
Nicholas A. Stobbe

nstobbe@postschell.com
717-612-6033 Direct
717-731-1985 Direct Fax
File #: 199786

June 29, 2023

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, *et al.* v. Peoples Natural Gas Company
LLC 1307(f)-2022 Proceeding
Docket Nos. R-2023-3037928, *et al.***

Dear Secretary Chiavetta:

Enclosed for filing on behalf of Peoples Natural Gas Company LLC in the above-referenced proceeding is the Joint Petition for Settlement and Statements in Support thereof. Copies are being provided per the attached Certificate of Service.

If you have any comments or questions regarding the attached, please contact the undersigned.

Respectfully submitted,



Nicholas A. Stobbe

NAS/dmc
Attachments

cc: Honorable Katrina L. Dunderdale (*via email; w/att.*)
Certificate of Service

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

Steven C. Gray, Esquire
Office of Small Business Advocate
555 Walnut Street
Forum Place, 1st Floor
Harrisburg, PA 17101
sgray@pa.gov

Allison C. Kaster, Esquire
Bureau of Investigation & Enforcement
Commonwealth Keystone Building
400 North Street, 2nd Floor West
P.O. Box 3265
Harrisburg, PA 17105-3265
akaster@pa.gov

David T. Evrard, Esquire
Aron J. Beatty, Esquire
Andrew J. Zerby, Esquire
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
devrard@paoca.org
abeatty@paoca.org
azerby@paoca.org

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

Brian Kalcic
Excel Consulting
7330 Dorset Avenue
St. Louis, MO
excel.consulting@sbcglobal.net

Kevin J. Moody, Esquire
General Counsel & VP Government Affairs
Pennsylvania Independent Oil & Gas
Association
212 Locust Street, Suite 300
Harrisburg, PA 17101-1510
kevin@pioga.org

Date: June 29, 2023



Nicholas A. Stobbe

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos.	R-2023-3037928
Office of Small Business Advocate	:		C-2023-3038899
Office of Consumer Advocate	:		C-2023-3039644
	:		
	:		
v.	:		
	:		
Peoples Natural Gas Company LLC	:		

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

TO ADMINISTRATIVE LAW JUDGE KATRINA L. DUNDERDALE:

Peoples Natural Gas Company LLC (“Peoples Natural Gas” or the “Company”), the Office of Consumer Advocate (“OCA”), and the Pennsylvania Independent Oil & Gas Association (“PIOGA”), all 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”).¹ 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. The Settlement resolves all of the issues that have been raised in Peoples Natural Gas’s 2023 Purchased Gas Cost (“PGC”) proceeding at Docket Nos. R-2023-3037928, C-2023-3038899, and C-2023-3039644.

¹ The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”) is not a party to the Settlement but has indicated that it does not object to the Settlement. I&E’s letter of non-opposition is attached to this Settlement as Appendix E. Additionally, the Office of Small Business Advocate (“OSBA”) is not a party to the Settlement but has indicated that it does not object to the Settlement. OSBA’s letter of non-opposition is attached to this Settlement as Appendix F.

Subject to the terms of the Settlement, the Joint Petitioners request that the Commission: (1) authorize Peoples Natural Gas to file the form of tariff supplement provided as **Appendix A** hereto, with rates to become effective October 1, 2023, 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. Peoples Natural Gas is a limited liability company formed under the laws of the Commonwealth of Pennsylvania for the purpose of providing natural gas transmission, distribution, and supplier of last resort services subject to the Commission’s regulatory jurisdiction.

2. Peoples Natural Gas operates two divisions: Peoples Natural Gas Division (“PNGD”), and Peoples Gas Division (“PGD”). This structure was formed after the Commission approved the merger of Peoples Gas Company LLC (“Peoples Gas”) with and into Peoples Natural Gas at Docket Nos. A-2021-3029831 and A-2021-3029833, *et al.* on August 25, 2022. Effective October 1, 2022, the PGC rates of Peoples Natural Gas and Peoples Gas were merged, with the exception of the Allegheny Valley Connector (“AVC”) capacity charge.

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

² The rates in Appendix A reflect the proposed gas cost rates, any quarterly rate changes that were effective March 1, 2023, and any settlement rate changes. The rates in Appendix A will be updated to reflect any changes as of October 1, 2023, when the final tariff supplements are filed.

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

5. On January 30, 2023, Peoples Natural Gas 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, 2023, the Company made its PGC 30-day pre-filing with the Commission in compliance with Section 1307(f) of the Public Utility Code, 66 Pa. C.S. § 1307(f), and the Commission's regulations at 52 Pa. Code §§ 53.64 and 53.

7. On March 10, 2023, OSBA filed a Notice of Appearance, Complaint, Public Statement, and Verification.

8. On March 16, 2023, I&E filed a Notice of Appearance.

9. On March 31, 2023, Peoples Natural Gas filed with the Commission its definitive PGC filing, including supporting information required by the Commission's regulations and Peoples Natural Gas's direct testimony, exhibits, and Pro Forma Tariff Supplement reflecting actual and projected changes in natural gas costs and other tariff changes.

10. On April 6, 2023, OCA filed a Complaint and Public Statement.

11. On April 6, 2023, the ALJ issued a Prehearing Conference Notice and Prehearing Conference Order which, among other things, scheduled a Prehearing Conference for April 13, 2023, at 9:00 a.m.

12. Also on April 6, 2023, OCA filed a Notice of Appearance.

13. On April 11, 2023, PIOGA filed a Petition to Intervene and a Prehearing Memorandum.

14. On April 12, 2023, Prehearing Memoranda were filed by Peoples Natural Gas, I&E, OCA, and OSBA.

15. On April 13, 2023, the prehearing conference was held as scheduled.

16. Later on April 13, 2023, the ALJ issued a Prehearing Order that established the litigation schedule, modified the discovery rules, and consolidated the complaints of OCA and OSBA with the Commission's investigation. PIOGA's Petition to Intervene was also granted.

17. On April 17, 2023, the ALJ issued an Evidentiary Hearing Notice, scheduling Evidentiary Hearings for May 31, 2023, and June 5, 2023, if necessary.

18. On May 1, 2023, PIOGA and OCA filed Direct Testimony.

19. On May 16, 2023, Peoples Natural Gas filed an unopposed Motion for Protective Order.

20. On May 19, 2023, Peoples Natural Gas filed Rebuttal Testimony.

21. On May 22, 2023, the ALJ issued a Protective Order.

22. Later on May 22, 2023, the ALJ issued a Corrected Protective Order.

23. On May 26, 2023, OCA filed Surrebuttal Testimony.

24. 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 prior to the scheduled Evidentiary Hearing(s).

25. On May 30, 2023, Counsel for Peoples Natural Gas informed the ALJ that the parties had reached a Settlement of all the issues in this proceeding. Because parties agreed to

waive cross-examination of the respective witnesses, the ALJ excused the witnesses from attending the evidentiary hearing.

26. On May 30, 2023, the ALJ issued a Hearing Cancellation Notice, cancelling day two of the evidentiary hearing(s) scheduled for June 5, 2023, given the Settlement in Principle reached between the parties.

27. On May 31, 2023, the telephonic evidentiary hearing was held as scheduled for the purposes of entering evidence into the evidentiary record and to discuss the submission of Settlement documents. During the evidentiary hearing, the ALJ informed the parties that all Settlement documents, including Statements in Support, were to be submitted on or before June 29, 2023.

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

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

II. SETTLEMENT TERMS

A. CALCULATION OF RETAINAGE AND BALANCING CHARGES

30. The Peoples Natural Gas stand-alone tariffed retainage rate for all classes for both divisions effective October 1, 2023 shall be 5.9%. This represents an average of the Company's proposal and OCA's proposal. This shall not serve as the methodology for future filings but rather a settlement methodology.

31. With respect to the balancing charge, the Parties agreed to the inclusion of overrun/operational flow order ("OFO") charges. This results in a balancing charge of \$0.4468 for SGS/MGS and \$0.1165 for LGS.

B. HEDGING PROGRAM

32. If the Company's rate in effect for commodity reaches \$5.00 or more for at least two consecutive quarters, Peoples Natural Gas will propose a hedging program in its then-next annual PGC filing. This provision will be in effect beginning with the October 1, 2023, quarterly rate change and end after eight quarters.

C. INTERIM PGC RATE FILINGS

33. The Company will monitor natural gas commodity prices to consider making interim filings in the future. The purpose of this monitoring is to avoid significant over or under collections of gas cost commodity costs in the future.

34. The Company will accelerate the refund of the over collections of gas cost commodity costs experienced during the 2022/2023 winter by decreasing the Gas Cost Adjustment ("GCA") charge to customers for the period of October 1, 2023 through December 31, 2023. This accelerated refund will be consistent with the methodology described in Peoples Natural Gas Company Statement No. 1-R – the Rebuttal Testimony of Carol Scanlon.

35. The accelerated refund for the period of October 1, 2023, through December 31, 2023, will be excluded from the Price to Compare.

D. PRODUCER RETAINAGE RATE FOR THE GOODWIN SYSTEM

36. As proposed in Peoples Natural Gas Company Statement No. 5, the Producer Retainage Rate for the Goodwin system shall be 68% for the period of October 1, 2023, to September 30, 2024. The Producer Retainage Rate for the Goodwin system shall be calculated using the method delineated in Peoples Natural Gas's 2022 PGC settlement at Docket Nos. R-2022-3030661, *et al.* (See Peoples Natural Gas 2022 PGC Joint Petition for Settlement, ¶ 27; See also Peoples Natural Gas Company Statement in Support of Joint Petition for Settlement of 2022 PGC proceeding. p. 11 (Then effective annual retainage rate * (1-annual rate of pipeline replacement))).

E. LOST AND UNACCOUNTED FOR GAS

37. Parties acknowledge that the Peoples Natural Gas distribution unaccounted for gas (“UFG”) percentage for the twelve-month period ending August 31, 2022, is in compliance with the Commission’s regulations at 52 Pa. Code § 59.111(c)(1).

F. MISCELLANEOUS

38. The overrun and OFO charges incurred and included in this filing were prudently incurred and in compliance with the least cost gas standard.

39. Except as revised by this Settlement, the proposed rates and other requested approvals contained in the Peoples Natural Gas’s 2023 PGC filing should be approved. Peoples Natural Gas reserves the right to include unopposed proposals in the Settlement provisions.

40. In accordance with the provisions of 52 Pa. Code § 53.64(i)(5), the Peoples Natural Gas compliance filing in this proceeding will reflect updated actual and projected over/under collections through September 30, 2024.

41. 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 Company Statement No. 2 and related exhibits included in the 1307(f)-2023 definitive filing.

III. RATE IMPACT OF SETTLEMENT

42. The ALJ has directed the Joint Petitioners to set forth the following in their Joint Settlement Petition:

1. Current rates for each customer class;
2. Requested and negotiated changes in gas costs for each customer class, identified in terms of dollar amounts and percentages of increase or decrease from the current rates; and

3. Impact upon each customer class (*i.e.*, under the proposed rate each customer would have paid X, and under the agreed-upon amount, each customer will pay Y).

43. Consistent with past proceedings, the requested information is set forth in the table

below:

Table 1: Rate Changes

Peoples Natural Gas Division							
<u>Rate Schedule</u>	<u>Average Annual Usage (Mcf)</u>	<u>Existing Tariff Rates 1/</u>	<u>As-Filed Gas Cost Change</u>	<u>Percent Change</u>	<u>Settlement Gas Cost Change</u>	<u>Annual Bill As-Filed</u>	<u>Annual Bill Settlement</u>
RS	86	\$12.9496	(\$4.8931)	-37.8%	(\$0.0009)	\$ 854.47	\$ 854.39
SGS	183	\$10.7876	(\$4.7641)	-44.2%	(\$0.0008)	\$ 1,325.21	\$ 1,325.07
MGS	2,145	\$10.5761	(\$4.8104)	-45.5%	(\$0.0008)	\$ 13,314.82	\$ 13,313.11
LGS	50,000	\$10.2133	(\$4.7685)	-46.7%	(\$0.0008)	\$ 280,599.39	\$ 280,559.39

1/ Peoples Natural Gas net billing rate effective January 1, 2023.

Peoples Gas Division							
<u>Rate Schedule</u>	<u>Average Annual Usage (Mcf)</u>	<u>Existing Tariff Rates 1/</u>	<u>As-Filed Gas Cost Change</u>	<u>Percent Change</u>	<u>Settlement Gas Cost Change</u>	<u>Annual Bill As-Filed</u>	<u>Annual Bill Settlement</u>
RS	86	\$14.5628	(\$4.9308)	-33.9%	(\$0.0009)	\$ 1,001.76	\$ 1,001.68
SGS	183	\$12.3065	(\$4.8233)	-39.2%	(\$0.0008)	\$ 1,754.80	\$ 1,754.65
MGS	2,145	\$12.0860	(\$4.8233)	-39.9%	(\$0.0008)	\$ 16,404.34	\$ 16,402.63
LGS < 100,000 Mcf/yr	50,000	\$11.0670	(\$4.8233)	-43.6%	(\$0.0008)	\$ 328,701.98	\$ 328,661.98

1/ PGD net billing rate effective January 1, 2023.

IV. PROPOSED FINDINGS OF FACT

44. Peoples Natural Gas pursues its goal of least cost reliable service through a combination of local and interstate assets and supplies. The local assets are Peoples Natural Gas’s on system storage facility and a gathering and distribution system, which have allowed Peoples Natural Gas to deliver local natural gas supplies produced in Pennsylvania and purchased by Peoples Natural Gas from Pennsylvania producers (Peoples Natural Gas Company Statement No. 2, pp. 4-5.)

45. Peoples Natural Gas’s interstate assets consist of a portfolio of transportation and storage services that Peoples Natural Gas has contracted for with various Federal Energy

Regulatory Commission (“FERC”)-regulated pipelines, including Eastern Gas Transmission and Storage, Inc. (“EGTS”) (f/k/a Dominion Energy Transmission, Inc.), Texas Eastern Transmission LP (“TETCO”), Equitrans, L.P. (“Equitrans”), National Fuel Gas Supply Corporation (“NFG”), and Columbia Gas Transmission, LLC (“TCO”). The Company also has interconnects with Tennessee Gas Pipeline Company, LLC (“Tennessee” or “TGP”), but does not currently contract for either transportation or storage services on Tennessee. Those interstate assets give Peoples Natural Gas access to a variety of locations at which it can receive gas supplies that are produced upstream of the Peoples Natural Gas system. The interstate storage assets allow Peoples Natural Gas to use its upstream assets more efficiently, mitigate the effects of price swings in the natural gas market, and enhance the deliverability of Peoples Natural Gas’s interstate natural gas supplies during periods of peak demand. Peoples Natural Gas’s interstate supplies are primarily EQT Energy, LLC (“EQT Energy”) and other Appalachian-produced gas that it purchases from suppliers upstream of the Peoples Natural Gas system for delivery into various receipt points of the interstate pipelines and occasionally purchases on a delivered basis to the city-gate. (Peoples Natural Gas Company Statement No. 2, p. 5.)

