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June 5, 2026

VIA ELECTRONIC FILING

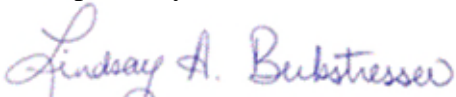
Matthew L. Homsher, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

**Re: Pennsylvania Public Utility Commission, *et al* v. Peoples Natural Gas Company
LLC
Docket Nos. R-2026-3060855, *et al.***

Dear Secretary Homsher:

Enclosed for filing on behalf of Peoples Natural Gas Company LLC (“Peoples” or the “Company”) are Revised Exhibit 4, Schedule 22 and Revised Statement No. 5, the Direct Testimony of Edward A. Palombo, along with Revised Exhibit EAP-1, which were previously submitted with the Company’s base rate case filing on March 27, 2026. Following the initial filing, Peoples identified an error in these Exhibits. Specifically, Company Memberships and Rate Case Expense were inadvertently omitted from Exhibit 4, Schedule 22 and Exhibit EAP-1 reflected amounts for 2023 instead of 2026. Both of these corrections were previously identified by the Company in responses to interrogatories submitted by the parties in this proceeding and are reflected in the Revised Exhibits enclosed with this filing. In addition, Revised Statement No. 5 has been updated to reflect the correct figures on page 16, lines 10-12 and page 19, line 1.

Respectfully submitted,


Lindsay A. Berkstresser

LAB/sll
Attachments

cc: Administrative Law Judge Charece Z. Collins (*via email; w/attachments*)
Certificate of Service

CERTIFICATE OF SERVICE

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

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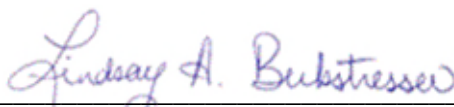
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Dated: June 5, 2026



Lindsay A. Berkstresser

Peoples Natural Gas Company LLC

§ 53.53.III.E

- 34. Prepare a 3-column schedule of expenses, as described below for the following periods (supply sub-accounts, if significant, to clarify basic accounts):
 - a. Column 1—Test Year
 - b. Column 2 and 3—The two previous years

Provide the annual recorded expense by accounts. (Identify all accounts used but not specifically listed below.)

Refer to Attachment A.

Peoples Natural Gas Company LLC
Attachment A

<u>Cost Element Description</u>	<u>Twelve Months Ended</u>		
	<u>November 30, 2025</u>	<u>November 30, 2024</u>	<u>November 30, 2023</u>
	(1)	(2)	(3)
Labor	\$ 59,626,644	\$ 61,585,908	\$ 60,190,209
APIP/Incentive Compensation	6,618,724	6,796,478	6,472,482
Pension	3,857	102,647	1,809,422
Post Retirement Benefits Other Than Pensions	1,598,879	1,390,292	1,110,685
Other Employee Benefits	17,600,062	18,173,011	17,762,448
Outside Services - Contracted	21,704,759	21,402,059	17,938,575
Outside Services - IT	6,651,408	8,811,604	9,143,963
Outside Services - A&G	4,335,821	5,993,188	4,825,740
Building Leases	3,928,235	4,150,432	3,762,698
Corporate Insurance	6,213,492	5,668,377	5,284,165
Injuries and Damages	1,727,388	1,324,231	776,469
Travel	1,030,648	813,606	1,108,560
Company Memberships	1,062,518	949,894	920,748
Licenses & Permits	704,167	861,328	745,241
Utilities & Fuel Used in Company Operations	2,908,985	2,760,764	2,851,568
Public Relations	1,304,685	1,713,747	1,386,327
Fleet	746,507	1,261,287	2,062,672
Materials & Supplies	10,183,664	10,137,352	11,777,902
Other O&M	28,813,109	24,492,078	23,173,236
Rate Case Expense	1,515,799	288,000	-
Uncollectible Accounts	9,094,940	7,389,983	7,930,381
Subtotal	187,374,292	186,066,267	181,033,491
Total USP Rider	22,571,957	4,939,645	5,789,655
Total Operation and Maintenance Expense	\$ 209,946,248	\$ 191,005,912	\$ 186,823,146

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY :
COMMISSION :
 :
 :
 :
 v. : Docket No. R-2026-3060855
 :
 :
 :
 PEOPLES NATURAL GAS COMPANY LLC :
 :

**PREPARED DIRECT TESTIMONY OF
EDWARD A. PALOMBO,
VICE PRESIDENT, RELIABILITY
PEOPLES NATURAL GAS COMPANY LLC**

DATE SERVED: March 27, 2026
DATE ADMITTED: _____

Peoples Statement No. 5

**PREPARED DIRECT TESTIMONY OF
EDWARD A. PALOMBO**

1 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

2 A. My name is Edward A. Palombo. My business address is 375 North Shore Drive,
3 Pittsburgh, Pennsylvania 15212.

4

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by Peoples Natural Gas Company LLC (“Peoples” or the “Company”) as
7 Vice President, Reliability.

