

APPENDIX “I”

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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|--|---|-------------|----------------|
| Pennsylvania Public Utility Commission | : | Docket Nos. | R-2023-3044549 |
| Bureau of Investigation and Enforcement | : | | C-2024-3045268 |
| Office of Small Business Advocate | : | | C-2024-3045385 |
| Pennsylvania Independent Oil and Gas Association | : | | C-2024-3045960 |
| | : | | C-2024-3046069 |
| | : | | C-2024-3046469 |
| | : | | C-2024-3046877 |
| | : | | C-2024-3046888 |
| v. | : | | C-2024-3046915 |
| | : | | |
| Peoples Natural Gas Company LLC | : | | |

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

TO THE HONORABLE ADMINISTRATIVE LAW JUDGE MARY D. LONG:

I. INTRODUCTION

The Pennsylvania Independent Oil & Gas Association (PIOGA) respectfully requests Commission approval of the “Joint Petition For Approval Of Non-Unanimous Settlement” (Settlement) in this proceeding.¹ PIOGA submits this Statement in support of approval of the Settlement to explain how it adequately resolves PIOGA’s concerns in this matter and is supported by the evidentiary record.

PIOGA is the principal nonprofit trade association representing oil and natural gas interests in Pennsylvania. PIOGA’s members include natural gas producers and Commission-licensed natural gas suppliers and marketers (NGSs) that deliver natural gas produced from Pennsylvania

¹ The “Settlement Parties” are: Peoples Natural Gas Company LLC (Peoples or Company); the PUC’s Bureau of Investigation and Enforcement (I&E); Office of Small Business Advocate (OSBA); and PIOGA.

conventional and unconventional formations to the pipeline systems of both divisions of Peoples – Peoples Natural Gas Division (PNGD) and Peoples Gas Division (PGD) – for system supply as well as for Peoples’ transportation customers. PIOGA and its producer members were long-term participants in the collaborative Production Enhancement Services (PES) agreements and programs with Peoples starting in the early 2000s. PIOGA producers agreed to pay transportation rates in return for Peoples’ providing relaxed water vapor content standards based upon regulator set pressure and to contribute to the installation of compression and dehy facilities on various Peoples systems to increase the availability and throughput of Pennsylvania-produced conventional natural gas on the legacy Peoples pipeline system. The PES program was terminated as part of the settlement of Peoples’ last base rate case in 2019 in which the legacy Equitable Gas Company’s Rate AGS was established for the then-Peoples Division.²

As explained by Peoples’ President, “[o]ver the last few years, the Company has made great strides to merge its two Pennsylvania gas utilities, Peoples Gas Company LLC and Peoples Natural Gas Company LLC, into one entity, Peoples Natural Gas Company LLC. Today, the entities are legally merged, but remain as two divisions before the Commission – Peoples Gas Division [PGD] and Peoples Natural Gas Division [PNGD] – with two separate tariffs on file.”³ Mr. Huwar also explained that the “Company has gone to great efforts to create a single operation that provides the most valuable services to its customers in the most efficient means possible [and that] the Company, in this proceeding, is requesting all of the necessary regulatory approvals from the Commission to fully merge its two divisions.”⁴ Mr. Huwar explains the benefits of combining the rates and tariffs of the PGD and PNGD, which is the final step to complete the Peoples Gas

² PIOGA Statement (St.) No. 1 (Direct Testimony of Dan Weaver) at 1:8-22.

³ Peoples St. No. 1 (Direct Testimony of Micheal Huwar) at 8:4-8.

⁴ Peoples St. No. 1 at 8:18-22.

(the legacy TW Phillips system) acquisition – “operat[ing] and hold[ing] itself out as a single business to the people and businesses it serves.”⁵

While PIOGA generally supported the proposed unification of tariffs for the two divisions, PIOGA was concerned that the tariff unification proposal went too far in applying Rate AGS to the PGD system and not far enough with respect to water vapor content standards, and also that certain provisions of the Master Interconnect and Measurement Agreement (MIMA) required by Rate AGS significantly diminished the value of the service provided under Rate AGS.⁶ As explained below in Section M, the Settlement adequately resolves PIOGA’s concerns in this matter and is supported by the evidentiary record.