46. Over the 1307(f)-2023 historical period, Peoples Natural Gas’s capacity portfolio included: (1) interstate pipeline transportation and storage services from Equitrans; (2) interstate pipeline transportation and storage services from EGTS; (3) interstate pipeline transportation service from TETCO; (4) interstate pipeline transportation and storage services from NFG; and (5) interstate pipeline transportation and storage service from TCO. In addition, Peoples Natural Gas purchases winter-only, firm, city-gate delivered supply via Tennessee, and winter-only, firm, city gate delivered supply via TETCO. Although these are gas purchase arrangements, Peoples Natural Gas treats them the same as interstate capacity for planning purposes because the Company

requires deliveries at the respective delivery points and would pursue firm capacity at these points if firm city-gate delivered supply was not available. (Peoples Natural Gas Company Statement No. 2, pp. 16-17.)

47. Beginning December 17, 2013, when the acquisition of Equitable Gas Company (“Equitable”) closed, Equitrans began providing firm transportation and firm storage services from Equitrans’s AVC to the Company’s PNGD. The AVC services consist of transportation service under Rate Schedule EFT, no-notice transportation service under Rate Schedule FTSS, and Storage Service under Rate Schedule GSS. The FTSS and GSS service agreements provide PNGD and its customers with access to AVC storage capacity of 8.6 MMDth annually and maximum deliverability of 200,000 Dth per day. The EFT service agreement provides Peoples Natural Gas and its customers up to 251,700 Dth per day of firm transportation capacity. These service agreements provide for a total of 451,700 Dth per day of firm capacity on the AVC system. (Peoples Natural Gas Company Statement No. 2, pp. 19-20.)

48. Beginning April 1, 2014, Equitrans began providing the former PNGD firm transportation service under Rate Schedule FTS from Equitrans’s Mainline system. 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 firm daily quantity is 251,700 Dth during November through March and 62,000 Dth during April through October. (Peoples Natural Gas Company Statement No. 2, p. 20.)

49. In Peoples Natural Gas’s 1307(f)-2022 proceeding, Peoples Natural Gas and Peoples Gas described the various service arrangements that would be in effect between Peoples Natural Gas and EGTS and Peoples Gas and EGTS and the costs associated with them over what

is now the 1307(f)-2023 historical period. Under the settlement, the Parties agreed that the Commission should approve the Company's gas supply, pipeline and storage capacity contracts. In its final order in that proceeding, the Commission approved the settlement including the rates for the collection of Peoples Natural Gas's natural gas costs that included the costs associated with the EGTS service arrangements over what is now the 1307(f)-2023 historical period. (Peoples Natural Gas Company Statement No. 2, p. 24.)

50. For the 1307(f)-2023 historical period, EGTS provides service to Peoples Natural Gas Division under four service agreements and three rate schedules which all have an expiration date of March 31, 2034. EGTS 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 of 2.48 MMDth annually and up to 40,000 Dth/day of deliverability. These agreements promote service reliability in parts of the PNGD distribution system that are particularly well-suited for gas deliveries from EGTS. (Peoples Natural Gas Company Statement No. 2, pp. 22-23.)

51. Under a service agreement with EGTS that ended on March 31, 2022, PGD had 25,000 Dth/day of FT firm transportation service, 25,000 Dth/day of FT-GSS firm transportation service, and 25,000 Dth/day of GSS firm storage service with a total storage capacity of 1,500,000 Dth. Under a service agreement with EGTS that expires on March 31, 2029, PGD additionally has 10,000 Dth/day of FT firm transportation service and 10,000 Dth/day of GSS firm storage service with a storage capacity of 600,000 Dth. PGD also held 10,000 Dth/day of FT transportation service that expires October 31, 2023. (Peoples Natural Gas Company Statement No. 2, p. 23.)

52. TETCO provides Peoples Natural Gas with firm transportation service under Rate Schedule FT-1 and also delivers firm to the city-gate purchases made by Peoples Natural Gas from suppliers who are TETCO shippers. Peoples Natural Gas requires gas deliveries in the eastern portion of its service territory at Ebensburg, Delmont, Claysburg, and Rockwood and supplies into these delivery points are essential during the winter Peoples Natural Gas purchases gas on TETCO and moves it over TETCO's facilities under its Rate FT-1 service agreement primarily to the Ebensburg and Delmont delivery points. Peoples Natural Gas also contracts with gas suppliers for the purchase of firm supply that is delivered on TETCO to Peoples Natural Gas's city-gates at the Claysburg and Rockwood delivery points in addition to occasionally supplementing the firm transportation deliveries at Ebensburg. TETCO also provides an operational balancing agreement that helps Peoples Natural Gas manage the unanticipated swings in demand at its physical interconnections with TETCO. (Peoples Natural Gas Company Statement No. 2, p. 25.)

53. Peoples Natural Gas had 15,650 Dth/day of FT-1 firm transportation service under contract from TETCO for the entire 1307(f)-2023 historical period. Gas supplies under this transportation contract, which expires on April 30, 2024, are delivered by TETCO primarily at Peoples Natural Gas's Ebensburg delivery point located in TETCO's market zone M3. This service agreement may also be used to deliver gas supplies at Claysburg, also in M3, and Rockwood, which is upstream of Ebensburg in TETCO's market zone M2. Peoples Natural Gas plans to renew this TETCO FT-1 firm transportation service agreement during the 1307(f)-2023 projected period. (Peoples Natural Gas Company Statement No. 2, p. 25.)

54. PNGD 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, PNGD recommended

seeking proposals for similar arrangements for the following winter, and this recommendation was accepted. Subsequent Request for Proposals (“RFP”) resulted in firm agreements covering each winter period from 2016-2017 through 2022-2023. This most recent winter included two days with 67 and 58 HDDs on December 23 and 24, 2023, respectively, when PNGD used the firm agreements to deliver approximately 23,000 Dth each day at Ebensburg, which assisted effectively to hold up gas service in the eastern portion of the PNGD service territory. (Peoples Natural Gas Company Statement No. 2, pp. 27-28.)

55. PNGD can accept up to 11,000 Dth/day at its Rockwood interconnection with TETCO in TETCO’s market zone M-2. Prior to 2007, Peoples Natural Gas satisfied this requirement with TETCO firm transportation capacity, but the M-2 firm transportation capacity was not renewed upon its March 31, 2007 expiration. Peoples Natural Gas then entered into a series of annual agreements for either firm delivered supply or for the purchase of released capacity that Peoples Natural Gas then matched with spot purchases that extended through the 2013-2014 winter period. For the next two winter seasons, Peoples Natural Gas satisfied its needs at this delivery point with delivered gas purchases. From 2017 through 2023, Peoples Natural Gas issued RFPs and contracted for firm delivered gas agreements for up to 3,000 Dth/day for each winter season. (Peoples Natural Gas Company Statement No. 2, p. 28.)

56. In July 2022, PNGD issued an RFP for firm deliveries of up to 3,000 Dth/day at TETCO M2 Rockwood and 25,000 Dth/day at TETCO M3 Ebensburg, for the period of November 22 2022 through March 2023. Approximately twenty potential suppliers were solicited and proposals were received for the 3,000 Dth/day at M2 Rockwood, and only one proposal was received for the 25,000 Dth/day at M3 Ebensburg. (Peoples Natural Gas Company Statement No. 2, pp. 28-29.)

57. Peoples Natural Gas accepted Sequent Energy's M2 Rockwood proposal for 3,000 Dth/day since it included no reservation charge for the deal term. The deal allowed for combinations of baseload and daily calls for supply. Baseload supply would be priced at the INSIDE FERC's Gas Market Report, Monthly Bidweek Spot Gas Price Index for Texas Eastern, M-2 Receipts for that month plus \$0.20 per Dth. Daily supply would be priced at Gas Daily midpoint pricing for Texas Eastern, M-2 Receipts reported for the day of flow plus \$0.20 per Dth. There was no minimum call provision for baseload or daily supply to Rockwood. The other offer was rejected.

58. Peoples Natural Gas accepted Colonial Energy Services' M3 Ebensburg proposal for 25,000 Dth/day which included a reservation charge of \$0.029 per Dth, or \$110,000 for the term of the deal. The deal allows for combinations of baseload and daily calls for supply. Baseload supply would be priced at the INSIDE FERC's Gas Market Report, Monthly Bidweek Spot Gas Price Index for Texas Eastern, M-2 Receipts for that month plus TETCO M2 to M2 transportation variable costs per Dth. Daily supply would be priced at Gas Daily midpoint pricing for Texas Eastern, M-2 Receipts reported for the day of flow plus TETCO M2 to M2 transportation variable costs per Dth. There was no minimum call provision for baseload or daily supply to Ebensburg. (Peoples Natural Gas Company Statement No. 2, p. 29.)

59. In PNGD's 1307(f)-2022 proceeding, PNGD described its service arrangements with TETCO and firm suppliers that would be in effect over what is now the 1307(f)-2023 historical period. Under the settlement, the Parties agreed that the Commission should approve the Company's gas supply, pipeline and storage capacity contracts. In its final order in that proceeding, the Commission approved the settlement including the rates for the collection of PNGD's natural

gas costs that included the costs associated with the TETCO service arrangements. (Peoples Natural Gas Company Statement No. 2, p. 30.)

60. NFG provides PNGD with no-notice storage service and firm transportation service under rates approved by the FERC. PNGD uses NFG's services primarily to serve the isolated Grove City area of its service territory. PNGD 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. PNGD utilizes its firm transportation service from NFG both to support the NFG storage service and for deliveries from other supply sources. (Peoples Natural Gas Company Statement No. 2, pp. 30-31.)

61. During the entire 1307(f)-2023 historical period and for the first two months of the 1307(f)-2023 projected period, NFG provided 9,793 Dth/day of no-notice storage service to PNGD under its Rate ESS and 15,476 Dth/day of firm transportation service to PNGD under its Rate EFT. PNGD 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, 2023. As a result, the NFG contracts will be in effect throughout the 1307(f)-2023 projected period. (Peoples Natural Gas Company Statement No. 2, p. 31.)

62. In PNGD's 1307(f)-2022 proceeding, PNGD described the arrangements between PNGD and NFG that would be in effect, over what is now the 1307(f)-2023 historical period.

PNGD also described the reasons why it entered into those arrangements and the costs associated with them. Under the settlement in the 2022 1307(f) proceeding, the parties agreed that the Commission should approve the Company's gas supply, pipeline, and storage capacity contracts. In its final order in that proceeding, the Commission approved the settlement including the rates for the collection of PNGD's natural gas costs that included the costs associated with the NFG service arrangements over what is now the 1307(f)-2023 historical period. (Peoples Natural Gas Company Statement No. 2, p. 32.)

63. For the 1307(f)-2023 historical period, TCO provided PGD firm transportation service under Rate FTS of up to 3,257 Dth/day along with firm storage service under Rate GSS and related firm transportation service under Rate SST of up to 10,807 Dth/day with a total storage capacity of 609,827 Dth that expired March 31, 2022. Effective April 1, 2023, TCO provided PGD firm transportation service under Rate FTS of up to 4,000 Dth/day. TCO also provided firm storage service under Rate GSS and related firm transportation service under Rate SST of up to 2,000 Dth/day with a total storage capacity of 112,860 Dth with an expiration date of March 31, 2025. The Company utilizes the TCO services to maintain system integrity in the Fairview and Hickory Corners area of the system. (Peoples Natural Gas Company Statement No. 2, pp. 32-33.)

64. In PGD's 1307(f)-2022 proceeding, Peoples Gas Division described the arrangements between PGD and TCO that would be in effect, over what is now the 1307(f)-2023 historic period. Peoples Gas Division also described the reasons why Peoples Gas Division entered into those arrangements and the costs associated with them. Under the settlement, the Parties agreed that the Commission should approve the Company's gas supply pipeline and storage capacity contracts. In the final order in that proceeding, the Commission approved the settlement including the rates for the collection of PGD's natural gas costs that included the costs associated

with the TCO service arrangements over what is now the 1307(f)-2023 historical period. (Peoples Natural Gas Company Statement No. 2, p. 33.)

65. Peoples Natural Gas annually issues an RFP for firm city gate delivered supply for the upcoming winter season. These delivered supply agreements require the supplier to utilize Tennessee pipeline delivery points directly into Peoples Natural Gas at Pittsburgh Terminal and Pulaski. In addition, the agreements also required deliveries into the Columbia Gas of Pennsylvania, Inc. (“CPA”) natural gas distribution system at New Castle, PA. This supply supports an exchange agreement under which CPA delivers gas into the Grove City area of Peoples Natural Gas’s service territory, which is not physically integrated with the rest of the Peoples Natural Gas system. (Peoples Natural Gas Company Statement No. 2, p. 34.)

66. During the 1307(f)-2023 historical period, following the RFP process, PNGD entered into an agreement with one supplier for the period of November 2022 through March 2023. The contract provides for up to 26,000 Dth/day of firm supply delivered to PNGD 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. The agreement included no reservation fee and a specified baseload supply priced at the INSIDE FERC’s Gas Market Report, Monthly Bidweek Spot Gas Price Index for Tennessee, Zone 4-200 Leg for that month plus \$0.105 plus TGP zone 4 to zone 4 variable transportation charges per Dth. For daily requested quantities, the proposal specified pricing at Gas Daily midpoint pricing for Tennessee, Zone 4-200 Leg reported for the day of flow plus \$0.105 plus TGP zone 4 to zone 4 variable transportation charges per Dth. There was no minimum call provision of baseload or daily supply associated with the deal. (Peoples Natural Gas Company Statement No. 2, pp. 34-35.)

67. During the 1307(f)-2023 historical period, following the RFP process, PGD entered into an agreement with one supplier for the period of November 2022 through March 2023. The contract provides for up to 5,000 Dth/day of firm supply delivered to Pittsburgh Terminal. The agreement included no reservation fee and specified baseload supply pricing at the INSIDE FERC's Gas Market Report, Monthly Bidweek Spot Gas Price Index for Tennessee, Zone 4-200 Leg for that month plus \$0.105 plus TGP zone 4 to zone 4 variable transportation charges per Dth. For daily requested quantities, the proposal specified pricing related to Gas Daily midpoint pricing for Tennessee, Zone 4-200 Leg reported for the day of flow plus \$0.105 plus TGP zone 4 to zone 4 variable transportation charges per Dth. For the November 2022 through March 2023 period, no other offers were received. (Peoples Natural Gas Company Statement No. 2, p. 35.)

68. The Company proposes to issue another RFP for firm delivered supply on Tennessee that will provide for delivery of natural gas on a firm basis for up to 33,000 Dth/day delivered to Peoples Natural Gas with 0 - 27,000 Dth/day delivered to Pittsburgh Terminal, 0 - 3,000 Dth/day delivered to Pulaski, and 0 - 3,000 Dth/day delivered to New Castle for the winter period of November 2023 through March 2024. (Peoples Natural Gas Company Statement No. 2, p. 35.)