8

9 **Q. PLEASE STATE BRIEFLY YOUR EDUCATIONAL BACKGROUND AND**
10 **EMPLOYMENT EXPERIENCE.**

11 A. I graduated from The Pennsylvania State University in August 1983 with a Bachelor of
12 Science Degree in Petroleum and Natural Gas Engineering. After graduation, I was hired
13 as a Project Engineer for Washington Gas Light Corporation. I progressed to leadership
14 roles in the Distribution, Planning, and Design department, until January 1987 when I left
15 to join Peoples Natural Gas, and have been employed since. During this time, I’ve held
16 several leadership positions in the Operations departments, with responsibilities in PA,
17 WV, OH, and KY. Currently, I am Vice President, Reliability and am responsible for
18 directing the activities for Gas Supply & Transportation Services, Local Production
19 Acquisition, Gas Control, System Planning, Pipeline Safety & Compliance, Employee
20 Safety, Technical Training, and GIS.

21

1 **Q. PLEASE LIST THE FILING REQUIREMENTS THAT YOU ARE SPONSORING**
2 **AS WITNESS.**

3 A. Please refer to Appendix A for a complete list of the filing requirements for which I am the
4 responsible witness.

5
6 **Q. WHAT ARE YOUR RESPONSIBILITIES FOR PURPOSES OF THIS**
7 **PROCEEDING?**

8 A. My responsibilities which I will describe in separate sections of my testimony are:

- 9 1. Safety Programs
- 10 2. Peak Day and Annual Gas Supply Plan
- 11 3. Local Production - Gathering and Cost Recovery

12
13 **SAFETY PROGRAMS**

14 **Q. PLEASE DESCRIBE SOME OF THE COMMITMENTS PEOPLES HAS MADE**
15 **TO THE SAFE OPERATION OF ITS PIPELINE SYSTEM.**

16 A. Peoples is strongly committed to safety and has established a comprehensive safety
17 program that strives to protect employees, its customers, the public, and property. All levels
18 of management and employees are responsible and accountable for safety and expected to
19 continuously work together to foster and promote a healthy safety culture. This culture is
20 integral to making safety a priority by incorporating the following into all Company
21 activities: Management commitment at all levels of the organization; Employee
22 engagement and accountability; Recognizing, controlling, and eliminating workplace
23 hazards and unsafe behaviors; and Safety training and education. No employee will be

1 required to perform a task or job that they consider unsafe. Peoples complies with all
2 applicable safety and health requirements and maintains occupational safety and health
3 standards that equal or exceed best practices.

4 The Company demonstrates its commitment to safety by including a Safety
5 component in the incentive compensation plan. In addition, all Operations Department
6 employees also have a pipeline compliance component included in their individual
7 performance expectations and incentive compensation goals.

8 Additionally, the Company engages our Compliance Process Managers, Safety
9 Department, and the entire Operations leadership team on a regular basis by conducting
10 weekly safety conference calls where injuries, accidents, operating procedures and
11 guidelines, line hit damages, and near miss safety incidents are reviewed and discussed.
12 Further, we have implemented procedures for ongoing safety observations of work
13 activities by supervisors and rapid dissemination of injury details to all field leadership and
14 union personnel. We also work closely with our unions to solve all safety-related issues
15 and to communicate and advance safety initiatives throughout the organization. A
16 component of this is managements and employees' commitment to operational and safety
17 training at our Training Center where employees obtain hands-on experience through
18 controlled simulations of emergency events and other real-life situations that enhance their
19 safety awareness and hone their emergency response capability. We have also perfected
20 our compliance work tracking system. This system schedules our prescribed, routine
21 maintenance, compliance check work and provides for information system tracking of our
22 planning and progress.

23

1 **Q. PLEASE DESCRIBE THE COMPANY’S EMPLOYEE SAFETY PROGRAM.**

2 A. Peoples’ Employee Safety Program is multi-dimensional and includes numerous activities
3 focused on accident prevention and compliance with applicable safety regulations. Safety
4 is supported through active participation by operations leadership, a strong union
5 management partnership, and engagement with industry organizations.

6 The three cornerstones of Peoples’ Employee Safety Program are:

- 7 • Training and Education - where technical skills, emergency response, and
8 specialized safety training are provided to employees, contractors, and external
9 partners.
- 10 • Awareness and Communication – where weekly and monthly safety meetings, pre-
11 job briefings, safety alerts, and intranet website resources are used to inform and
12 refresh safety messaging.
- 13 • Investigations, Observations, and Safety Analysis – where safety incidents and
14 risks are thoroughly investigated, discussed, trended, and mitigated.

15 Peoples continues to perform at or above the top quartile in safety performance, and
16 received the American Gas Association (“AGA”) Industry Leader Accident Prevention
17 Award in the Very Large Gas Distribution category in 2023 and 2024. Peoples has also
18 been recognized by the Energy Association of PA (“EAPA”), achieving several awards in
19 2023: the Safety Achievement Award, the Safety Improvement Award, the Safety
20 Sustainability Award, and the Motor Vehicle Fleet Safety Achievement Award. In 2024,
21 Peoples achieved the Safety Sustainability Award, the Motor Vehicle Fleet Improvement
22 Award, and the Motor Vehicle Fleet Safety Achievement Award. 2025 industry metrics
23 from AGA and EAPA have not been finalized, however Peoples achieved the best rates on

1 record for both Lost Time/Restricted Time (“LT/RT”) injuries and Responsible Motor
2 Vehicle Accidents (“RMVA”).

