prior period adjustment in the October 2016 quarterly filing, as explained in Peoples Natural Gas Statement No. 3.⁸

I&E Position

I&E does not oppose inclusion of these terms in the Settlement.

D. CAPACITY AND COMMODITY CHARGES

⁶ Joint Petition, ¶¶ 25, 26.

⁷ Joint Petition, ¶ 27.

⁸ Joint Petition, ¶ 28.

Capacity and Commodity Charges Settlement Terms

The Settlement terms provide that PNG's proposal to begin including capacity charge over/under collections with the capacity charge is approved. Beginning October 1, 2019, PNG will segregate the recovery of capacity charge and commodity charge over/under collections. After one year of segregating these recoveries, PNG will begin including the capacity charge over/under collections with the projected capacity charge and will charge a single capacity charge effective October 1, 2020. The Gas Cost Adjustment Charge ("GCA") will then only be for the recovery of commodity over/under collections.⁹

I&E Position

I&E does not oppose inclusion of these terms in the Settlement.

E. RECOVERY OF ALLEGHENY VALLEY CONNECTOR ("AVC") AUTHORIZED OVERRUN CHARGES

Recovery of AVC Authorized Overrun Charges Settlement Terms

The Settlement terms provide that PNG's proposal to recover the \$1,005,000 of AVC authorized overrun charges consistent with the settlement in the 1307(f)-2015 proceeding by including the costs in this proceeding is approved.¹⁰

I&E Position

I&E does not oppose inclusion of these terms in the Settlement.

F. CALCULATION OF STORAGE COSTS USING WACOG

⁹ Joint Petition, ¶ 29.

¹⁰ Joint Petition, ¶ 30.

Calculation of Storage Costs Using WACOG Settlement Terms

The Settlement terms provide that PNG-Peoples received Commission approval to switch from the Last-In-First-Out (“LIFO”) storage inventory gas accounting to Weighted Average Commodity Cost of Gas (“WACOG”) storage inventory gas accounting. The gas costs to be recovered effective January 1, 2020, include the storage costs calculated using the WACOG methodology.¹¹

I&E Position

I&E does not oppose inclusion of these terms in the Settlement.

G. TEXAS EASTERN TRANSMISSION LP (“TETCO”) ASSET MANAGEMENT AGREEMENT (“AMA”)

TETCO AMA Settlement Terms

The Settlement terms provide that the parties agree that PNG’s awarding of an AMA of its TETCO capacity for the period of November 2018 through October 2019, as described in Peoples Natural Gas Statement No. 2, was reasonable and consistent with the least cost fuel procurement policy.¹²

I&E Position

I&E confirms PNG is adhering to a least cost reliable service fuel procurement policy and does not oppose inclusion of these terms in the Settlement.

H. SEPARATION OF RETAINAGE RATES

Separation of Retainage Rates Settlement Terms

¹¹ Joint Petition, ¶ 31.

¹² Joint Petition, ¶ 32.

The Settlement terms provide that with regard to whether separate retainage rates should be established for customers who acquire their gas through the Company's gathering system and those customers who do not, PNG agrees that if this issue is raised in the Company's 2020 PGC case, the Company will not object to providing information in discovery on the basis that the information should only be provided in a base rate proceeding. The scope of such discovery requests will be limited to: (1) the number of PGC and transportation customers served from the gathering and distribution systems and their applicable volumes; (2) whether any gathering system customers receive base rate or retainage discounts, by class and applicable volumes; (3) the number of transporters that source their gas from local producers on the gathering system and their volumes; or (4) other similar requests intended specifically to elicit data related to examining the potential for establishing separate gathering and distribution retainage rates. The Company will only be required to provide information that is readily available or calculable and will not be required to perform studies or unreasonable investigations. The Company retains all rights to oppose any proposal made by any party, including but not limited to whether a proposal is outside the scope of the 1307(f) proceeding or is otherwise irrelevant.¹³

I&E Position

I&E does not oppose inclusion of these terms in the Settlement.

I. MISCELLANEOUS

Miscellaneous Settlement Terms

¹³ Joint Petition, ¶ 33.

The Settlement terms provide that the proposed rates and other requested approvals contained in the Company's PGC filing should be approved, except as revised by this Settlement. Additionally, and 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, 2019. 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)-2019 definitive filing.¹⁴

I&E Position

I&E supports these miscellaneous terms, including that the requested approvals in the PNG's PGC filing should be granted. While PNG's costs are subject to review in a future GCR 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...."¹⁵ I&E confirms that the Settlement provides that natural gas costs will be based on adherence to a least cost reliable service fuel procurement policy.¹⁶ Specifically, PNG's procurement approach attempts to protect customers from the risk of the gas market's volatility through a combination of local

¹⁴ Joint Petition, ¶¶ 34-36.

¹⁵ 66 Pa. C.S. § 1318.

¹⁶ Joint Petition, ¶ 39.

and interstate assets and supplies.¹⁷ 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.

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 will be updated to reflect any changes as of October 1, 2019, when the final tariff supplements are filed, and are subject to quarterly updates, with limited exceptions, as required by the Commission's Regulations.

16. I&E is in agreement that PNG will adhere to the purchasing plans as established by the data and calculations provided in PNG testimony and associated exhibits, as modified by the Settlement. The purchasing plans provides reasonable protections for ratepayers and enable the company to adhere to the regulatory requirements in acquiring supplies for its customers.