69. In Peoples Natural Gas's 1307(f)-2022 proceeding, Peoples Natural Gas described its intention to issue RFPs for firm delivered service arrangements on Tennessee that would be in effect, over what is now the 1307(f)-2023 historical period. Peoples Natural Gas also included estimated costs for these arrangements and described the reasons why Peoples Natural Gas entered into those firm supply arrangements. Under the Settlement, the Parties agreed that the Commission should approve the Company's gas supply, pipeline and storage capacity contracts. In its final order in that proceeding, the Commission approved the settlement including the rates for the

collection of Peoples Natural Gas's natural gas costs that included the costs associated with this arrangement over what is now the 1307(f)-2023 historical period. (Peoples Natural Gas Company Statement No. 2, p. 36.)

70. Peoples Natural Gas currently owns and operates the five storage fields, which have 2,097,000 Mcf of storage capacity and 55,300 Mcf of maximum design day withdrawal capacity. (Peoples Natural Gas Company Statement No. 2, p. 38.)

71. There are two categories of natural gas costs that Peoples Natural Gas incurs to own and operate its on-system storage facilities. The first of those categories is the portion of Peoples Natural Gas's requirements for company use and lost and unaccounted for gas that was attributable to those facilities. The second is the weighted average cost that Peoples Natural Gas assigns to each Mcf that is injected into and withdrawn from its on system (and interstate) storage facilities. For the 1307(f)-2023 historical period, the weighted average cost was based on the cost of all supplies that Peoples Natural Gas acquired over calendar year 2022. The total weighted average costs that Peoples Natural Gas assigned to injections into and withdrawals from storage over the historical period were those set forth on Peoples Natural Gas Company Exhibit No. 6. (Peoples Natural Gas Company Statement No. 2, p. 39.)

72. In Peoples Natural Gas's 1307(f)-2022 proceeding, Peoples Natural Gas set forth projections regarding the use of on-system storage over what is now the 1307(f)-2023 historical period. In that proceeding, Peoples Natural Gas described the projected weighted average costs assigned to the supplies that Peoples Natural Gas anticipated injecting into and withdrawing from its on-system and interstate storage facilities over that same period. In its final order in that proceeding, the Commission approved rates for the collection of Peoples Natural Gas's natural gas costs that included the weighted average costs of supplies that Peoples Natural Gas anticipated

injecting into and withdrawing from storage over what is now the 1307(f)-2023 historical period. The rates approved by the Commission also included the cost of Peoples Natural Gas's projected requirements for company use and lost or unaccounted for gas, including the portion of those requirements attributable to its on-system storage facilities. (Peoples Natural Gas Company Statement No. 2, pp. 39-40.)

73. Peoples Natural Gas projects to incur the weighted average costs of supplies injected into and withdrawn from storage that were set forth on Peoples Natural Gas Company Exhibit Nos. 7 and 8. While Peoples Natural Gas has done its best to anticipate what those weighted average costs will be, when the Company looks back next year, the weighted average costs likely will be different than what Peoples Natural Gas is projecting here, again because of the inability to predict the exact price of market-priced supplies. (Peoples Natural Gas Company Statement No. 2, p. 40.)

74. Peoples Natural Gas and its customers continue to purchase a substantial amount of their gas supply from Pennsylvania and Appalachian producers. Year-round base load gas supply is purchased by the Company from approximately 126 local Pennsylvania producers at approximately 1,947 supply meters. The majority of this gas is produced from conventional gas wells drilled into shallow upper Devonian formations (approximately 4,000 ft.). Over the last 100 years, the Company's pipeline system has been designed and operated to accommodate local supply, which must be delivered at varying pressures. (Peoples Natural Gas Company Statement No. 2, p. 41.)

75. The deliverability of Pennsylvania gas has historically declined as the gas wells age. Such decline is characteristic of these small volume local wells and thus, over time, deliverability of existing wells will continue to fall as these wells are depleted. Over the last several

years, the decline in new shallow well development resulted in production from the new gas wells failing to offset the production deliverability declines of the existing Pennsylvania gas wells. Production from Marcellus wells has accounted for roughly 21.2% of the total local production into Peoples' system. Adding new Marcellus gas is limited due to the lower operating pressures of the gathering system and most Marcellus production is sold to the transport market since its steady, year-round supply matches up better with the less heat sensitive large industrial load. (Peoples Natural Gas Company Statement No. 2, p. 41.)

76. In Peoples Natural Gas's 1307(f)-2022 proceeding, Peoples Natural Gas described its contracts for local gas supplies that would be in effect over what is now the 1307(f)-2023 historical period. Under the settlement, the Parties agreed that the Commission should approve the Company's gas supply, pipeline and storage capacity contracts. In its final order in that proceeding, the Commission approved the settlement including the rates for the collection of Peoples Natural Gas's natural gas costs that included the costs associated with the local gas contracts over what is now the 1307(f)-2023 historical period. (Peoples Natural Gas Company Statement No. 2, p. 44.)

77. Besides the Vintage and Dedicated gas purchase agreements, which only represent a small percentage of the total local supply purchased, all of the Company's other local gas supply contracts are subject to renegotiation due to the evergreen nature of the agreements. During the 1307(f)-2023 historical period, there were a number of local production meters that switched from system supply to transportation agreements and vice versa but the amount of local supplies Peoples Natural Gas purchased for its customers was virtually the same as the 1307(f)-2022 historical period. (Peoples Natural Gas Company Statement No. 2, pp. 44-45.)

78. Peoples Natural Gas uses the spot market to purchase a substantial amount of its natural gas requirements. A large portion of its interstate supply deals are done as day-ahead deals

and reference a published index for pricing, allowing the final pricing to be determined by the market. Along with its local gas supplies, these are the supplies that Peoples Natural Gas uses to meet the demands of those customers who continue to buy their supplies from Peoples Natural Gas. These are also the supplies that Peoples Natural Gas uses its various interstate pipeline assets to transport and store. (Peoples Natural Gas Company Statement No. 1, pp. 45-46.)

79. Peoples Natural Gas continually adjusts its daily supply plan based on actual and projected daily weather and customer usage. As part of that process, Peoples Natural Gas determines if additional supply is required at various parts of its system or, during the storage injection season, at various off-system storage receipt points. Peoples Natural Gas monitors the New York Mercantile Exchange (“NYMEX”) futures prices and the Intercontinental Exchange (“ICE”) cash and forward prices, and monitors various spot market gas index prices for areas from which it purchases spot market supplies. With this information, Peoples Natural Gas will determine the least cost option to serve areas of its system that requires additional supply. Peoples Natural Gas is in frequent contact with many gas suppliers who will agree to deliver spot market supplies to pipeline receipt points from which Peoples Natural Gas is able to secure transportation to its city gate or to storage receipt points pursuant to off-system storage contracts. (Peoples Natural Gas Company Statement No. 2, p. 46.)

80. Since 2010, Peoples Natural Gas has been working to reduce UFG. The Company’s UFG volume was 7.0 Bcf in 2017, which resulted in a loss rate of 4.46%. For the period ending August 31, 2022, the overall Company system amount was 5.6 Bcf, which resulted in an overall system loss rate of 3.9%, or 20% less during this recent 5-year period. The two main components of the Company’s overall UFG are Distribution UFG and Gathering UFG. Distribution UFG for the last reporting period is 3.1 Bcf which results in a loss rate of 2.19% which is below the

Commission's targeted loss rate for Distribution UFG of 3.0%. The Gathering UFG for the 2022 reporting period is 2.6 Bcf1 and equates to a loss rate of 7.49%, down from 9.83% in 2017 when the Company began the most recent mitigation plan. (Peoples Natural Gas Company Statement No. 5, p. 4.)

81. Despite the efforts to reduce UFG, Peoples Natural Gas remains challenged to reduce UFG on its pipelines that gather gas from local production wells. The Peoples Natural Gas gathering system is comprised of older (mostly pre-1970), 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, although there are a very few areas where there are high concentrations of customers. Since the Commission adopted regulations beginning in 2014 requiring industry-wide UFG reporting, Peoples Natural Gas has segmented the loss attributable to the gathering pipelines from the loss attributable to other functional pipeline systems. (Peoples Natural Gas Company Statement No. 5, p. 4.)

82. The Company has seen less and less local gas delivered into the Company's lines in recent years due to normal production declines and decreased new drilling in these systems. As the total amount of gas entering the gathering system is reduced, the same volumetric loss would result in a higher UFG rate. In fact, a lower volumetric loss can still result in an increased UFG rate because there is less gas flowing through the system. The production declined by more than 1.7 BCF or 4.7% during the latest period, so the decreased production loss has impacted the latest year's UFG rate. Had the production stayed at the same rate, the 2023 loss rate would have been 7.14%.

83. Peoples Natural Gas has taken several steps to reduce UFG on the gathering system, as outlined in Peoples Natural Gas Company Exhibit No. 13. In addition to the activity and spending listed in Peoples Natural Gas Company Exhibit No. 13, Peoples Natural Gas continued its audit process of producer meters, which found a number of wells that were operating outside of the Company's standards and, in some cases, contributing to UFG. Peoples Natural Gas took action in each of these cases to have the issues remedied, which in many cases, resulted in shutting in the production. This audit process is continuing in 2023. (Peoples Natural Gas Company Statement No. 5, p. 7.)

84. In addition, the following activities were performed: (1) expired and removed 85 zero flow production meters; (2) completed 1126 meter service/repair orders; and (3) continued automation of measurement data for ready UFG analysis. (Peoples Natural Gas Company Statement No. 5, p. 7.)

85. Peoples Natural Gas monitors and participates in various proceedings before the FERC. Peoples Natural Gas undertakes legal action as necessary to protect the interests of its ratepayers. (Peoples Natural Gas Company Exhibit No. 2; Peoples Natural Gas Company Statement No. 1, pp. 6-7.)

V. STANDARDS, FINDINGS, AND PROPOSED CONCLUSIONS OF LAW

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

87. With respect to Peoples Natural Gas's gas purchases and gas purchasing practices during the 12-month historical reconciliation period ended January 31, 2023, it is requested that the ALJ and the Commission find that Peoples Natural Gas has met the standards of Section 1318 of the Public Utility Code, 66 Pa. C.S. § 1318, as required by Section 1307(f)(5) of the Public

Utility Code, 66 Pa. C.S. § 1307(f)(5), as to all actual purchased gas costs in the historical period.

It is requested that the Commission find that during the 12 months ended January 31, 2023:

- a. Peoples Natural Gas met the requirements of Section 1318(a) of the Public Utility Code by pursuing a least-cost fuel procurement policy, consistent with its obligations to provide safe, adequate, and reliable service to its customers; and
- b. All gas exchanges by Peoples Natural Gas 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.

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

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

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

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

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

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

94. During the eight-month interim period beginning February 1, 2023, and the projected 12-month period beginning October 1, 2023, 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 Peoples Natural Gas's projected purchases and purchasing policies, that the rates to be adopted by the Commission result from Peoples Natural Gas's compliance with the provisions of Section 1318 of the Public Utility Code, including subsections (a)(1)-(4) and (b)(1)-(3). 66 Pa. C.S. § 1318(a)(1)-(4), (b)(1)-(3). It is expressly understood and agreed that this finding is made solely for the purpose of setting prospective rates that shall continue to be subject to the standards of Section 1318 of the Public Utility Code, 66 Pa. C.S. § 1318, and to further review in an appropriate future proceeding. This provision is not intended to limit or prevent the parties from reviewing, after such projected gas purchases actually have been made and gas purchasing practices actually have been implemented, whether Peoples Natural Gas's gas purchases and gas purchasing practices complied with Section 1318. If in an appropriate future proceeding Peoples Natural Gas's gas purchases and gas purchasing practices from February 1, 2023, through September 30, 2024, were challenged, the Commission's findings based upon this provision shall not bar the examination of such purchases

³ The proposed tariff rates effective October 1, 2023, will be updated to reflect actual and projected over/undercollections through September 30, 2024, as stated in Paragraph 40 of this Settlement.

and practices, including, but not limited to, disallowance of or reductions to such costs during the eight-month interim period commencing February 1, 2023, and the 12-month application period commencing October 1, 2023, and ending September 30, 2024.

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

VI. PROPOSED ORDERING PARAGRAPHS

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

97. That Peoples Natural Gas Company LLC shall file a tariff supplement to become effective on October 1, 2023, 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.

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

99. That upon Peoples Natural Gas Company LLC's filing of a tariff supplement acceptable to the Commission as conforming with this order and the Settlement and the Commission's approval thereof, the purchased gas rates established therein shall become effective for service rendered on and after October 1, 2023.

100. That the complaint filed by the Office of Small Business Advocate in this proceeding at Docket No. C-2023-3038899 be marked closed.

101. That the complaint filed by the Office of Consumer Advocate in this proceeding at Docket No. C-2023-3039644 be marked closed.

102. That the investigation at Docket No. R-2023-3037928 be marked closed.

VII. THE PUBLIC INTEREST

103. This Settlement was achieved by the Joint Petitioners after an extensive investigation of Peoples Natural Gas's filing, including extensive formal discovery and the service of written direct testimony by Peoples Natural Gas, OCA, and PIOGA, written rebuttal testimony by Peoples Natural Gas, and written surrebuttal testimony of OCA.

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

105. 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.

106. Attached as **Appendices B through D** are Statements in Support submitted by Peoples Natural Gas, OCA, and PIOGA, setting forth the bases upon which they believe the Settlement is in the public interest. I&E's letter of non-opposition is submitted as **Appendix E**. OSBA's letter of non-opposition is submitted as **Appendix F**.

VIII. CONDITIONS OF SETTLEMENT

107. 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.

108. 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.

109. 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.

110. 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.