II. PROCEDURAL HISTORY

PIOGA incorporates by reference and adopts the Procedural History set forth in the “Joint Petition For Approval Of Non-Unanimous Settlement.”

A. REVENUE REQUIREMENT

PIOGA expressed no position on this issue, so PIOGA does not oppose these settlement terms.

B. TAX ISSUES

PIOGA expressed no position on these issues, so PIOGA does not oppose these settlement terms.

C. REVENUE ALLOCATION AND RATE DESIGN

PIOGA expressed no position on revenue allocation, and PIOGA’s concerns with Rate AGS rate design are resolved by the Settlement.

⁵ Peoples St. No. 1 at 10:11– 11:2.

⁶ PIOGA St. No. 1 at 5:20-23.

D. MERGER OF PEOPLES NATURAL AND PEOPLES GAS DIVISIONS RATES AND TARIFFS

As stated above in the Introduction, PIOGA had some concerns with the Company's proposal to unify the PGD and PNGD tariffs. As explained below in Section M, the Settlement adequately resolves PIOGA's concerns on this issue.

E. WEATHER NORMALIZATION ADJUSTMENT

PIOGA expressed no position on this issue, so PIOGA does not oppose these settlement terms.

F. POST EMPLOYMENT AND POST RETIREMENT BENEFITS

PIOGA expressed no position on this issue, so PIOGA does not oppose these settlement terms.

G. AVC CHARGES

PIOGA supported Peoples' AVC charge proposal because of the benefits concerning Peoples' transportation program described in Peoples' testimony.⁷

H. CREDIT CARD PAYMENTS BY CUSTOMERS

PIOGA expressed no position on this issue, so PIOGA does not oppose these settlement terms.

I. PRICE TO COMPARE ("PTC") AND PURCHASE OF RECEIVABLES ("POR") PROGRAM

PIOGA expressed no position on these issues, so PIOGA does not oppose these settlement terms.

⁷ PIOGA St. No. 1 at 5:16-17.

J. LOW INCOME CUSTOMER ISSUES

PIOGA expressed no position on these issues, so PIOGA does not oppose these settlement terms.

K. COMPETITIVE RATE DISCOUNTS

PIOGA expressed no position on this issue, so PIOGA does not oppose these settlement terms.

L. SAFETY

PIOGA expressed no position on this issue, so PIOGA does not oppose these settlement terms.

M. PIOGA SPECIFIC ISSUES

Natural gas produced from local shallow wells is used by Peoples and NGSs as a base load supply to meet customer’s usage requirements but, since 2012, local gas produced and delivered from conventional wells into the Company’s system has declined year-over-year; over the six-year period from 2017 through 2022, the decline in supplies from conventional wells was 9.5 Bcf, or 24%.⁸ Reduced supplies from conventional wells results in increased costs to customers because conventional gas is much less costly than gas delivered from Peoples’ interstate pipeline suppliers – “an estimated cost savings of \$0.40 per Mcf for the local gas purchased by Peoples for our on-system customers alone.”⁹

Despite the decline in conventional production deliveries and the current and foreseeable the low gas price environment, PIOGA explained why Peoples should do what it can to increase conventional gas deliveries into its system:

⁸ Peoples St. No. 4 (Direct Testimony of Edward Palombo) at 12:16 – 13:3.

⁹ Peoples St. No. 4 at 16:1-19; Peoples Natural Gas Exhibit No. EAP-1.