3
4 **Q. EARLIER YOU MENTIONED THE COMPANY’S TRAINING PROGRAM,
5 COULD YOU DESCRIBE IT IN MORE DETAIL?**

6 A. Peoples operates an in-house training facility in McKeesport, PA that provides multi-week
7 introductory training for new hires, training for employees entering new job classifications,
8 initial and refresher operator qualification (“OQ”) training on covered tasks performed by
9 each field classification for both employees and contractors, and supplemental training for
10 field personnel. By providing training internally, as opposed to using a 3rd party vendor,
11 Peoples is able to ensure training captures Company-specific processes and procedures,
12 and this allows us to provide direct oversight of rigorous testing methods.

13 In addition to providing training to employees and contractors, the training team
14 also conducts community outreach sessions for audiences beyond those affiliated with
15 Peoples. These sessions include:

- 16 • First Responder Training: Emergency training for local volunteer fire departments
- 17 • Natural Gas Construction Heat Installation Training
- 18 • Natural gas utility and pipeline field skills training: This program is to prepare a
19 new potential workforce for a career in the gas and pipeline industry.

20
21 **Q. ARE THERE OTHER NOTEWORTHY SAFETY RELATED INITIATIVES THAT
22 YOU WOULD LIKE TO DISCUSS?**

1 A. Yes. Peoples has a well-established Corporate Safety Committee known as the CARE
2 (Combined Accident Reduction Effort) Committee. This committee is comprised of senior
3 leaders from Operations, Safety, and Bargaining Unit personnel whose sole purpose is to
4 provide a cooperative forum for discussions on all safety-related issues and concerns. The
5 main goal is to promote and support a strong safety culture, and to assure a safe and healthy
6 work environment for all employees. Operations management meets monthly with the
7 Salaried and Bargaining Unit CARE Coordinators to discuss safety matters that arise
8 locally at their respective operating locations. The CARE Steering Committee meets
9 quarterly to review and discuss more systemic issues that arise from the local shop
10 discussions, and also Company-wide safety issues to evaluate and implement potential
11 overall corrective actions.

12
13 **Q. PLEASE PROVIDE AN UPDATE ON THE COMPANY'S SAFETY**
14 **MANAGEMENT SYSTEM INITIATIVE.**

15 A. Peoples continues to grow and expand the Pipeline Safety Management System ("PSMS")
16 first initiated in 2018. Safety Management Systems have proven to be successful in many
17 industries (aviation, nuclear, petrochemical to name a few) and are being widely adopted
18 and implemented within the natural gas industry. As a result of the Merrimac, MA incident,
19 many organizations, such as the AGA, the US Pipeline and Hazardous Materials Safety
20 Administration ("PHMSA"), as well as state regulators, have recommended gas operators
21 implement a safety management program related to pipeline operations. In 2020, Peoples
22 completed a gap analysis on the API recommended practices to help develop the
23 framework of the PSMS program. A Program Manager was hired in 2020 to lead the

1 implementation of the overall program, communicate the elements of the program with all
2 operations employees, and develop the staff and resources for the program. Two QA/QC
3 Specialists were hired in 2021 to conduct field audits of employees and contractors to
4 ensure adherence to appropriate SOPs and Job Procedures when completing tasks and jobs.

5 The PSMS team has been currently focused on four primary functional areas of the
6 operations: plastic fusions on pipeline replacement projects; working in and around live
7 gaseous environments, construction tie-ins, and preventing/mitigating damages to meters
8 and facilities. The PSMS team collects and compiles information from the field audits,
9 analyzes the results for trends, and makes recommendations to the PSMS Steering
10 Committee for revisions or additions to SOPs, Job Procedures, Training materials, etc. that
11 may enhance pipeline safety and reliability. Peoples has targeted 2028 to reach API 1173
12 “mature status” on the PSMS elements, with three elements reaching maturity to date.

13
14 **Q. PLEASE DESCRIBE WHAT THE COMPANY HAS DONE AND PLANS TO DO**
15 **GOING FORWARD TO MANAGE THE RISKS ASSOCIATED WITH LEAKAGE.**

16 A. Peoples has an extensive leak management and repair program with procedures and
17 policies that are designed to ensure safe and reliable delivery of natural gas to our
18 customers. Peoples has implemented enhanced operating procedures regarding leak
19 mitigation to further ensure safety across its system, that also helps reduce emissions and
20 improve the environment. These enhancements include adoption of: 1) the Gas Piping
21 Technology Committee (“GPTC”) Leak Classification and Action Criteria for Grade 1, 2,
22 and 3 leaks; 2) operating procedures designed to identify and replace shorter sections of
23 leak prone pipelines instead of repairing those sections; 3) procedures on the handling of