111. 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,



Anthony D. Kanagy Esquire
Nicholas A. Stobbe, Esquire
Post & Schell, P.C.
17 North Second Street
12th Floor
Harrisburg, PA 17101-1601

Date: 06/29/2023

Meagan Moore, Esquire
PNG Companies LLC
375 North Shore Drive
Pittsburgh, PA 15212

For Peoples Natural Gas Company LLC

Date: _____

David T. Evrard, Esquire
Aron J. Beatty, Esquire
Andrew J. Zerby, Esquire
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

For Office of Consumer Advocate

Date: _____

Anthony D. Kanagy Esquire
Nicholas A. Stobbe, Esquire
Post & Schell, P.C.
17 North Second Street
12th Floor
Harrisburg, PA 17101-1601

Meagan Moore, Esquire
PNG Companies LLC
375 North Shore Drive
Pittsburgh, PA 15212

For Peoples Natural Gas Company LLC

Date: 06/29/2023

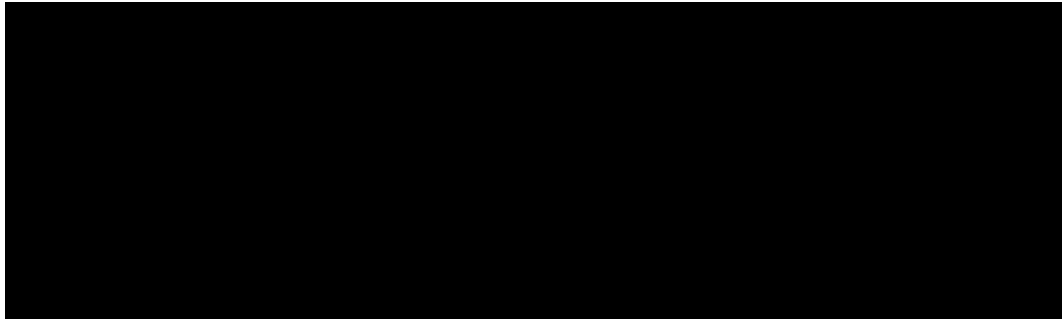
/s/ Andrew J. Zerby
David T. Evrard, Esquire
Aron J. Beatty, Esquire
Andrew J. Zerby, Esquire
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

For Office of Consumer Advocate

Date: _____

Kevin J. Moody, Esquire
PA Independent Oil & Gas Association.
212 Locust Street, Suite 300
Harrisburg, PA 17101-1510

*For Pennsylvania Independent Oil & Gas
Association*



Kevin J. Moody

Kevin J. Moody, Esquire
PA Independent Oil & Gas Association.
212 Locust Street, Suite 300
Harrisburg, PA 17101-1510

Date: 9/23/23

*For Pennsylvania Independent Oil & Gas
Association*

APPENDIX A

**PEOPLES NATURAL GAS COMPANY LLC
PEOPLES NATURAL GAS DIVISION**

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

1307(f)-2023 Annual Gas Cost Filing

ISSUED: _____

EFFECTIVE: _____

**BY: Michael Huwar
President
375 North Shore Drive
Pittsburgh, PA 15212**

NOTICE

This tariff makes changes to existing rates.
(See page 2)

LIST OF CHANGES

	<u>Current</u>	<u>Proposed</u>	<u>Increase/ (Decrease)</u>
<u>Rate GS-SB</u>			
Rate RS, SGS, MGS, LGS	\$1.0310	\$1.0313	\$0.0003
<u>Rider PGC</u>			
<u>Rate RS, SGS, MGS, LGS, NGPV</u>			
Capacity Charge	\$1.0310	\$1.0313	\$0.0003
Gas Cost Adjustment Charge	\$0.3936	(\$1.3285)	(\$1.7221)
Natural Gas Supply Charge	\$6.0939	\$3.0018	(\$3.0921)
Rate RS, GS-T (Residential) AVC Capacity Charge	\$0.7133	\$0.7510	\$0.0377
Rate SGS, GS-T (SGS) AVC Capacity Charge	\$0.6578	\$0.7170	\$0.0592
Rate MGS, GS-T (MGS) AVC Capacity Charge	\$0.4543	\$0.4672	\$0.0129
Rate LGS, GS-T (LGS) AVC Capacity Charge	\$0.1975	\$0.2523	\$0.0548
<u>Rider MFC – Merchant Function Charge</u>			
RS	\$0.1840	\$0.0662	(\$0.1178)
SGS, MGS, LGS	\$0.0159	\$0.0057	(\$0.0102)
RS-T	\$0.0252	\$0.0252	\$0.0000
<u>Balancing Charges</u>			
SGS	\$0.4052	\$0.4468	\$0.0416
MGS, LGS	\$0.1388	\$0.1165	(\$0.0223)
<u>Retainage Charges</u>			
	5.95%	5.9%	(0.05%)

ISSUED: _____

EFFECTIVE: _____

Quarterly 1307(f), MFC, USR	Rider Purchased Gas Costs				Base Rate Charges (5)	Rider STAS (6)	Rider MFC (7)	Rider Supplier Choice (8)	Rider USR (9)	Rider GPC (10)	Rider DSIC Charge (11)	Rider TRS (12)	Total Rate (13=SUM 1 to 12)
	Capacity	AVC Capacity	GCA	Commodity									
	(1)	(2)	(3)	(4)									
Residential Sales						0.04%					0.00%	-7.1179%	
Customer Charge					\$ 14.5000		\$ (0.0002)			\$ -	\$ (1.0321)	\$	13.4677
Capacity	\$ 1.0313	\$ 0.7510					\$ 0.0252						\$ 1.8075
Price to Compare - PTC			\$ (1.3285)	\$ 3.0018			\$ 0.0410		\$ 0.0865				\$ 1.8008
Delivery Charge					\$ 3.9608			\$ 0.7668		\$ -	\$ (0.2819)	\$	4.4457
State Tax Surcharge						\$ 0.0016				\$ -		\$	0.0016
Total per MCF							\$ 0.0662					\$	8.0556
Small General Service (SGS)													
Customer Charge													
0 to 499 MCF/Yr					\$ 20.0000		\$ (0.0002)			\$ -	\$ (1.4236)	\$	18.5762
500 to 999 MCF/Yr					\$ 40.0000		\$ (0.0002)			\$ -	\$ (2.8472)	\$	37.1526
1/ Capacity	\$ 0.4468	\$ 0.7170											\$ 1.1638
Price to Compare - PTC	\$ 0.5845		\$ (1.3285)	\$ 3.0018			\$ 0.0057		\$ 0.0865				\$ 2.3500
Delivery Charge					\$ 2.7000					\$ -	\$ (0.1922)	\$	2.5078
State Tax Surcharge						\$ 0.0011						\$	0.0011
Total per MCF	\$ 1.0313											\$	6.0227
Medium General Service (MGS)													
Customer Charge													
1,000 to 2,499 MCF/Yr					\$ 85.0000					\$ -	\$ (6.0502)	\$	78.9498
2,500 to 24,999 MCF/Yr					\$ 130.0000					\$ -	\$ (9.2533)	\$	120.7467
1/ Capacity	\$ 0.4468	\$ 0.4672											\$ 0.9140
Price to Compare - PTC	\$ 0.5845		\$ (1.3285)	\$ 3.0018			\$ 0.0057		\$ 0.0865				\$ 2.3500
Delivery Charge					\$ 2.6914					\$ -	\$ (0.1916)	\$	2.4998
State Tax Surcharge						\$ 0.0011						\$	0.0011
Total per MCF	\$ 1.0313											\$	5.7649
Large General Service (LGS)													
Customer Charge													
25,000 to 49,999 MCF/Yr					\$ 575.0000					\$ -	\$ (40.9279)	\$	534.0721
50,000 to 99,999 MCF/Yr					\$ 750.0000					\$ -	\$ (53.3843)	\$	696.6158
100,000 to 199,999 MCF/Yr					\$ 1,400.0000					\$ -	\$ (99.6506)	\$	1,300.3494
Over 200,000 MCF/Yr					\$ 1,600.0000					\$ -	\$ (113.8864)	\$	1,486.1136
1/ Capacity	\$ 0.1165	\$ 0.2523											\$ 0.3688
Price to Compare - PTC	\$ 0.9148		\$ (1.3285)	\$ 3.0018			\$ 0.0057		\$ 0.0865				\$ 2.6803
Delivery Charge													
25,000 - 49,999 MCF/Yr					\$ 2.6411	\$ 0.0011				\$ -	\$ (0.1880)	\$	2.4542
50,000 - 99,999 MCF/Yr					\$ 2.5773	\$ 0.0010				\$ -	\$ (0.1834)	\$	2.3949
100,000 - 199,999 MCF/Yr					\$ 2.5694	\$ 0.0010				\$ -	\$ (0.1829)	\$	2.3875
200,000 to 749,999 MCF/Yr					\$ 2.4999	\$ 0.0010				\$ -	\$ (0.1779)	\$	2.3230
750,000 to 1,999,999 MCF/Yr					\$ 2.1327	\$ 0.0009				\$ -	\$ (0.1518)	\$	1.9817
Over 2,000,000 MCF/Yr					\$ 1.6445	\$ 0.0007				\$ -	\$ (0.1171)	\$	1.5281
2/ Total per MCF	\$ 1.0313											\$	5.5033

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.

2/ The Total per MCF displayed for Retail LGS is representative of the 25,000 - 49,999 MCF/Yr delivery charge tier only.

3/ The above rates are for non-transitional customers. For transitional customer rates, refer to the corresponding rate schedule found in the Company's retail tariff.

PEOPLES NATURAL GAS COMPANY LLC -
PEOPLES NATURAL GAS DIVISION

PRO FORMA TO GAS—PA PUC NO. 47
REVISED PAGE NO. 4
CANCELLING _____ REVISED PAGE NO. 4

Quarterly 1307(f), MFC, USR	Base Rate Charges (1)	Rider STAS (2)	Rider MFC (3)	Rider USR (4)	Rider Purchased Gas Costs Capacity (5) AVC Capacity (6)		Balancing Charge (7)	Rider Supplier Choice (8)	Rider DSIC Charge (9)	Rider TRS (10)	Total Rate (11=SUM 1 to 10)
Rate GS-T Residential		0.04%							0.00%	-7.1179%	
Customer Charge	\$ 14.5000							\$ (0.0002)	\$ -	\$ (1.0321)	\$ 13.4677
Capacity			\$ 0.0252		\$ 1.0313	\$ 0.7510					\$ 1.8075
Delivery Charge	\$ 3.9608			\$ 0.7668					\$ -	\$ (0.2819)	\$ 4.4457
State Tax Surcharge		\$ 0.0016									\$ 0.0016
Total per MCF											\$ 6.2548
Rate GS-Transportation SGS											
Customer Charge											
0 to 499 MCF/Yr	\$ 20.0000							\$ (0.0002)	\$ -	\$ (1.4236)	\$ 18.5762
500 to 999 MCF/Yr	\$ 40.0000							\$ (0.0002)	\$ -	\$ (2.8472)	\$ 37.1526
1/ Capacity/BB&A					\$ 0.7170	\$ 0.4468					\$ 1.1638
Delivery Charge	\$ 2.7000								\$ -	\$ (0.1922)	\$ 2.5078
State Tax Surcharge		\$ 0.0011									\$ 0.0011
Total per MCF											\$ 3.6727
Rate GS-Transportation MGS											
Customer Charge											
1,000 to 2,499 MCF/Yr	\$ 85.0000								\$ -	\$ (6.0502)	\$ 78.9498
2,500 to 24,999 MCF/Yr	\$ 130.0000								\$ -	\$ (9.2533)	\$ 120.7467
1/ Capacity/BB&A					\$ 0.4672	\$ 0.4468					\$ 0.9140
Delivery Charge	\$ 2.6914								\$ -	\$ (0.1916)	\$ 2.4998
State Tax Surcharge		\$ 0.0011									\$ 0.0011
Total per MCF											\$ 3.4149
Rate GS-Transportation LGS											
Customer Charge											
25,000 to 49,999 MCF/Yr	\$ 575.0000								\$ -	\$ (40.9279)	\$ 534.0721
50,000 to 99,999 MCF/Yr	\$ 750.0000								\$ -	\$ (53.3843)	\$ 696.6158
100,000 to 199,999 MCF/Yr	\$ 1,400.0000								\$ -	\$ (99.6506)	\$ 1,300.3494
Over 200,000 MCF/Yr	\$ 1,600.0000								\$ -	\$ (113.8864)	\$ 1,486.1136
1/ Capacity/BB&A					\$ 0.2523	\$ 0.1165					\$ 0.3688
Delivery Charge											
25,000 - 49,999 MCF/Yr	\$ 2.6411	\$ 0.0011							\$ -	\$ (0.1880)	\$ 2.4542
50,000 - 99,999 MCF/Yr	\$ 2.5773	\$ 0.0010							\$ -	\$ (0.1834)	\$ 2.3949
100,000 - 199,999 MCF/Yr	\$ 2.5694	\$ 0.0010							\$ -	\$ (0.1829)	\$ 2.3875
200,000 to 749,999 MCF/Yr	\$ 2.4999	\$ 0.0010							\$ -	\$ (0.1779)	\$ 2.3230
750,000 to 1,999,999 MCF/Yr	\$ 2.1327	\$ 0.0009							\$ -	\$ (0.1518)	\$ 1.9817
Over 2,000,000 MCF/Yr	\$ 1.6445	\$ 0.0007							\$ -	\$ (0.1171)	\$ 1.5281
2/ Total per MCF											\$ 2.8230

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

2/ The Total per MCF displayed for Transport LGS is representative of the 25,000 - 49,999 MCF/Yr delivery charge tier only.

3/ The above rates are for non-transitional customers. For transitional customer rates, refer to the corresponding rate schedule found in the Company's retail tariff.

ISSUED: _____

EFFECTIVE: October 1, 2023

RATE GS-T
GENERAL SERVICE - TRANSPORTATION

RULES AND DELIVERY TERMS (Continued)

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

Transportation customers 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 customer. After contact is attempted by the Company with the three persons designated by the customer, 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 customers.
- a. Available System Capacity for Transportation Service: Capacity for the transportation of customer-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 customers, 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 customer-owned gas or is available but restricted, the Company will provide its transportation customer or the customer'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 customers without regard to the sources of the customers' 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 customer learns of any disruption or interruption in its supply of gas, the customer 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 customer'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 5.9 percent of the total volume of gas received into its system on behalf of all (D) customers 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:

(D) Indicates Decrease.

(I) Indicates Increase.

ISSUED: _____

EFFECTIVE: _____

RATE GS-SB
GENERAL SERVICE - STANDBY

AVAILABILITY

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

RULES AND DELIVERY TERMS

Priority-One Transportation Customers

Priority One customers 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 customers shall be provided pursuant to the applicable retail rate schedules.

Non-Priority-One Transportation Customers

The customer 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. Customers 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 customer is using the Company as back-up service to service from an alternative supplier, the Company shall charge the customer 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 customer 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 customer and require that the customer 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	\$1.0313	(I)
SGS Capacity Charge per Mcf	\$1.0313	(I)
MGS Capacity Charge per Mcf	\$1.0313	(I)
LGS Capacity Charge per Mcf	\$1.0313	(I)

Standby Charges for Priority One Transportation Customers

For customers 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 customers 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 customer'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.