We acknowledge Peoples' data showing that the level of local conventional production on the Peoples system has been consistently declining. DEP data confirms that from 2019 to the present, only five conventional gas only wells have been dug, and three of those appear to be home use wells based on the operator names. We also agree with Peoples that the low price environment conventional producers face is likely the primary reason for this situation because of the costs of well drilling, completion and operation, and acknowledge that the low price environment is beyond Peoples' control. However, PIOGA cannot stand by and do nothing to try to help conventional producers reduce their operation costs and increase their deliveries of conventional production on the Peoples system. In view of the price benefits to Peoples' customers from local conventional production and, more broadly, the benefits to conventional producers, their families and their businesses as well as to the local economies where their production facilities are located, we are relying on Peoples' commitment to continue "to support and encourage local production of natural gas in whatever ways we can" in proposing some operational changes concerning Rate AGS and the MIMA that will enable conventional producers to reduce their operation costs and increase deliveries of conventional production while not jeopardizing Peoples' ability to operate its pipeline system safely and reliably.¹⁰

PIOGA opposed Peoples' proposal to apply the PNGD Rate AGS to the PGD system because that system had never a gathering fee.¹¹ Nonetheless, PIOGA stated it was not opposed to sharing with customers the costs of pipelines and facilities producers use to provide low cost natural gas to customers through a lower system-wide blended rate.¹² PIOGA also asserted that the PNGD Rate AGS fee of \$0.26/Mcf, which Peoples "set on a negotiated basis using value of service considerations rather than cost-of-service as a guide," overstated the value of the service provided under Rate AGS and should therefore be reduced.¹³

A significant aspect of Peoples' tariff unification proposal was the lack of a systemwide water vapor content moisture standard.¹⁴ PIOGA witness Marc Jacobs explained why the legacy

¹⁰ PIOGA St. No. 1 at 13:4 – 14:1.

¹¹ PIOGA St. No. 2 (Direct Testimony of D. Marc Jacobs) at 3:4-11.

¹² PIOGA St. No.1 at 11:4-8.

¹³ PIOGA St. No. 1 at 10:10-16.

¹⁴ PIOGA St. No. 1 at 12:9 – 13:3; PIOGA St. No. 2 at 3:13 – 7:4; PIOGA St. No. 1-S at 2:1 – 4:15.

Peoples moisture curve water vapor content standard would be the appropriate systemwide standard for Peoples' fully integrated system.¹⁵

The Settlement adequately addresses PIOGA's concerns stated above by: (i) reducing the Rate AGS fee from \$0.26/Mcf to \$0.24/Mcf; (ii) applying the reduced fee and the PNGD Rate AGS to the PGD system; and (iii) using the existing moisture curve in the Peoples Master Interconnect and Measurement Agreement (MIMA) systemwide. As shown above, these Settlement provisions are supported by the evidentiary record.

PIOGA also had concerns with some MIMA provisions that PIOGA believed that created uncertainty for producers' operations or could have significant adverse effects on producers' operations, and others that could provide cost savings for producers without jeopardizing Peoples' ability to operate its pipeline system safely and reliably.¹⁶ The Settlement accepts some of PIOGA's proposals, but not all. Nonetheless, the proposals accepted are supported by the evidentiary record cited herein.

Finally, of utmost significance to PIOGA, the Settlement is without prejudice to PIOGA's challenging the application PNGD Rate AGS to the PGD system for prospective application in a future general rate proceeding filed by Peoples.

III. ISSUES RESERVED FOR LITIGATION

PIOGA has not reserved any issues for litigation and briefing.

¹⁵ PIOGA St. No. 2-S at 4:4-11.

¹⁶ PIOGA St. No. 2 at 10:1 – 14:8.

IV. PROCEDURAL CONDITIONS OF SETTLEMENT

PIOGA agrees with procedural conditions of the Settlement stated in this section of the Joint Petition.

V. CONCLUSION

PIOGA respectfully requests that the Honorable Administrative Law Judge Mary D. Long and the Commission find that this Non-Unanimous Settlement is in the public interest and approve the Settlement, including all terms and conditions thereof, without modification. PIOGA also concurs in the additional requests stated in the Joint Petition.

Respectfully submitted,



Kevin J. Moody (ID # 34367)
General Counsel & VP Government Affairs
Pennsylvania Independent Oil & Gas
Association
212 Locust Street, Suite 600
Harrisburg, PA 17101-1510
Phone: 717-234-8525 ext. 113
kevin@pioga.org

Counsel for PIOGA

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