1 Grade 1 leaks (potentially most hazardous leaks) which require that Grade 1 leaks only be
2 vented as a last resort, Peoples' Operations Management personnel being directly involved
3 and consulted in Grade 1 leak situations, and vented Grade 1 leaks being monitored on a
4 daily basis during frost/frozen ground conditions; and 4) a Leak Detection and Reduction
5 ("LDAR") program that focuses on accelerated leak surveys on certain systems; reducing
6 leaks on gathering pipes, and utilizing newer technologies for identifying potential leaks.
7 Another effective leak mitigation measure is the accelerated replacement of older higher-
8 risk bare steel pipelines under our Long Term Infrastructure Improvement Plan ("LTIP"),
9 that is described in more detail in **Peoples Statement No. 6 - the Direct Testimony of**
10 **Paul Becker**, VP Engineering & Construction. As a result of these enhanced leak
11 management efforts, Peoples has experienced a 66% reduction from 2022 to 2025 in
12 outstanding unrepaired leaks at year end, and an 85% reduction since 2019.

13
14 **PEAK DAY AND ANNUAL GAS SUPPLY PLAN**

15 **Q. AS THE WITNESS SUPPORTING THE ANNUAL AND PEAK REQUIREMENTS**
16 **AND SUPPLY VOLUME PROJECTIONS USED IN THIS FILING, PLEASE**
17 **GENERALLY DESCRIBE HOW PEOPLES FORMULATES ITS ANNUAL GAS**
18 **SUPPLY PLAN.**

19 **A.** Each year, Peoples projects its total system requirements and available sources of supply.
20 On the requirements side of the analysis, Peoples develops throughput projections by
21 various requirements categories including usage by class of customer. The Company then
22 adds monthly projections for company use and lost and unaccounted for gas to arrive at
23 total projected system requirements on a monthly basis.

1 Certain operational considerations play a role in the requirements analysis. For
2 example, there are portions of Peoples’ service territory that are not physically
3 interconnected with the main portion of Peoples’ facilities, particularly in the Grove City
4 area. Similarly, there are portions of Peoples’ service territory that require support from
5 specific interstate pipeline delivery points at times of high demand, most notably the
6 Punxsutawney area. As a result, Peoples analyzes alternative options in those areas to
7 maintain adequate supplies to maintain reliable service.

8 On the supply side of the analysis, Peoples pursues a least-cost reliable-service
9 strategy through a combination of local and interstate assets and supplies. Local assets
10 include an on-system storage facility and the gathering system, which allows Peoples to
11 enhance the delivery of gas supplies produced locally in western Pennsylvania. The
12 Company’s interstate assets are comprised of a portfolio of transportation and storage
13 services with six interstate pipelines that provides Peoples with access to a variety of supply
14 source locations. Using this gas supply portfolio, Peoples uses an economic dispatch
15 approach that also takes into account reliability, operational requirements, and contractual
16 obligations. Under that approach, Peoples reviews the cost of its various sources of supply
17 and plans to use those that are least costly. The Company starts by base loading local
18 supplies; that is, using local gas first. From there the Company then turns to the existing
19 pipeline supply assets and existing gas supply agreements. These include the firm
20 transportation and storage service agreements with interstate pipelines and the long-term
21 firm gas supply commodity agreement with EQT Energy.

22

1 **Q. HOW DOES PEOPLES TYPICALLY DETERMINE ITS CUSTOMERS’**
2 **REQUIREMENTS AND ASSOCIATED GAS SUPPLIES ON A DESIGN PEAK**
3 **DAY?**

4 A. Peoples uses a regression analysis forecasting model that employs a number of variables
5 including but not limited to temperature, and historical consumption levels. The design day
6 average day temperature utilized in the model is minus 9 degrees Fahrenheit. The values
7 assigned to consumption levels and the other variables change over time. Using send-out
8 data for the four years ended May 2024 the Company calculated total system peak day
9 design requirements of 1,487.6 MMcf per day.

10

11 **Q. WILL THE COMPANY SUPPLY THE ENTIRETY OF THE 1,487.6 MMCF FOR**
12 **ITS CUSTOMERS?**

13 A. No. Peoples will supply 1,192.1 MMcf of the Company’s customers’ design day
14 requirements of 1,487.6 MMcf. The supply of 1,192.1 MMcf per day includes the following
15 components:

- 16 • Projected local gas volumes of 8.9 MMcf. This volume is based on a projection of the
17 amount of local gas under contract to Peoples and available on a design day;
- 18 • The on-system storage design day supply of 55.3 MMcf reflects the expected volume of
19 supplies available from the Company’s on-system storage fields; and
- 20 • Interstate delivered gas of 1,127.9 MMcf projected to be received from Equitrans, Eastern
21 Gas Transmission and Storage (“EGTS”), Tennessee Gas Pipeline Company, LLC
22 (“Tennessee”), Texas Eastern Transmission Company (“TETCO”), Columbia
23 Transmission (“TCO”) and National Fuel Gas Supply Corporation (“NFG”).