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

ISSUED: _____

EFFECTIVE: _____

PEOPLES NATURAL GAS COMPANY LLC
PEOPLES GAS DIVISION

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

ISSUED: _____

EFFECTIVE: _____

1307(f)-2023 Annual Gas Cost Filing

ISSUED BY:

MICHAEL HUWAR
PRESIDENT
PEOPLES NATURAL GAS COMPANY LLC
PEOPLES GAS DIVISION
205 NORTH MAIN STREET
BUTLER, PENNSYLVANIA 16001

This tariff makes changes to existing rates.
(See page 1)

LIST OF CHANGES MADE BY THIS TARIFF

	<u>Current</u>	<u>Proposed</u>	<u>Increase/ (Decrease)</u>
<u>Rider PGC</u>			
<u>Rate RS, SGS, MGS, LGS, NGPV</u>			
Capacity Charge	\$1.0310	\$1.0313	\$0.0003
Gas Cost Adjustment Charge	\$0.3936	(\$1.3285)	(\$1.7221)
Natural Gas Supply Charge	\$6.0939	\$3.0018	(\$3.0921)
<u>Rider MFC – Merchant Function Charge</u>			
RS	\$0.1840	\$0.0662	(\$0.1178)
SGS, MGS, LGS	\$0.0159	\$0.0057	(\$0.0102)
RS-T	\$0.0252	\$0.0252	\$0.0000
<u>Balancing Charges</u>			
SGS	\$0.4052	\$0.4468	\$0.0416
MGS, LGS	\$0.1388	\$0.1165	(\$0.0223)
<u>Retainage Charges</u>	5.95%	5.9%	(0.05%)

PEOPLES NATURAL GAS COMPANY LLC -
PEOPLES GAS DIVISION

PRO FORMA TO GAS—PA PUC NO. 8
REVISÉD PAGE NO. 12
CANCELLING REVISÉD PAGE NO. 12

Quarterly 1307(f), MFC, USR	Rider PGC - Gas Cost Charges				Base Rate Charges (5)	Rider STA (6)	Rider MFC (7)	Rider USP (8)	Rider GPC (9)	Rider Supplier Choice (10)	Rider DSIC (11)	Rider TCJA (12)	Bill Display Total Rate (13=SUM 1 to 12)
	Capacity	Capacity E Factor	GCA	Commodity									
	(1)	(2)	(3)	(4)									
Residential - Sales											0.00%	-8.2390%	
Customer Charge				\$ 15.7500						\$ (0.0018)	\$ -	\$ (1.2976)	\$ 14.4506
Capacity	\$ 1.0213	\$ 0.0100				\$ 0.0252				\$ -			\$ 1.0565
PTC - Commodity Charge			\$ (1.3285)	\$ 3.0018		\$ 0.0410		\$ 0.0865		\$ -			\$ 1.8008
Delivery Charge				\$ 6.7743	\$ 0.0051		\$ 0.5525			\$ -	\$ (0.5581)		\$ 6.7738
Total per MCF													\$ 9.6311
SGS - Sales													
Customer Charge													
0 to 499 MCF/Yr				\$ 35.0000						\$ (0.0018)	\$ -	\$ (2.8837)	\$ 32.1146
500 to 999 MCF/Yr				\$ 65.0000						\$ (0.0018)	\$ -	\$ (5.3554)	\$ 59.6429
Capacity 1/	\$ 0.4468									\$ -	\$ -		\$ 0.4468
Price-to-Compare Charge 1/	\$ 0.5745	\$ 0.0100	\$ (1.3285)	\$ 3.0018		\$ 0.0057		\$ 0.0865		\$ -			\$ 2.3500
Delivery Charge				\$ 5.1008	\$ 0.0051					\$ -	\$ (0.4203)		\$ 4.6856
Total per MCF													\$ 7.4824
MGS - Sales													
Customer Charge													
1,000 to 2,499 MCF/Yr				\$ 75.0000						\$ -	\$ (6.1793)		\$ 68.8208
2,500 to 24,999 MCF/Yr				\$ 175.0000						\$ -	\$ (14.4183)		\$ 160.5818
Capacity 1/	\$ 0.4468									\$ -	\$ -		\$ 0.4468
Price-to-Compare Charge 1/	\$ 0.5745	\$ 0.0100	\$ (1.3285)	\$ 3.0018		\$ 0.0057		\$ 0.0865		\$ -			\$ 2.3500
Delivery Charge				\$ 4.8604	\$ 0.0051					\$ -	\$ (0.4004)		\$ 4.4651
Total per MCF													\$ 7.2619
LGS - Sales < 100,000 MCF/yr													
Customer Charge													
25,000 to 49,999 MCF/Yr				\$ 800.0000						\$ -	\$ (65.9120)		\$ 734.0880
50,000 to 99,999 MCF/Yr				\$ 1,500.0000						\$ -	\$ (123.5850)		\$ 1,376.4150
Capacity 1/	\$ 0.1165									\$ -	\$ -		\$ 0.1165
Price-to-Compare Charge 1/	\$ 0.9048	\$ 0.0100	\$ (1.3285)	\$ 3.0018		\$ 0.0057		\$ 0.0865		\$ -			\$ 2.6803
Delivery Charge				\$ 3.7500	\$ 0.0051					\$ -	\$ (0.3090)		\$ 3.4461
Total per MCF													\$ 6.2429
LGS - Sales > 100,000 MCF/yr													
Customer Charge													
100,000 to 199,999 MCF/Yr				\$ 5,000.0000						\$ -	\$ (411.9500)		\$ 4,588.0500
Over 200,000 MCF/Yr				\$ 7,500.0000						\$ -	\$ (617.9250)		\$ 6,882.0750
Capacity 1/	\$ 0.1165									\$ -	\$ -		\$ 0.1165
Price-to-Compare Charge 1/	\$ 0.9048	\$ 0.0100	\$ (1.3285)	\$ 3.0018		\$ 0.0057		\$ 0.0865		\$ -			\$ 2.6803
Delivery Charge				\$ 0.9988	\$ 0.0051					\$ -	\$ (0.0823)		\$ 0.9216
Total per MCF													\$ 3.7184

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

ISSUED: _____

EFFECTIVE: October 1, 2023

PEOPLES NATURAL GAS COMPANY LLC -
PEOPLES GAS DIVISION

PRO FORMA TO GAS—PA PUC NO. 8
REVISOR: _____ REVISED PAGE NO. 13
CANCELLING _____ REVISED PAGE NO. 13

Quarterly 1307(f), MFC, USR	Base Rate Charges	Rider STA	Rider MFC	Rider USR	Rider PGC Capacity	Capacity E Factor	Balancing Charge	Rider Supplier Choice	Rider DSIC	Rider TCJA	Bill Display Total Rate	Retainage Charge
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11=SUM 1 to 10)	
Rate RS-T (Transportation Service)									0.00%	-8.2390%		
Customer Charge	\$ 15.7500							\$ (0.0018)	\$ -	\$ (1.2976)	\$ 14.4506	
Capacity			\$ 0.0252		\$ 1.0213	\$ 0.0100					\$ 1.0565	
Delivery Charge	\$ 6.7743	\$ 0.0051		\$ 0.5525					\$ -	\$ (0.5581)	\$ 6.7738	5.9%
Total per MCF											\$ 7.8303	
Rate SGS-T (Transportation Service)												
Customer Charge												
0 to 499 MCF/Yr	\$ 35.0000							\$ (0.0018)	\$ -	\$ (2.8837)	\$ 32.1146	
500 to 999 MCF/Yr	\$ 65.0000							\$ (0.0018)	\$ -	\$ (5.3554)	\$ 59.6429	
Balancing Charge 1/							\$ 0.4468				\$ 0.4468	
Delivery Charge	\$ 5.1008	\$ 0.0051							\$ -	\$ (0.4203)	\$ 4.6856	5.9%
Total per MCF											\$ 5.1324	
Rate MGS-T (Transportation Service)												
Customer Charge												
1,000 to 2,499 MCF/Yr	\$ 75.0000								\$ -	\$ (6.1793)	\$ 68.8208	
2,500 to 24,999 MCF/Yr	\$ 175.0000								\$ -	\$ (14.4183)	\$ 160.5818	
Balancing Charge 1/							\$ 0.4468				\$ 0.4468	
Delivery Charge	\$ 4.8604	\$ 0.0051							\$ -	\$ (0.4004)	\$ 4.4651	5.9%
Total per MCF											\$ 4.9119	
Rate LGS-T (Transportation Service)												
Customer Charge												
25,000 to 49,999 MCF/Yr	\$ 800.0000								\$ -	\$ (65.9120)	\$ 734.0880	
50,000 to 99,999 MCF/Yr	\$ 1,500.0000								\$ -	\$ (123.5850)	\$ 1,376.4150	
Balancing Charge 1/							\$ 0.1165				\$ 0.1165	
Delivery Charge	\$ 3.7500	\$ 0.0051							\$ -	\$ (0.3090)	\$ 3.4461	5.9%
Total per MCF											\$ 3.5626	
Rate LGS-T (Transportation Service)												
Customer Charge												
100,000 to 199,999 MCF/Yr	\$ 5,000.0000								\$ -	\$ (411.9500)	\$ 4,588.0500	
Over 200,000 MCF/Yr	\$ 7,500.0000								\$ -	\$ (617.9250)	\$ 6,882.0750	
Balancing Charge 1/							\$ 0.1165				\$ 0.1165	
Delivery Charge	\$ 0.9988	\$ 0.0051							\$ -	\$ (0.0823)	\$ 0.9216	5.9%
Total per MCF											\$ 1.0381	

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

ISSUED: _____

EFFECTIVE: October 1, 2023

RATE SCHEDULE FTS – FIELD TRANSPORTATION SERVICE

AVAILABILITY – This service is available to any Pennsylvania gas producer or Supply Aggregator (hereinafter referred to as “FTS User”) which has executed a Field Transportation Service Agreement (the “Service Agreement”) for the field transportation of a minimum monthly volume of 9,000 Mcf of natural gas production to be injected from gas wells directly into the Company’s gathering or transmission system at points designated by the Company for delivery to specified points of interconnection between the Company’s gathering or transmission system and an interstate pipeline or another local distribution company, provided that the FTS User shall be subject to, and shall comply with, the other applicable provisions of this Rate Schedule. Any additional facilities needed to provide service to a Customer under this Rate Schedule will be paid for by the Customer receiving such service.

CHARACTER OF SERVICE – Transportation service under this Rate Schedule and Customer classification shall be considered interruptible service on the Company’s system.

RATES – **Maximum Volumetric Delivery Rate:** \$ 0.4777 per Mcf

Retainage Charge – The currently effective Retainage Charge is 5.9%. (D)

SPECIAL PROVISION – The Volumetric Delivery Rate may be discounted on an individual contract basis but in no case will the negotiated rate exceed the Maximum Volumetric Delivery Rate under this Rate Schedule.

FINANCE CHARGE – If payment of bill has not been received within fifteen (15) days from date of mailing, a finance charge of 1.50 percent per month will be added to the unpaid balance each month until the entire bill is paid.

ADJUSTMENTS – The above rate shall be subject to Rider DSIC – Distribution System Improvement Charge as set forth in this Tariff.

RULES AND REGULATIONS – The Rules and Regulations set forth in this Tariff shall govern, where applicable, the transportation service under this Rate Schedule.

(D) Indicates Decrease.

(I) Indicates Increase.

ISSUED: _____

EFFECTIVE: _____

APPENDIX B

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos.	R-2023-3037928
Office of Small Business Advocate	:		C-2023-3038899
Office of Consumer Advocate	:		C-2023-3039644
	:		
v.	:		
	:		
Peoples Natural Gas Company LLC	:		

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

I. INTRODUCTION

Peoples Natural Gas Company LLC (“Peoples Natural Gas” or the “Company”) hereby files this Statement in Support of the Joint Petition for Settlement (“Settlement”) entered into by Peoples Natural Gas, the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), and the Pennsylvania Oil & Gas Association (“PIOGA”), (collectively, “Joint Petitioners”) in the above-captioned Purchased Gas Cost (“PGC”) proceeding.¹ Peoples Natural Gas respectfully requests that Administrative Law Judge Katrina L. 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 Peoples Natural Gas’s historic natural gas costs were incurred and projected natural gas costs will be incurred under a least cost fuel procurement policy. The

¹ The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”) is not a party to the Settlement but has indicated that it does not object to the Settlement. I&E’s letter of non-opposition is attached to the Joint Petition for Settlement as Appendix F.

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

The Settlement was achieved only after a comprehensive investigation of Peoples Natural Gas's natural gas procurement policies and operations. In addition to a comprehensive filing, Peoples Natural Gas responded to numerous formal discovery requests (many of which had multiple subparts). In support of their positions, Peoples Natural Gas, OCA, and PIOGA served direct testimony and accompanying exhibits. Peoples Natural Gas served rebuttal testimony. OCA also served written surrebuttal testimony. Additionally, the Joint Petitioners participated in settlement discussions and formal negotiations, which ultimately led to the Settlement.

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

For these reasons and the reasons set forth below, the Settlement is just and reasonable, and Peoples Natural Gas's 2023 1307(f) filing, as modified by the Settlement, should be approved.

II. COMMISSION POLICY FAVORS SETTLEMENT

Commission policy promotes settlements. *See* 52 Pa. Code § 5.231(a). Settlements reduce the time and expense that the parties must expend litigating a case and, at the same time, conserve administrative resources. The Commission has stated that settlement results are often preferable to those achieved at the conclusion of a fully-litigated proceeding. *See* 52 Pa. Code § 69.401. To accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. 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. CALCULATION OF RETAINAGE AND BALANCING CHARGES

Except as revised by 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. (Settlement ¶ 39.) The rates that are changed by the Settlement are the Company's tariffed stand-alone retainage rate, the Company's balancing charge calculation and the over/under collection or E-factor. Through the Settlement, the Company has also agreed to monitor natural gas commodity prices to consider making interim filings in the future; the purpose of this monitoring is to avoid significant over or under collections of gas cost commodity costs in the future. (Settlement ¶ 33.) This, and Settlement provisions regarding refunds of over collections of gas cost commodity costs, are explained more fully in **SECTION III. C.** below. Additionally, the proposed rates will be updated in the Company's compliance filing to reflect updated actual and projected over/undercollections through September 30, 2023. (Settlement ¶ 40.) The Joint Petitioners have also agreed that the Commission should approve the renewals and changes in gas supply, pipelines, and storage capacity contracts that are explained in Peoples Natural Gas Statement No. 2 and related exhibits included in the 1307(f)-2023 definitive filing. (Settlement ¶ 41.) Lastly, the producer retainage rate for the Goodwin system shall be 68% for the period of October 1, 2023, to September 30, 2024, and calculated using the method delineated in Peoples Natural Gas's 2022 PGC settlement at Docket Nos. R-2022-3030661, *et al.* (Settlement ¶ 36.)

The PGC and balancing rates that Peoples Natural Gas proposes to place into effect on October 1, 2023, are supported by record evidence. Peoples Natural Gas explained in detail the development of the natural gas supply rates utilizing cost projections, sales projections, and the reconciliation process. Peoples Natural Gas’s testimony provided full support for the rates and their underlying calculations, including its proposed retainage charge of 5.8%. (*See* Peoples Natural Gas Company St. No. 1; Peoples Natural Gas Company Exhibit No. 3.)