17. Although I&E did not serve testimony in this proceeding, I&E fully supports the Settlement and asserts it is in the public interest. I&E review and 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. Line by line identification of the ultimate resolution of every issue is not necessary, as I&E represents

¹⁷ Joint Petition, ¶¶ 39-40.

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.

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

Respectfully Submitted,



John M. Coogan
Prosecutor
PA Attorney ID # 313920
Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Dated: June 28, 2019

APPENDIX “E”

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2019-3007612
	:	
Peoples Natural Gas Company LLC	:	
Section 1307(f)	:	
	:	
	:	
Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2019-3007617
	:	
Peoples Natural Gas Company LLC –	:	
Equitable Division Section 1307(f)	:	

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

Introduction

The Small Business Advocate is authorized and directed to represent the interests of the small business consumers of utility services in the Commonwealth of Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. Pursuant to that statutory authority, the Office of Small Business Advocate (“OSBA”) filed a complaint in the above-captioned proceeding, which was initiated by Peoples Natural Gas Company LLC (“PNG” or the “Company”), acting on behalf of its Peoples Division (“PNG-Peoples”) and its Equitable Division (“PNG-Equitable”), on January 31, 2019.

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

The Joint Petition

The *Joint Petition* sets forth a comprehensive list of issues that were resolved through the negotiation process.

Although the OSBA did not serve testimony in this proceeding, the OSBA conducted a review of a number of issues affecting small business customers. In general, the OSBA determined from its analysis that the submission of testimony was not warranted in this proceeding, but that such issues merit further attention in future proceedings. As set forth in the OSBA's April 3, 2019, *Prehearing Memorandum*, the OSBA analyzed and considered the issues set forth below.

The OSBA reviewed the Company's actions to mitigate its levels of lost and unaccounted-for gas ("LAUFG"). Although PNG's overall LAUFG levels have declined over the last three years, the Company's 2018 gathering system losses remain high at 8.94%.¹ To address concerns regarding gathering system losses, the parties agreed in the Company's 2018 Section 1307(f) proceeding to establish prospective gathering loss rate targets beginning in 2020, with a rebuttable presumption that any loss levels exceeding such targets is unreasonable. As a result, the OSBA is presently satisfied that the Company is taking reasonable actions to reduce its levels of LAUFG, but will revisit this issue in Peoples' 2020 Section 1307(f) proceeding.

As it has in past proceedings, the OSBA has conducted an independent evaluation of PNG's design day demand levels, based on statistical analysis of daily loads. In general, the Company's proposed design day demand levels are reasonably consistent with the OSBA's analysis. Without specifically endorsing the Company's design day methodology, the OSBA supports the PGC rates set forth in Appendix A to the *Joint Petition*.

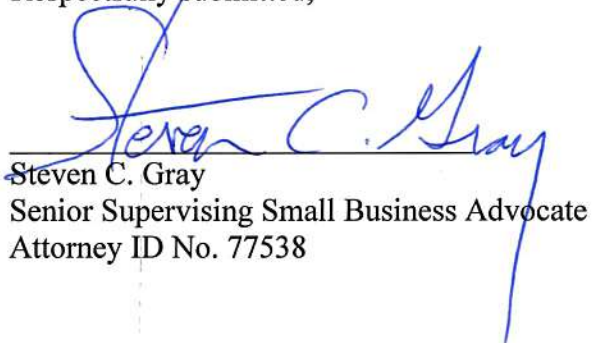
¹ See Peoples Natural Gas Exhibit No. 4, and Statement No. 5 at p.4.

Finally, the OSBA reviewed the Company's proposed retainage rates for (i) all rate classes (5.2%) and (ii) producers (2.0%), and found them to be reasonable. Clearly, the Company's retainage rates are higher than many NGDCs across the Commonwealth, due to PNG's overall LAUFG levels. Nevertheless, in light of such loss levels, the OSBA finds that 5.2% is acceptable.

Conclusion

For the reasons set forth in the *Joint Petition*, as well as the additional factors that are enumerated in this statement, the OSBA supports the proposed *Joint Petition* and respectfully requests that the ALJ and the Commission approve the *Joint Petition* in its entirety.

Respectfully submitted,



Steven C. Gray
Senior Supervising Small Business Advocate
Attorney ID No. 77538

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

Dated: June 28, 2019

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

VIA E-MAIL & FIRST CLASS MAIL

David T. Evrard, Esquire
Lauren M. Burge, Esquire
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

Steven C. Gray, Esquire
Office of Small Business Advocate
300 North Second Street, Suite 202
Harrisburg, PA 17101

John M. Coogan, Esquire
Bureau of Investigation &, Enforcement
Commonwealth Keystone Building
400 North Street, 2nd Floor West
PO Box 3265
Harrisburg, PA 17105-3265

Kevin J. Moody, Esquire
Vice President and General Counsel
Pennsylvania Independent Oil & Gas
Association
212 Locust Street, Suite 600
Harrisburg, PA 17101-1510

Jerome D. Mierzwa
Exeter Associates, Inc.
10480 Little Patuxent Parkway, Suite 300
Columbia, MD 21044

Brian Kalcic
Excel Consulting
225 S. Meramec Avenue, Suite 720-T
St. Louis, MO 63105

Date: June 28, 2019



Devin T. Ryan