1
2 **Q. WHY DOESN'T PEOPLES HAVE TO BE PREPARED TO SUPPLY ALL OF ITS**
3 **CUSTOMERS' DESIGN DAY REQUIREMENTS?**

4 A. Many of Peoples' customers, generally also its largest customers, that purchase their supplies
5 from Natural Gas Suppliers ("NGSs") – customers whom the Company refers to as Non-
6 Priority 1 or NP-1 – are responsible for acquiring their own design day assets at a level
7 sufficient to deliver their average daily usage during that month. The Company expects those
8 customers to deliver to the system 294.8 MMcf on a design day during the 1307(f)-2025
9 projected period.

10
11 **Q. HOW DO THE DESIGN DAY REQUIREMENTS OF PEOPLES' SMALLER**
12 **CUSTOMERS WHO PURCHASE THEIR SUPPLIES FROM NGSs FIT INTO**
13 **PEOPLES' SUPPLY PORTFOLIO?**

14 A. When a substantial alternative supply market for those smaller Priority 1 ("P-1"), or essential
15 human needs customers, first began to develop on the Peoples system in 1997, Peoples
16 addressed the design day requirements of those customers under a program of mandatory
17 capacity assignment. Peoples' tariff requires that the P-1 customers acquire their design day
18 capacity requirements from Peoples by means of mandatory assignment of capacity and that
19 the P-1 customers must pay the costs of that assigned capacity through the capacity charge.
20 The P-1 NGSs are expected to utilize the assigned capacity to deliver to the Peoples system
21 sufficient supplies to meet the projected total usage for their P-1 customers on a design day
22 during the 1307(f)-2025 projected period.

23

1 **Q. IN ADDITION TO ITS CUSTOMERS' DESIGN DAY CAPACITY AND SUPPLY**
2 **REQUIREMENTS, WHAT OTHER CUSTOMER REQUIREMENTS MUST**
3 **PEOPLES GAS SUPPLY PORTFOLIO SATISFY?**

4 A. Peoples must also satisfy the day-to-day supply requirements of Peoples customers who
5 purchase supplies from Peoples, the day-to-day balancing requirements of NP-1
6 transportation customers, and the requirements for gas that either will be used in Peoples'
7 operations (i.e., company-use gas) or that will be "lost or unaccounted for" because of various
8 reasons.

9
10 **Q. DOES PEOPLES USE ITS ANNUAL CONSUMPTION PROJECTIONS FOR**
11 **THOSE CUSTOMERS WHO LIKELY WILL BUY THEIR SUPPLIES FROM NGSS**
12 **FOR ANY PURPOSE IN THIS PROCEEDING?**

13 A. Yes. Although those customers' capacity requirements are measured strictly by the demands
14 that they will place on the Peoples system on a design peak day, Peoples recovers the costs of
15 meeting those requirements through each Mcf that Peoples delivers to those customers
16 throughout the year. In the case of P-1 customers, Peoples recovers the costs through a
17 capacity charge per Mcf consumed. In the case of NP-1 customers, the recovery is through a
18 balancing charge per Mcf consumed.

19
20 **Q. HOW DO THE DESIGN DAY SUPPLY ASSETS COMPARE TO THE PROJECTED**
21 **DESIGN DAY REQUIREMENTS?**

22 A. As shown on **Peoples Natural Gas Exhibit No. EAP-1**, the Company is projecting that its
23 design day supply assets will be within 0.73 MMcf of its design day requirements.

1
2 **Q. PLEASE DESCRIBE HOW LOCAL GAS PURCHASES FROM CONVENTIONAL**
3 **WELLS ARE USED TO SATISFY SYSTEM GAS SUPPLY NEEDS.**

4 A. Peoples and NGSs operating on the Peoples system use natural gas produced from local
5 shallow wells as a base load supply to meet customer's usage requirements. However, since
6 2012, local gas produced and delivered from conventional wells into the Company's
7 system has declined year-over-year. In 2020, Peoples received supplies from conventional
8 wells totaling approximately 37.1 BCF. In 2025, a total of approximately 26.2 Bcf of
9 conventional production was delivered into the Peoples' systems. Over this six-year period,
10 this represents a total decline of 10.9 Bcf, or 29%. A reversal of this ongoing decline is not
11 expected.

12
13 **Q. DOES PEOPLES HAVE A POLICY REGARDING ADDITIONAL MARCELLUS**
14 **SHALE WELL PRODUCTION?**

15 A. Peoples' current role in the development of Marcellus Shale has been to provide producers
16 of unconventional gas with similar access to both on-system and off-system markets as
17 provided to conventional producers. Peoples has been able to accept Marcellus Shale
18 production into its systems on a case-by-case basis, using the same analysis for Marcellus
19 Shale production tap requests that it uses for conventional production tap requests. The
20 analysis includes (i) the location and quantity of gas supply, (ii) the unused pipeline
21 capacity at the proposed injection point, (iii) the anticipated gas quality and the investment
22 required to resolve gas quality issues, and (iv) the impact of the production on existing base
23 load supplies from local and interstate alternatives.

1 Peoples' market fundamentally benefits from having access to additional direct
2 feed local Marcellus Shale production. It provides a replacement supply for declining
3 conventional production volumes. Also, local gas supplies, including gas produced into the
4 Peoples' system from both conventional and Marcellus wells, represent a lower cost supply
5 than interstate delivered gas. Peoples plans to remain involved in finding opportunities to
6 utilize Marcellus Shale gas produced in Peoples' service territory, and is actively pursuing
7 new interconnects with midstream systems to support this goal.