That said, OCA witness Jerome Mierzwa argued that Peoples Natural Gas’s calculation of its retainage charge should be modified to calculate said charge by a three-year average of actual losses, rather than a three-year average of percentage of losses. (OCA St. No. 1, p. 6.) In turn, “adjusting the company’s retainage charge calculation [... would] increase the charge from 5.8% to 6.0%.” (OCA St. No. 1, p. 6.) In Rebuttal, Peoples Natural Gas witness Carol A. Scanlon explained that the Company opposed Mr. Mierzwa’s recommendation, stating:

the calculation under either of the methodologies relies on projected throughput volumes for the period the retainage rate is in place. The actual throughput for both transportation and sales customers will vary from projected volumes and depending on the degree of variation, can affect the actual recoveries of unaccounted for gas (“UFG”). Second, Mr. Mierzwa’s proposal assumes that the overall level of UFG is a fixed amount as an average of the three prior years, and is not affected by throughput. If this were accurate, then incremental throughput would not contribute anything toward UFG.

(Peoples Natural Gas Company St. No. 1-R, pp. 3-4.)

Additionally, Mr. Mierzwa argued that overrun and penalty charges that the Company incurred as a result of violating operational flow order (“OFO”) tolerances be included in Peoples Natural Gas’s balancing charge calculation, rather than recovered solely from PGC customers and that the transportation service balancing charges be adjusted to reflect on-system storage losses. (OCA St. No. 1, pp. 8-9.) In turn, this recommendation would increase the Company’s Rate

SGS/MGS balancing charge by \$0.108/Mcf from the Company's original proposal, and increase the Company's Rate LGS balancing charge by \$0.0047/Mcf. (OCA St. No. 1, p. 10.)

In Rebuttal, Company witness Anthony Caldro noted the Company's agreement with Mr. Mierzwa's proposal to include overrun charges and penalties in the Company's balancing charge calculation. (Peoples Natural Gas Company St. No. 3-R, pp. 2-3.) However, Mr. Caldro disagreed with the inclusion of on-system storage losses in the balancing charge calculation(s). (Peoples Natural Gas Company St. No. 3-R, pp. 2-3.) In support of his opposition, Mr. Caldro explained that:

Gas purchased for on-system storage is not used by or for transportation customers. Therefore, it is not appropriate to assign on-system storage losses to transportation customers. The on-system storage deliverability is what satisfies transportation customers' balancing needs, not the on-system storage commodity. Thus, it would be inappropriate to recover the storage losses related to on-system storage commodity from transportation customers via the balancing charge

(Peoples Natural Gas Company St. No. 3-R, p. 3.)

In turn, taking into account overrun charges and penalties, Mr. Caldro explained that the Company's revised balancing charges would moderately increase: "[t]he SGS/MGS charge increases from the as-filed \$0.4441/Mcf to \$0.4468/Mcf and the LGS charge increases from the as-filed \$0.1157/Mcf to \$0.1165/Mcf." (Peoples Natural Gas Company St. No. 3-R, p. 3.)

In surrebuttal, OCA witness Mierzwa continued to contend that the retainage rate should be calculated based off of a three-year average of actual losses, rather than the Company's method of averaging the percentage of losses and that on-system storage losses be included in the Company's balancing charge. (OCA St. No. 1-S, pp. 3, 5-6.) Under the Settlement, the Joint Petitioners have agreed that the stand-alone retainage rate for all classes both the Peoples Gas Division ("PGD") and Peoples Natural Gas Division ("PNGD") shall be 5.9%. This is reflective

of the middle-ground between the OCA's and the Company's respective proposals. It is not reflective of an agreed upon formula, and will not serve as the methodology for future filings. Because the agreed-upon retainage rate reflects a compromise between the two competing proposals in this proceeding, and does not govern the methodology for calculating the same in future proceedings, the retainage rate is just and reasonable and should be approved without modification.

Additionally, under the Settlement, the Joint Petitioners agree that overrun and OFO charges that the Company incurred and included in its Main Filing were prudently incurred and in compliance with the least cost gas standard. (Settlement ¶ 38.) No party disputed these charges contained in the Company's main filing and, as such, this Settlement provision should be approved without modification as being just and reasonable. Additionally, the Settlement also adopts Mr. Caldoro's calculation of the balancing charge, which was extensively discussed in the Company's direct testimony, the OCA's direct testimony, the Company's rebuttal testimony, and the OCA's surrebuttal testimony. (Settlement ¶ 31.) The Settlement provision on this point reflects a compromise between both the OCA and the Company, as the Company agreed to include overrun charges in its balancing charge calculation as promoted by Mr. Mierzwa. (Settlement ¶ 31; Peoples Natural Gas Company St. No. 3-R, p. 2.) However, the Settlement does not adopt the OCA's recommendation to include on-system storage losses in the Company's balancing charge. The OCA's recommendation on this point was thoroughly rebutted by Mr. Caldoro and, as such, this Settlement provision should be approved without modification as it is just and reasonable.

B. HEDGING PROGRAM.

As part of its main filing, the Company did not propose to institute any PGC hedging program. Commodity hedging is a gas procurement strategy that seeks to reduce the risk related to future price fluctuations by fixing future purchases based upon current projections of those

prices. (Peoples Natural Gas Company Exhibit No. 15.) As part of the settlement reached in last year’s 1307(f) proceeding at Docket Nos. R-2022-3030661, *et al.*, Peoples Natural Gas committed to investigate modifications to its Gas Cost Procurement Strategy, specifically including hedging, that *could* mitigate future rate volatility. As part of that commitment, Peoples Natural Gas committed to provide an assessment of those modifications in the Company’s 2023 PGC pre-filing, which was made on March 1, 2023. (*See* Peoples Natural Gas 2022 1307(f) Joint Petition for Settlement ¶ 31.) That assessment provided a summary of the analysis performed by the Company, along with an explanation that Peoples Natural Gas did **not** believe a hedging program was appropriate at the time of the pre-filing. (*See* Peoples Natural Gas Company Exhibit No. 16, pp. 119-145.)

OCA witness Mierzwa recommended that Peoples Natural Gas “reconsider its decision not to implement a heading program.” (OCA St. No. 1, p. 13.) As alleged support for this recommendation, Mr. Mierzwa noted that “[t]he vast majority of Peoples [Natural Gas] customers do not participate in the Company’s budget billing program, and only a small percentage of Peoples[] [Natural Gas] customers have elected to be served by an [natural gas supplier] offering natural gas service at a fixed price.” (OCA St. No. 1, p. 13.) As such, according to Mr. Mierzwa, Peoples Natural Gas should reconsider implementing a hedging program because “rate stability, a principle of a sound rate design, should be extended to all of Peoples[] [Natural Gas’s] customers.” (OCA St. No. 1, p. 13.)

In Rebuttal, Peoples Natural Gas witness Steven P. Kolich explained the Company’s rationale for not wanting to institute a hedging program at this time, noting:

If Peoples Natural Gas initiates a hedging program after this 1307(f) proceeding and the market continues to correct itself, then Peoples Natural Gas will find itself in a very similar situation to the time it operated a hedging program from 2006 through 2013, when hedging

resulted in higher costs than unhedged purchases. A hedging program with higher costs than unhedged purchases means that customers would pay more for their gas purchases. Further, the Company already has a procurement strategy which has certain components that mitigate price volatility. Lastly, the Company's customers have options available to further reduce volatility (budget billing, CAP, NGS offerings, etc.) and customers can choose to participate in these offerings.

(Peoples Natural Gas Company St. No. 2-R, pp. 4-5.)

Mr. Kolich further explained that "Peoples Natural Gas recognizes that recent factors affecting the entire global economy have driven commodity prices to levels not realized in a number of years, the Company does not believe that the last year's run up in natural gas prices warrants the initiation of a hedging program at this time." (Peoples Natural Gas Company St. No. 2-R, p. 7.)

In Surrebuttal, Mr. Mierzwa continued to dispute the Company's resistance to initiating a hedging program, pointing to several other natural gas distribution companies ("NGDC") across Pennsylvania that have adopted hedging programs, and arguing that "Peoples [Natural Gas] would be the only major NGDC in Pennsylvania that is not operating a hedging program." (OCA St. No. 1-S, p. 8.)

Under the Settlement, Peoples Natural Gas has agreed to propose a hedging program if the Company's rate in effect for commodity reaches \$5.00 or more for at least two consecutive quarters. (Settlement ¶ 32.) That proposal will be made in the Company's then-next annual PGC filing, with the commitment being in effect beginning with the October 1, 2023, quarterly rate change and ending after eight quarters. (Settlement ¶ 32.) This compromise reflects a concession by Peoples Natural Gas to institute a hedging program if certain pricing conditions are met, but with a limited term of eight quarters beginning October 1, 2023. Thus, under this commitment, Peoples Natural Gas's and the OCA's concerns regarding hedging are both addressed because the

hedging program will only be proposed if and when the Company experiences a prolonged period of rising commodity pricing and, in turn, likely price volatility. This addresses OCA's concerns regarding price volatility in an effective – but limited - way and, therefore, is just and reasonable and should be approved.

C. INTERIM PGC RATE FILINGS

As part of its main filing, the Company did not propose to make any interim PGC rate filings. However, and as noted by OCA witness Mierzwa, the Company updates its PGC rates effective October 1, January 1, April 1, and July 1 of each year. (OCA St. No. 1, p. 14.) In Direct Testimony, Mr. Mierzwa pointed to the significant decline in natural gas prices during the period January 2023 through March 2023. (OCA St. No. 1, p. 15.) This decline was not reflected in Peoples Natural Gas's PGC rate update on January 1, 2023, because it was not known at that time. Due to the significant decline in natural gas prices during this period, Peoples Natural Gas costs were lower than the projected gas costs, which resulted in a significant purchased gas cost overcollection. (OCA St. No. 1, pp. 15-16.) Due to this overcollection, Mr. Mierzwa recommended that Peoples Natural Gas “more closely monitor differences in its actual and projected commodity gas costs to evaluate and determine whether interim PGC rate filings would be appropriate.” (OCA St. No. 1, p. 16.)

Peoples Natural Gas was generally agreeable to this proposal by Mr. Mierzwa. (Peoples Natural Gas Company St. No. 1-R, pp. 5-6; Settlement ¶ 33.) In Rebuttal, Company witness Carol Scanlon explained that “there have been unique circumstances experienced in the natural gas market over the last year. Natural gas prices have fluctuated wildly.” (Peoples Natural Gas Company St. No. 1-R, p. 6.) Ms. Scanlon also explained that the commodity over-collection balance to be incorporated into the gas cost rate effective October 1, 2023, is “projected to be

approximately \$72.1 million. While that balance includes estimated amounts for February 2023 – September 2023, the Company’s actual commodity over-collection for February 2023 varied less than 2% from the projected commodity over collection....” (Peoples Natural Gas Company St. No. 1-R, p. 6.)

Given the significant over-collection due to the rapid decrease in gas prices, the Company proposed to accelerate the time period for refunding the GCA balance to provide relief to its sales customers. (Peoples Natural Gas Company St. No. 1-R, p. 7; Peoples Natural Gas Company Exhibit No. 10-R.) Specifically, the Company proposed to refund the balance over the three-month period of October – December 2023 instead of a twelve-month period beginning October 1, 2023. As part of this proposal, the Company proposed to exclude the GCA rate component from the Company’s Price To Compare (“PTC”). (Peoples Natural Gas Company St. No. 1-R, pp. 7-8; Settlement ¶ 35.) The OCA agreed with this proposal, noting that “the over-collection should be returned at the first reasonable opportunity. In this case, the first reasonable opportunity is the beginning of the next heating season.” (OCA St. No. 1S, p. 5.) This proposal will provide rate relief for sales customers at the beginning of the heating season, rather than delaying part of the refund to include the spring and summer seasons when usage is lower.

The Settlement provisions regarding interim PGC rate filings are reflected in Paragraphs 33-35 of the Settlement and are consistent with the OCA’s recommendation(s) in direct testimony and the methodology explained fully by Ms. Scanlon in the Company’s rebuttal testimony. (Settlement ¶¶ 33-35; OCA St. No. 1, pp. 15-16; Peoples Natural Gas Company St. No. 1-R, pp. 5-10; OCA St. No. 1S, pp. 4-5.) No other party presented any testimony on this issue, and the governing Settlement provisions are just and reasonable as they include a methodology by which Peoples Natural Gas can return its GCA overcollection balance over the period of October 1, 2023,

through December 31, 2023, which is the “first reasonable opportunity” to do so. (OCA St. No. 1S, p. 5.) As such, these Settlement provisions should be approved without modification.

D. PRODUCER RETAINAGE RATE FOR THE GOODWIN SYSTEM

Through the Company’s main filing, Company witness Lynda Petrichevich presented testimony regarding retainage recovery on the Goodwin Tombaugh system. (*See Peoples Natural Gas Company St. No. 5, pp. 11-12.*) Ms. Petrichevich explained that the producer retainage rate to become effective on October 1, 2023 should be 68%. While PIOGA witness Mr. Weaver agreed with the ultimate revised Goodwin producer retainage rate to be effective October 1, 2023, of 68% as promoted in the Company’s main filing, he disputed the Company’s methodology and its consistency with last year’s proceeding’s settlement requirements. (PIOGA St. No. 1, p. 5.)

Ms. Petrichevich explained the different formulas and that both provided the same result:

I used the cumulative rate of pipeline replacement applied to the original retainage rate, rather than the annual rate applied to the current retainage rate. Mathematically, both my method and Mr. Weaver’s method produce the same result over time. Mr. Weaver recognizes that both his calculation and mine produce the same end result. Therefore, there is no disagreement with the Company’s recommended retainage rate of 68%.

(Peoples Natural Gas Company St. No. 5-R, p. 3.)

The Settlement provision clarifies the methodology for calculating the producer retainage rate, stating as follows:

As proposed in Peoples Natural Gas Company Statement No. 5, the Producer Retainage Rate for the Goodwin system shall be 68% for the period of October 1, 2023, to September 30, 2024. The Producer Retainage Rate for the Goodwin system shall be calculated using the method delineated in Peoples Natural Gas’s 2022 PGC settlement at Docket Nos. R-2022-3030661, *et al.* (*See Peoples Natural Gas 2022 PGC Joint Petition for Settlement, ¶ 27; See also Peoples Natural Gas Company Statement in Support of Joint Petition for Settlement of 2022 PGC proceeding, p. 11 (Then effective annual retainage rate * (1-annual rate of pipeline replacement))*)).

(Settlement ¶ 36.)

This Settlement provision is just and reasonable as it merely confirms settlement commitments and methodologies that were agreed to by the parties in last year's PGC proceeding and approved by the Commission. Ultimately, it does not change the Goodwin retainage rate as proposed by Ms. Petrichevich in the Company's main filing, but it does delineate the methodology used to reach the 68% figure. As such, it should be approved.