8
9 **LOCAL PRODUCTION - GATHERING AND COST RECOVERY**

10 **Q. PLEASE DESCRIBE GENERALLY THE TRADITIONAL GATHERING PIPELINE**
11 **SYSTEM.**

12 A. Gathering systems are pipeline facilities that have the primary purpose of moving
13 conventionally produced gas from production fields to transmission and distribution
14 facilities for delivery to end use customers. In contrast, distribution pipelines generally are a
15 system of mains and service lines that primarily function to deliver natural gas to individual
16 homes and businesses. However, in some instances, customers and small distribution
17 systems are connected directly to gathering systems in rural areas where it is not
18 economical to extend pipelines from the major distribution centers because of the low
19 density of potential customers.

20 In addition to gathering pipelines, gathering systems also typically include
21 compression facilities and equipment to monitor and treat the gas. Gathering compressors are
22 used to increase the flow of local production by raising the gathering pipeline pressure to the
23 pressure of the pipeline that the gathering pipeline feeds into, typically a transmission pipeline

1 or higher pressure gathering or distribution pipeline. Gas monitoring and treatment is another
 2 part of a gathering system. Peoples requires producers to remove water and other
 3 contaminants from the gas delivered to the gathering system. In some cases, the gas is further
 4 treated by Peoples at compressor stations where dehydration facilities are installed to remove
 5 water prior to delivering gas to transmission or distribution systems.

6 There are also situations where Peoples receives locally produced gas directly into its
 7 distribution and transmission systems. This production can be from both conventional and
 8 unconventional sources.

9

10 **Q. DO GAS PRODUCERS BENEFIT FROM GATHERING SYSTEMS?**

11 A. Yes. Producers benefit from gathering lines because, in most cases, it is their only means
 12 to get their gas production to a market. The gas produced into the gathering systems
 13 originates from conventional wells. Generally, gathering systems cannot be used to receive
 14 and deliver higher pressure gas produced from unconventional sources such as Marcellus
 15 Shale.

16

17 **Q. DO CUSTOMERS BENEFIT FROM LOCAL PRODUCTION AND GATHERING**
 18 **SYSTEMS?**

19 A. Yes. Customers receive a notable cost savings benefit from local production delivered into
 20 the Peoples’ systems. Production directly feeding utility pipelines avoids costly interstate
 21 pipeline charges, which typically include fixed reservation charges for interstate pipeline
 22 reservation space, usage charges to cover variable interstate pipeline costs and retainage to
 23 cover gas loss and gas used in interstate pipeline operations.

1
2 **Q. HAS THE COMPANY PREPARED A COMPARISON OF THE COST PER MCF**
3 **OF DELIVERING GAS THROUGH INTERSTATE PIPELINES TO THE COST**
4 **OF DELIVERING GAS THROUGH THE COMPANY’S GATHERING SYSTEM?**

5 A. Yes. **Peoples Natural Gas Exhibit No. EAP-1** provides this comparison for the projected
6 twelve months ended December 31, 2027 (“Fully Projected Future Test Year” or
7 “FPFTY”). It shows that gas produced into and delivered through the gathering systems is
8 notably less costly than gas procured on and delivered from Peoples’ interstate pipeline
9 suppliers. The total average cost of gas delivered via the gathering system for the FPFTY
10 is estimated at \$4.14per Mcf. The total average cost of gas delivered via the interstate
11 systems for the FPFTY is estimated at \$5.21 per Mcf. This results in an estimated cost
12 savings of \$1.07 per Mcf for the local gas purchased by Peoples’ for its on-system
13 customers alone. Customers that purchase local gas supplies from third party marketers or
14 NGSs can reasonably be expected to receive a similar cost per Mcf savings benefit. As
15 noted in **Peoples Natural Gas Exhibit No. EAP-1**, this analysis reflects the various costs
16 incurred by Peoples’ ratepayers for the FPFTY which include: the projected average
17 commodity cost of gas delivered to the Peoples’ system; Peoples’ costs to own and operate
18 the gathering systems (including gathering Unaccounted For Gas (“UFG”)); and interstate
19 pipeline costs for capacity, retainage, and delivery. In **Peoples Statement No. 17 – the**
20 **Direct Testimony of John Taylor**, Mr. Taylor calculated and presented testimony in
21 support of the projected non-gas costs incurred by Peoples to own and operate the PNG
22 gathering system.

23

1 **Q. DOES INTERSTATE PIPELINE GAS AND LOCAL GAS SERVE THE SAME**
 2 **PURPOSES?**

3 A. While both supply sources provide the gas supply needed by the customer, pipeline gas is
 4 much more flexible in that it is provided to the Company at significantly higher pressure
 5 which is required in peak periods of usage and for injection into storage. The amount of
 6 pipeline gas entering the Company’s system can also more easily be adjusted up or down
 7 to meet the daily gas consumption swings due to weather. In addition, pipeline gas
 8 generally meets higher quality standards relating to containing impurities and water and
 9 creates fewer operational problems.

10

11 **Q. HOW SHOULD THE BASE RATE COSTS OF THE GATHERING SYSTEM BE**
 12 **RECOVERED?**

13 A. Gathering system costs are incurred to provide a market for supplies produced by local
 14 wells and to provide cost effective gas supplies to customers. In my opinion, it is
 15 appropriate for both producers and customers to share in paying these costs.

16

17 **Q. WHAT FACTORS SHOULD BE CONSIDERED IN ALLOCATING THESE**
 18 **COSTS BETWEEN CUSTOMERS AND LOCAL SUPPLIERS?**

19 A. As I have noted previously, customers benefit from obtaining local gas at a cost lower than
 20 interstate pipeline gas. The gathering system lowers the amount of interstate pipeline
 21 capacity that is required to serve customers and lowers pipeline demand costs recovered
 22 from all sales and transportation customers. In addition, customers served directly from the
 23 gathering system receive their service from gathering pipelines and not distribution

1 pipelines. Finally, some of Peoples' distribution areas are served only by local gas from
2 the gathering systems.

3 Producers derive substantial benefit from the gathering facilities as it is their source
4 to a market. In addition, Peoples operates its gathering and distribution systems to facilitate
5 the introduction of lower pressure gas from conventional wells into its system.

6 While it is difficult to specifically quantify these benefits between producers and
7 customers, it is clear that both producers and customers benefit from the gathering systems.
8

9 **Q. ARE THERE ANY UNIQUE OPERATIONAL ISSUES AND/OR COSTS**
10 **ASSOCIATED WITH GATHERING SYSTEMS?**

11 A. Gathering systems present operational challenges uncommon to distribution. Since the
12 facilities typically are in rural areas, and consist of many measurement delivery points,
13 potential leaks are not as readily detectable. This can contribute to potential higher lost and
14 unaccounted for gas than on distribution systems, as well as higher methane emissions.
15 Peoples has attempted to mitigate this by operating and maintaining gathering assets under
16 the same guidelines as distribution assets. While not required by federal codes, Peoples
17 conducts leak surveys on its gathering pipelines at intervals similar to distribution
18 pipelines, and schedules gathering line leak repairs accordingly.
19

20 **Q. HOW DOES PEOPLES PROPOSE TO RECOVER THE COSTS OF THE**
21 **GATHERING SYSTEMS?**

22 A. There is a practical limit to how much of the gathering system costs can be recovered from
23 producers. The projected average market price that producers will receive for their gas

1 purchased by Peoples for system supply is \$3.06/Dth for the projected twelve months
2 ended December 31, 2027 (FPFTY). These prices are low by historical standards and it is
3 likely that this has contributed to the reduction of production from conventional wells since
4 2012.

5 Peoples currently charges a \$0.24/Mcf fee to producers for gathering system costs
6 through its existing Rate Schedule Appalachian Gathering Service (“AGS”) for all
7 conventional gas production delivered to the Peoples system. This gathering service fee
8 covers less than one-third of the costs to operate the gathering facilities. As previously
9 stated, both producers and customers benefit from local production suppliers and therefore
10 both should contribute to the gathering cost of service. Also, as noted in **Peoples Statement**
11 **No. 6 – the Direct Testimony of Paul Becker**, Peoples is proposing to increase the annual
12 capital investment to replace and upgrade certain gathering pipelines beginning in 2027.

13 As a reasonable shared contribution to cover increase operating and maintenance
14 costs, as well as increased capital to upgrade gathering lines, Peoples proposes to increase
15 this gathering fee to \$0.29 per Mcf. This rate was developed by taking the current gathering
16 revenue recovery of about \$7.4 million and applying an increase of 13.8% which represents
17 the overall total increase in revenue the Company is seeking in this proceeding. This results
18 in the need to collect about \$8.4 million of revenue from customers. About \$1.9 million of
19 this will be recovered from producers under a negotiated rate and thus the remaining \$6.6
20 million of revenue will be collected from the full tariff volumes of 23.1 Bcf which results
21 in the \$0.29 per Mcf gathering rate. This results in the gathering revenue contributing about
22 26% towards the gathering system cost of service which is in the range of prior cases. These
23 producer fees help offset customers’ share of gathering costs, without creating an economic

1 disincentive to producers to continue to produce low cost gas supplies into the Peoples'
2 systems.

3
4 **Q. HOW MUCH GATHERING REVENUE DOES THE COMPANY PROJECT TO
5 RECOVER IN THE FULLY PROJECTED FUTURE TEST YEAR?**

6 A. The annual volume projection of conventional production on Peoples system that will be
7 subject to the gathering fee for the FPFTY is 23 Bcf. This volume projection was based on
8 recent actual production levels adjusted to reflect current production decline trends. The
9 resulting revenues to be paid for by conventional well producers for the FPFTY is projected
10 to be \$5.5 million.