E. LOST AND UNACCOUNTED FOR GAS

In her direct testimony, Company witness Lynda Petrichevich explained that the Company's overall system UFG amount was 5.6 Bcf, which resulted in an overall system loss rate of 3.9%. (Peoples Natural Gas St. No. 5, p. 4.) This figure represented a 20% decrease than what the Company's UFG volume was in 2017. (Peoples Natural Gas St. No. 5, p. 4.) Further, Ms. Petrichevich explained that the two main components of the Company's overall UFG are Distribution UFG and Gathering UFG:

Distribution UFG for the last reporting period is 3.1 Bcf which results in a loss rate of 2.19% which is below the Commission's targeted loss rate for Distribution UFG of 3.0%. The Gathering UFG for the 2022 reporting period is 2.6 Bcf and equates to a loss rate of 7.49%, down from 9.83% in 2017 when the Company began the most recent mitigation plan.

(Peoples Natural Gas Company St. No. 5, p. 4.)

Ms. Petrichevich explained that the Company has seen less and less production delivered into its lines in recent years due to normal production declines and decreased new drilling within the Company's system. (Peoples Natural Gas Company St. No. 5, pp. 5-66.) Indeed, the production declined by more than 1.7 BCF or 4.7% during the relevant PGC period. (Peoples Natural Gas Company St. No. 5, p. 6.) Had the production stayed the same rate, the 2023 loss rate

would have been 7.14%. (Peoples Natural Gas Company St. No. 5, p. 6.) Ms. Petrichevich also detailed the success and specific accomplishments of the UFG mitigation plan, including:

- Abandonment and replacement of a total of 48.2 miles of pipe during 2022;
- Removal of 85 zero flow production meters;
- Completion of 1126 meter service/repair orders; and
- Continued automation of measurement data for ready UFG analysis.

(Peoples Natural Gas Company St. No. 5, pp. 6-7.)

No party took issue with, or presented testimony on, the Company's UFG figures for the reporting period or the Company's plans on the direction for UFG mitigation efforts in future years beyond what was addressed in Section III(A) of this Statement in Support. In fact, under the Settlement, the Joint Petitioners acknowledge that the Company's distribution UFG percentage for the twelve-month period ending August 31, 2022, complies with the Commission's regulations at 52 Pa. Code § 59.111(c)(1). (Settlement ¶ 37.) This Settlement provision acknowledges Peoples Natural Gas's compliance with relevant UFG requirements as well as the Company's progress in reducing UFG on its distribution and gathering systems. Thus, this Settlement provision is 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 of the issues in the proceeding in a fair and equitable manner. The Settlement is the result of detailed examination of Peoples Natural Gas's natural gas procurement practices 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 on these issues, as is evident by the fact that all active parties have agreed to the resolution of all of the issues in this proceeding.

Based on the foregoing, and as set forth in Section V of the Joint Petition for Settlement, Peoples Natural Gas 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, 2023, 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,



Anthony D. Kanagy (ID # 85522)
Nicholas A. Stobbe (ID # 329583)
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, PA 17101-1601
Phone: 717-731-1970
Fax: 717-731-1985
E-mail: akanagy@postschell.com
E-mail: nstobbe@postschell.com

Of Counsel:

Post & Schell, P.C.

Dated: June 29, 2023

Meagan Moore (ID # 317975)
PNG Companies LLC
375 North Shore Drive
Pittsburgh, PA 15212
Phone: 412-208-6527
Email: Meagan.moore@peoples-gas.com

For Peoples Natural Gas Company LLC

APPENDIX C

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos.	R-2023-3037928
Office of Small Business Advocate	:		C-2023-3038899
Office of Consumer Advocate	:		C-2023-3039644
	:		
	:		
v.	:		
	:		
Peoples Natural Gas Company LLC	:		

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

TO ADMINISTRATIVE LAW JUDGE KATRINA L. DUNDERDALE

The Office of Consumer Advocate (OCA), a signatory party of the Joint Petition for Settlement of the Section 1307(f) Investigation (Settlement), finds the terms and conditions of the Settlement, which resulted from compromise by the parties to avoid the uncertainty of a fully litigated outcome, to be in the public interest for the following reasons:

A. INTROUDCTION

This settlement represents a balance between the needs of Peoples Natural Gas Company LLC (Peoples or Company) and consumers. The OCA has joined in this settlement as the compromises reached in it, when weighed against the uncertainty of litigation, are in the public interest.

Peoples Natural Gas operates two divisions, this structure is a result of a merger approved by the Public Utility Commission (Commission) on August 25, 2022. Because the Company’s annual operating revenues derived from providing gas service to customers in Pennsylvania exceed \$40 million, the recovery of purchased gas costs (PGC) is governed by Section 1307(f) of the Public

Utility Code, 66 Pa. C.S. §1307(f) as well as the Commission’s regulations found at 52 Pa. Code §§ 53.61-53.65, 63.68.

The Company made its PGC 60-day prefiling on January 30, 2023 and its 30 day PGC pre-filing on March 1, 2023. On March 10, 2023, the Office of Small Business Advocate (OSBA) filed a Notice of Appearance, Complaint, Public Statement, and Verification. The Commission’s Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance on March 16, 2023. The Company made its definitive PGC filing on March 31, 2023 and the OCA filed a Complaint, Public Statement, and Notice of Appearance on April 6, 2023. On April 11, 2023, the Pennsylvania Independent Oil and Gas Association (PIOGA) filed a Petition to intervene.

A prehearing conference took place on April 13, 2023. Prehearing Memos were submitted by the Company, the OCA, OSBA, and PIOGA. A Prehearing Conference Order was issued on April 13, 2023. PIOGA and the OCA filed Direct Testimony¹ on May 1, 2023. The Company filed Rebuttal Testimony on May 19, 2023. The OCA filed Surrebuttal Testimony² on May 26, 2023.

The parties then engaged in Settlement discussions, and on May 30, 2023, the Company informed the ALJ that a settlement of all issues in this proceeding had been reached. On May 31, 2023 a telephonic evidentiary hearing was held for the purpose of entering evidence into the record.

B. SETTLEMENT TERMS:

1. CALCULATION OF RETAINAGE AND BALANCING CHARGES (Settlement ¶¶ 30 and 31)
 - a. Retainage Charge

¹ Direct Testimony of Jerome D. Mierzwa OCA Statement No. 1

² Surrebuttal Testimony of Jerome D. Mierzwa OCA Statement No. 1-S

Retainage is gas retained to recover lost and unaccounted for gas (LUFG) and gas used in company operations (company use gas) (collectively, “losses”) from transportation customers. Transportation customers are assessed for retainage through a percentage adjustment to the quantity of gas required to be delivered to a Natural Gas Distribution Company on their behalf. In this proceeding, Peoples proposed that the percentage adjustment for retainage be set at 5.8%. Peoples St. 1 at 8. In arriving at this figure, Peoples used a 3-year average of the percentages of losses it experienced in 2020, 2021 and 2022. OCA witness Mierzwa recommended that rather than using the average of the percentage losses from the last three years, Peoples should utilize a three-year average of *actual* loss volumes. This recommendation was based on Mr. Mierzwa’s observation that losses are not directly related to system receipts. OCA St. 1 at 6-7. Therefore, a retainage rate based on an average of the percentage of losses is not as accurate as a rate based on an average of the *actual loss volumes*. Mr. Mierzwa testified that using the three-year average of percentage of losses rather than a three-year average of actual losses results in PGC customers paying a disproportionate share of losses because transportation customers will not have been assessed adequate retainage. *Id.* at 7. Utilizing Mr. Mierzwa’s method would increase the Company’s proposed 5.8% retainage charge to 6.0%. *Id.*

In Rebuttal, the Company stated its belief that neither its method nor Mr. Mierzwa’s method is entirely precise. Based on its analysis, however, Peoples concluded that its average of percentages method is the better predictor of losses as it yielded a result closest to the actual LUFG for the period from September 2018 through August 2022. Peoples St. 1-R at 3-4 The Company observed that Mr. Mierzwa’s method assumes that the overall level of UFG is a fixed amount as an average of the prior years and is not affected by throughput. If this were the case, then incremental throughput would contribute nothing toward UFG. The Company stated that while it

acknowledges that UFG does not change in direct proportion to throughput, throughput is not irrelevant to experienced losses, either. Therefore, it said it could not support Mr. Mierzwa's method. *Id.* at 4.

In Surrebuttal Testimony, Mr. Mierzwa stated that the Company's percentage method is based on the assumption that losses are directly related to system receipts. He noted he had already demonstrated that this assumption is not valid. He again maintained that the retainage rate established in this proceeding should be based on a three-year average of actual losses as he proposed. OCA St. 1-SR at 4.

Given the disagreement over the proper method for calculating the retainage rate, the parties, in settlement, agreed to compromise by setting the retainage rate at 5.9%, the average between the Company's proposed 5.8% and the OCA's proposed 6.0%. The OCA submits that this a reasonable result and avoids the time and expense of further litigation.

b. Balancing Charges

Peoples provides balancing services for its transportation customers who arrange with a third-party supplier for the purchase and delivery of the gas supplies needed to meet their daily requirements to the Peoples system. Inevitably, the quantity of gas delivered to Peoples on a daily basis to serve a transportation customer varies from the quantity of gas used by that customer. Balancing service addresses these differences between daily deliveries and usage. Peoples utilizes its interstate pipeline storage arrangements and its on-system storage facilities to provide balancing services.

In Peoples Natural Gas Exhibit No. 11, the Company details its calculation of balancing charges for the Rate SGS (Small General Service)/Rate MGS (Medium General Serve) customers and Rate LGS (Large General Service) customers. OCA witness Mierzwa identified two items

that were excluded from Peoples' balancing charge calculation that should have been included. First, he noted that there are losses associated with the operation of the Company's on-system storage facilities that were not reflected in the balancing charge calculation. Failing to include these losses in the balancing charge calculation would inappropriately recover all on-system storage losses from PGC customers, he stated. Second, Peoples incurred interstate pipeline overrun charges and penalties for violating operational flow order (OFO) tolerances. The Company proposed to recover these overrun and penalty charges solely from PGC customers. Mr. Mierzwa argued that since responsibility for the overrun and penalty charges cannot readily be determined and since the charges were incurred to manage system demands and balance supply with system requirements, these charges should be included in Peoples' balancing charge calculation. Accordingly, Mr. Mierzwa calculated increased balancing charges for the SGS/MGS and LGS classes. OCA St. 1 at 9-10.

In Rebuttal, Peoples agreed with Mr. Mierzwa's proposal regarding the interstate pipeline overrun charges but disagreed with including the on-system storage losses in the balancing charge calculation. Regarding the on-system losses, the Company maintained that gas purchased for on-system storage is not used by or for transportation customers. Therefore, it is not appropriate to assign on-system storage losses to transportation customers. The Company further maintained that on-system storage *deliverability* is what satisfies transportation customers' balancing needs, not the on-system storage *commodity*. Therefore, it would be inappropriate to recover the storage losses related to on-system storage *commodity* from transportation customers through the balancing charge. Peoples St. 3-R at 2-3.

In response, OCA witness Mierzwa observed that storage deliverability does not exist without there being sufficient gas supply commodity volumes in storage. In other words, storage

cannot be used to provide balancing service if there is no gas in storage. Therefore, on-system storage losses should be included in the balancing charge calculation. Mr. Mierzwa cited a Company discovery response which showed that on-system storage deliverability declines as the amount of gas in storage declines. OCA St. 1-R at 6.

As a compromise, in settlement, the parties agreed to include in the balancing charge calculation the OFO overrun charges and penalties, but to exclude the on-system storage losses. The OCA considers this compromise a reasonable resolution of this issue which, again, avoids the time and expense of further litigation.

2. HEDGING PROGRAM (Settlement ¶ 32)

In the Peoples' 2022 PGC proceeding the OCA supported Peoples initiating a gas hedging program to help mitigate price volatility for its PGC customers. As part of the settlement of that proceeding, the Company agreed to investigate modifications to its Gas Cost Procurement Strategy, specifically including hedging, as a means of mitigating future potential rate volatility. The results of that investigation were to be provided as part of the 2023 PGC proceeding pre-filing. In accordance with last year's settlement, Peoples provided its Price Volatility Mitigation Study in its March 1, 2023 pre-filing and again in its April 1 filing. Peoples Exh. No 15. The Study concluded that initiating a hedging program is unnecessary at this time. The Company stated that unique economic and global factors contributed to the increase in prices and volatility that occurred in 2022, and that natural gas prices have declined significantly since then. In addition, the Company stated that its customers have additional options to reduce price volatility such as its budget billing program and NGS (Natural Gas Supplier) offerings if they so choose. *Id.* at 27.

OCA witness Mierzwa observed that no one can predict in advance when natural gas prices will turn upward and delaying the implementation of a hedging program until significant increases in natural gas prices have occurred will significantly reduce the ability of a hedging program to dampen volatility. OCA St. 1 at 13.

In response, the Company offered a variety of arguments for why instituting a hedging program would be ill-advised. Among them was concern that Peoples would find themselves in a situation similar to the period between 2006 and 2013 when it employed hedging and the hedged purchases resulted in higher costs than its unhedged purchases. It expressed concern that its customers could be at risk if its hedging regimen performed poorly as compared to unhedged prices in the wholesale market. The Company said that it is unreasonable to expect financial hedging to deliver a price that is always lower than the market. Peoples St. 2-R at 2-3.

Citing its budget billing program and the option of shopping with an NGS, the Company argued that a customer can choose to avail themselves of these price volatility mitigation options or not. If Peoples were to implement a system wide hedging program, its customers would effectively be forced into purchasing financially hedged supply, thereby undercutting the voluntariness of these existing price volatility mitigation options. *Id.* at 4.

The Company also stated that its service territory is situated in the heart of the Marcellus production region, with its abundant supply and is also in close proximity to diversified natural gas transmission networks. Peoples asserts that this combination of natural gas supply and transportation may allow Peoples Natural Gas to experience less price volatility than other regions of the Commonwealth. *Id.* at 4-5.

In response to the Company's arguments, OCA witness Mierzwa noted that budget billing is a good option for customers; however, if underlying prices remain volatile the budget billing

option will result in major course corrections for under/over recoveries. In addition, while budget billing smooths out customer bills, it does not reduce the volatility of the cost of gas which determines those bills. Hedging, he noted, is designed to smooth out the cost of gas and assist in providing for gradualism in PGC rates. OCA St. 1-SR at 7-8.

Regarding customer choice, Mr. Mierzwa also stated that a hedging program would reflect actual market purchases, consistent with the Public Utility Code. He said there is nothing in the law requiring the Company to make default service “volatile” to promote shopping. *Id.* at 8.

Mr. Mierzwa reiterated his view that Peoples should implement a hedging program. He also noted that Peoples would be the only major Pennsylvania NGDC without such a program. *Id.*

In view of the notable differences between the parties, and in an effort to reach settlement on the issue, the parties reached an agreement by which if the Company’s rate in effect for natural gas reaches \$5.00 or more for at least two consecutive quarters, Peoples will propose a hedging program in its then-next annual PGC filing. This provision will be in effect beginning with the October 1, 2023, quarterly rate change and will remain in effect for eight consecutive quarters. The OCA submits that this represents a reasonable compromise which holds the prospect that volatility will be curbed in the event of future sustained high natural gas prices.

3. INTERIM PGC FILINGS (Settlement ¶¶ 33-35)

Peoples updates its PGC rates on a quarterly basis -- on October 1, January 1, April 1, July 1 of each year. In testimony, OCA witness Mierzwa presented a comparison of the projected commodity cost component of Peoples’ PGC rate that became effective January 1,

2023 and was in effect for the period January through March 2023, and Peoples' actual commodity costs for the same period. OCA St. 1 at 15.

Mr. Mierzwa noted that natural gas commodity prices declined significantly during the period January through March 2023. However, the PGC rate filed by Peoples to be effective January 1, 2023 did not reflect these declines, and could not have reflected these declines as they were not known at the time the filing was made. Mr. Mierzwa's comparison showed that Peoples' actual gas costs during the January through March 2023 period were significantly lower than Peoples' projected gas costs, resulting in significant gas cost over collections. Mr. Mierzwa stated that given the significant decline in gas costs that occurred during January and February 2023, and were anticipated for March 2023, Peoples should have made an interim PGC rate filing to be effective March 1, 2023. He recommended that Peoples more closely monitor differences in its actual and projected commodity gas costs to evaluate and determine whether interim PGC rate filings would be appropriate. *Id.* at 15-16.

In Rebuttal, Peoples agreed with Mr. Mierzwa. The Company noted that it is projecting a large commodity over-collection balance to be incorporated into the gas cost rate effective October 1, 2023. It indicates that a refund of \$1.32 per Mcf is expected to be due to PGC customers on that date. Rather than return that refund to customers over the following 12-month period, Peoples proposed accelerating the time period by which it will refund the overcollection balance in order to provide relief to its sales customers during winter months that are within the same calendar year that the majority of the over-collected balance occurred. The Company proposed to calculate the rate using projected volumes for the period October 1, 2023 through December 31, 2023. The result would be a projected refund amount of \$3.9962 per Mcf that would be in effect October 1, 2023 through December 31, 2023. Peoples St. 1-R at 5-7.

In conjunction with the accelerated refund, Peoples proposed to exclude the gas cost component from its Price to Compare for the period October 1 through December 31. The Company stated that due to the accelerated nature of the overcollection refund, the PTC would be skewed by including this amount and would not be indicative as a point of comparison for use by customers during this period. To do so, the Company indicated, would require a waiver of the Commission's regulations related to calculation of the PTC for the applicable period. *Id.* at 7-8.

Settlement ¶¶ 33-35 commit the Company to monitoring natural gas commodity prices to consider making interim filings in the future. The purpose of this monitoring will be to avoid significant over or under collections of gas cost commodity costs. The Settlement accepts the Company's proposal to accelerate the refund of the over collections of gas cost commodity costs experienced during the 2022/2023 winter by decreasing the Gas Cost Adjustment ("GCA") charge to customers for the period of October 1, 2023 through December 31, 2023. Finally, the Settlement provides that the accelerated refund for the period of October 1, 2023, through December 31, 2023, will be excluded from the PTC.

As these provisions are consistent with the OCA's proposal for more closely monitoring gas costs and implementing interim PGC filings to avoid large over or under-collections, the OCA fully supports these settlement provisions.

C. 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,

/s/ David T. Evrard

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

Andrew J. Zerby
Assistant Consumer Advocate
PA Attorney I.D. # 332222
E-Mail: AZerby@paoca.org

Aron J. Beatty
Senior Assistant Consumer Advocate
PA Attorney I.D. # 86625
E-Mail: ABeatty@paoca.org

Counsel for:
Patrick M. Cicero
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
Dated: June 29, 2023
348084

APPENDIX D

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos.	R-2023-3037928
Office of Small Business Advocate	:		C-2023-3038899
Office of Consumer Advocate	:		C-2023-3039644
	:		
	:		
v.	:		
	:		
Peoples Natural Gas Company LLC	:		

**STATEMENT OF
PENNSYLVANIA INDEPENDENT OIL & GAS ASSOCIATION
IN SUPPORT OF APPROVAL OF SETTLEMENT**

The Pennsylvania Independent Oil & Gas Association (PIOGA) respectfully requests Pennsylvania Public Utility Commission approval of the “Joint Petition for Settlement of the Section 1307(f) Rate Investigation” (Settlement) in this proceeding. PIOGA submits this Statement in Support of approval of the proposed Settlement to explain how the Settlement resolves PIOGA’s concerns in this matter and its approval is in the public interest.

I. INTRODUCTION

PIOGA is a trade association representing oil and natural gas interests throughout Pennsylvania. PIOGA was formed by the April 1, 2010 merger of the Pennsylvania Oil and Gas Association known as POGAM into the Independent Oil and Gas Association of Pennsylvania (IOGA of PA), and the name changed to its present name. PIOGA’s members include oil and natural gas producers and Commission-licensed natural gas suppliers and marketers (NGSs) that deliver natural gas produced from Pennsylvania conventional and unconventional formations to the pipeline systems of Peoples Natural Gas Company LLC (Peoples) for system supply as well

as for Peoples' transportation customers. PIOGA and its producer members were long-term participants in collaborative programs with Peoples to increase the availability and throughput of Pennsylvania-produced conventional natural gas on the Peoples pipeline systems.

PIOGA intervened because the gas cost rates established in this proceeding will be the rates against which PIOGA's NGS members will compete to serve their existing customers and to obtain new customers on the Peoples system and because of the effect on PIOGA member producers and NGSs of Peoples' practices, methodologies and policies concerning unaccounted for gas (UFG) and measures to reduce UFG, as well as the retainage charges for Peoples' recovery of UFG.

II. SETTLEMENT TERMS

A. CALCULATION OF RETAINAGE AND BALANCING CHARGES

PIOGA expressed no position on these issues, but asserts that these settlement modifications to Peoples' proposals are supported by the evidence of record as explained in the Peoples and OCA statements in support.

B. HEDGING PROGRAM

PIOGA expressed no position on this issue, but asserts that these settlement provision is supported by the evidence of record as explained in the Peoples and OCA statements in support.

C. INTERIM PGC RATE FILINGS

PIOGA expressed no position on this issue, but asserts that these settlement provisions are supported by the evidence of record as explained in the Peoples and OCA statements in support.

D. PRODUCER RETAINAGE RATE FOR THE GOODWIN SYSTEM

The Settlement adopts Peoples' proposed Producer Retainage Rate for the Goodwin system of 68% for the period October 1, 2023, to September 30, 2024, as revised by Peoples in a discovery

response,¹ and clarifies that going forward the Goodwin system Producer Retainage Rate will be calculated using the method delineated in last year's Peoples PGC settlement. PIOGA agreed with Peoples' revised 68% rate but disagreed with the "cumulative pipeline replacement percentage" methodology used by Peoples to calculate that rate.²

As explained in Peoples' direct testimony:

As part of the settlement in the acquisition of the Peoples Companies by Aqua, Peoples Natural Gas agreed to annually adjust the Goodwin system retainage rate to reflect the lower of: 1) a retainage rate calculated by reducing the then-effective annual retainage rate by a percentage (percentage rate of decline) that is equal to the annual rate of pipeline replacement on the Goodwin system, either by abandonment or replacement, or 2) the actual level of loss.³

As explained in PIOGA's direct testimony, Peoples' and PIOGA's testimony in last year's Peoples PGC proceeding established that "the settlement language requires the annual, not cumulative, pipeline replacement percentage to be applied to the 'then-effective' or current annual retainage rate."⁴ The Settlement provides for the use of the methodology Peoples and PIOGA agree is required by the settlement language, which resolves PIOGA's concern.

E. LOST AND UNACCOUNTED FOR GAS

PIOGA expressed no position on this issue, but asserts that these settlement provisions are supported by the evidence of record as explained in the Peoples and OCA statements in support.

¹ PIOGA Exhibit DW-1, PIOGA-I-2(a).s

² PIOGA Statement No. 1 (Weaver) at 5:15; Peoples Statement No. 5-R (Petrichovich) at 3:12-16; PIOGA Statement No. 1 at 5:4-9, 15-19.

³ Peoples Statement No. 5 (Petrichovich) at 11:11-17.

⁴ PIOGA Statement No. 1 at 6-9 (referencing Docket No. R-2022-3030661: PIOGA Statement No. 1 (Weaver) at 5:8-26; Peoples Statement No. 5-R (Petrichovich) at 3:20-4:13).

F. MISCELLANEOUS

PIOGA expressed no position on the issues addressed in ¶s 38 and 41 of the Settlement petition, but with respect to ¶39 concerning the requested approval of rate proposals not specifically revised, PIOGA assert that Peoples’ proposal to maintain retainage rates for deliveries of conventional gas into the Peoples Natural Gas Division (PNGD) and the Peoples Gas Division (PGD) at 2.3% and 3.4%, respectively, is supported by evidence of record.⁵ PIOGA agreed with Peoples’ proposal and expressed the hope that these retainage rates could decrease in the future and, to that end, that PIOGA could partner with Peoples through regular meetings of the Peoples- Producers Cooperation Committee (PPCC) to develop UFG mitigation initiatives.⁶

III. RATE IMPACT OF SETTLEMENT

PIOGA asserts that the information presented in this section of the Settlement petition is supported by the evidence of record.

IV. PROPOSED FINDINGS OF FACT

PIOGA asserts that the proposed findings of fact are supported by the evidence of record.

V. STANDARDS, FINDINGS, AND PROPOSED CONCLUSIONS OF LAW

PIOGA asserts that the statements in this section of the Settlement petition are supported by the evidence of record, the standards are correctly stated, and the proposed conclusions of law are appropriate based on the stated standards.

VI. PROPOSED ORDERING PARAGRAPHS

PIOGA asserts that the proposed ordering paragraphs are consistent with established practice and appropriate based on the record evidence and applicable legal standards.

⁵ Peoples Statement No. 5 at 9-10.

⁶ PIOGA Statement No. 1 at 6:1–7:25.

VII. THE PUBLIC INTEREST

It is axiomatic that to approve a settlement, the Commission must determine that the settlement will affirmatively promote the public interest in a substantial way, and that the proposed terms and conditions are in the public interest. *City of York v. Pa. PUC*, 295 A.2d 825 (Pa. 1972); *Popowsky v. Pa. PUC*, 937 A.2d 1040 (Pa. 2007); *Pa. PUC v. Windstream Pa., LLC*, Docket No. M-2012-2227108, 2012 Pa. PUC LEXIS 1535 (Order entered Sept. 27, 2012); *Pa. PUC v. C.S. Water and Sewer Assoc.*, Docket No. R-881147, 74 Pa. PUC 767 (Order entered July 22, 1991). PIOGA asserts that the proposed Settlement satisfies these standards for the reasons stated in this section of the Settlement petition.

In addition, PIOGA asserts that the resolution of the issues of concern to PIOGA is in the public interest because it provides certainty for PIOGA and Peoples going forward, which inures to the benefit of the public served by Peoples. More specifically, calculating the annual reduction in the producer retainage rate for the Goodwin system in accordance with the applicable settlement language is in the public interest because that certainty in systematic reduction encourages continued conventional production into this system. Maintaining the PNGD and PGD producer retainage rates at current levels is in the public interest for the reasons stated in Peoples' testimony supporting the proposal⁷ as well as because it benefits producers and NGSs on these systems by encouraging continued lower cost conventional production into these systems for the benefit of Peoples' customers, thereby enhancing retail natural gas competition.

⁷ Peoples Statement No. 5 at 10:3-22.

WHEREFORE, for the reasons set forth above, PIOGA requests that the Commission approve the proposed Settlement.

Respectfully submitted,

A handwritten signature in blue ink that reads "Kevin J. Moody". The signature is written in a cursive style with a horizontal line underneath it.

Kevin J. Moody, Esq.
PA ID 34367
General Counsel
Pennsylvania Independent Oil & Gas Association
212 Locust Street, Suite 300
Harrisburg, PA 17101-1510

Dated: June 23, 2023

APPENDIX E



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
COMMONWEALTH KEYSTONE BUILDING
400 NORTH STREET, HARRISBURG, PA 17120

BUREAU OF
INVESTIGATION
&
ENFORCEMENT

June 29, 2023

Via Electronic Filing

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

Re: Pennsylvania Public Utility Commission v.
Peoples Natural Gas Company LLC – 1307(f)
Docket No. R-2023-3037928
I&E Letter of Non-Opposition to Joint Petition for Settlement

Dear Secretary Chiavetta,

Please allow this letter to serve as formal notice that the Bureau of Investigation & Enforcement (“I&E”) does not oppose the Joint Petition for Settlement regarding Peoples Natural Gas Company LLC’s 1307(f) proceeding (“Joint Petition”) filed in the above-referenced proceeding today.

Copies of this letter are being served on parties per the attached Certificate of Service. Should you have any questions, please do not hesitate to contact me.

Respectfully,

A handwritten signature in black ink that reads 'Allison C. Kaster'.

Allison C. Kaster
Deputy Chief Prosecutor
Bureau of Investigation and Enforcement
PA Attorney ID No. 93176
(717) 783-7998
akaster@pa.gov

ACK/jfm
Enclosure

cc: Honorable Katrina L. Dunderdale, Office of Administrative Law Judge (*via email only*)
Per Certificate of Service

APPENDIX F



COMMONWEALTH OF PENNSYLVANIA

June 29, 2023

E-FILED

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

**Re: Pennsylvania Public Utility Commission v. Peoples Natural Gas Company LLC
1307(f) / Docket No. R-2023-3037928**

Dear Secretary Chiavetta:

The Office of Small Business Advocate (“OSBA”) submits this letter to inform the Public Utility Commission that it does not oppose the *Joint Petition for Settlement of the Section 1307(f) Rate Investigation* filed by the parties in the above-captioned proceeding. The OSBA filed a Complaint in this proceeding on March 10, 2023.

As set forth in the OSBA’s April 12, 2023, prehearing memo, the OSBA reviewed the following issues set forth in the annual Purchased Gas Cost (“PGC”) Rate filing of Peoples Natural Gas Company LLC (“Peoples NG” or the “Company”): the Company’s lost and unaccounted-for gas rates; the Company’s design day demand forecasting and peak day capacity requirements; the Company’s transportation customer retainage rate; and the Company's producer retainage rates.

The OSBA also engaged in settlement discussions with Peoples NG and the other parties. The OSBA did not identify any aspects of the issues set forth above that were unjust or unreasonable to small business customers.

Therefore, this letter serves as formal notice that the OSBA does not oppose the *Joint Petition for Settlement of the Section 1307(f) Rate Investigation* filed by the other parties.

Sincerely,

/s/ Steven C. Gray

Steven C. Gray
Senior Supervising
Assistant Small Business Advocate
Attorney I.D. No. 77538

Enclosures

cc: Brian Kalcic
Parties of Record