11
12 **Q. YOU MENTIONED EARLIER IN YOUR TESTIMONY THAT PEOPLES ALSO
13 RECEIVES UNCONVENTIONAL SUPPLIES INTO ITS SYSTEMS. ARE THERE
14 GATHERING FEES ASSESSED TO PRODUCERS BY PEOPLES FOR
15 UNCONVENTIONAL SUPPLIES, AND IF SO, WHAT ARE THE EXPECTED
16 ANNUAL REVENUES?**

17 A. Yes. As set forth in the existing tariff rate schedule – AGS (Peoples Natural Gas Exhibit
18 No. 14, Schedule No. 1), Peoples charges a rate for gathering natural gas produced from
19 unconventional sources that is determined through negotiation. It's important that this rate
20 be negotiable because Peoples needs to compete with midstream and interstate pipelines to
21 acquire this gas supply. Marcellus producers generally have multiple options to get their
22 gas to market. Based on the negotiated rate currently charged to existing unconventional
23 producers and the associated expected annual volumes produced from unconventional

1 sources for the FPFTY, Peoples projects to generate \$1.8 million in annual gathering fees
2 from unconventional gas producers for the FPFTY period.

3
4 **Q. BASED UPON THE COMPANY'S FPFTY PROJECTION OF RECOVERIES**
5 **UNDER THE GATHERING CHARGES TO CONVENTIONAL AND**
6 **UNCONVENTIONAL PRODUCERS, HOW MUCH OF THE GATHERING**
7 **COSTS WILL BE RECOVERED?**

8 A. The Company projects that it will recover \$9.4 million, a \$2.4M or 34% increase over the
9 existing revenue of \$7.0M at present rates.

10
11 **Q. HOW DOES THE COMPANY PROPOSE TO RECOVER THE REMAINDER OF**
12 **THE GATHERING COSTS THAT ARE NOT PROJECTED TO BE RECOVERED**
13 **FROM PRODUCERS?**

14 A. We have directed Mr. Taylor to allocate the remaining costs to the various customer
15 classes. He uses a volumetric allocation factor to assign gathering plant and associated
16 expenses to customer classes based on the percentage of annual gas volumes in each class
17 supplied by Pennsylvania gas producers. This is consistent with the methodology used in
18 the Company's last base rate proceeding.

19
20 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

21 A. Yes. I reserve the right to supplement my testimony as other issues arise during the course
22 of this proceeding. Thank you.

Exhibit**Filing Requirement**

Ex. 10, Sch. 3	53.53.III.E.22
Ex. 12, Sch. 1	53.53.III.E.5
Ex. 12, Sch. 2	53.53.III.E.18
Ex. 12, Sch. 3	53.53.III.E.23
Ex. 12, Sch. 4	53.53.III.E.24
Ex. 12, Sch. 5	53.53.III.E.26
Ex. 12, Sch. 6	53.53.III.E.30
Ex. 12, Sch. 7	53.53.III.E.36
Ex. 12, Sch. 10	53.53.IV.B.11
Ex. 12, Sch. 11	53.53.I.C.1
Ex. 12, Sch. 12	53.53.III.E.28
Ex. 12, Sch. 15	53.53.III.E.3
Ex. 12, Sch. 16	53.53.IV.B.14
Ex. 13, Sch. 7	53.53.III.E.27
Ex. 15, Sch. 2	53.53.I.C.2
Ex. 15, Sch. 3	53.53.IV.B.8
Ex. 17, COS-10	COS 10
Ex. 17, COS-11	COS 11
Ex. 17, COS-12	COS 12
Ex. 17, COS-14	COS 14
Ex. 17, COS-16	COS 16
Ex. 17, COS-17	COS 17

Cost Comparison - Local Gas Purchased and Delivered via Gathering vs. Interstate Supplied Deliveries

Index - EGTS Appalachian Index Cost per Dth ^{1/}	\$	3.06 / Dth		
			Local Gas via Gathering	Interstate Gas*
Commodity Cost ^{2/}	\$	3.1812 / Mcf		\$ 3.1812 / Mcf
Gathering UFG (A) or Interstate Retainage (B)	6.88% \$	0.2187 / Mcf	A	1.72% \$ 0.0547 / Mcf B
Producer Contribution - Gathering Retainage ^{3/}	-2.61% \$	(0.0830) / Mcf		
Delivery Cost to City-Gate	\$	-		\$ 0.1091 / Mcf
Gathering System Cost (A) or Interstate Capacity (B)	\$	1.1139 / Mcf	A	\$ 1.8641 / Mcf B
Producer Contribution - Gathering Fee ^{4/}	\$	(0.2900) / Mcf		\$ -
Total Delivered Cost	\$	4.1408 / Mcf		\$ 5.2092 / Mcf
				\$ 1.0684 Local Gas Discount

* Based on weighted average cost of all existing Peoples Natural Gas interstate FT and storage contracts.

^{1/} EGTS Appalachian Index Price as estimated for the FPFTY - January 2027 through December 2027 as of 1/30/2026

^{2/} Commodity Cost for Local Purchases is 100% EGTS App Index and interstate supplies are converted from Dth to Mcf at 1.039 system average Btu.

^{3/} Gathering retainage level recovered from producers on the PNG system.

^{4/} Gathering Fee is the producer paid fee under Peoples' proposed Appalachian Gathering Service rate schedule for the FPFTY - January through December 2027.