



PEOPLES NATURAL GAS



PEOPLES TWP

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November 6, 2012

Cherie Pyle, OCMO Administrator  
Pennsylvania Public Utility Commission  
Office of Competitive Market Oversight  
Commonwealth Keystone Building  
P.O. Box 3265  
Harrisburg, PA 17105-3265

Re: Investigation into the Natural Gas Supply Market: Report on Stakeholders' Working Group (SEARCH); Action Plan for Increasing Effective Competition in Pennsylvania's Retail Natural Gas Supply Services Market; Docket No. I-00040103F0002; Office of Competitive Market Oversight; Docket No. M-2009-2082042

Dear Ms. Pyle:

The purpose of this letter is to advise the Office of Competitive Market Oversight ("OCMO") that, pursuant to the Commission's September 11, 2008 Order in Docket No. I-00040103F0002, Peoples Natural Gas Company LLC held a scheduled meeting of its Operational and Capacity Council on September 26, 2012. Attached are the Agenda and Notes of that meeting, all of which have been distributed to the attendees. Please direct any questions regarding this matter to me.

Very truly yours,

Attorney for Peoples Natural  
Gas Company LLC

Enclosures

cc: Rosemary Chiavetta, Secretary  
Lynda A. Petrichevich

Peoples Natural Gas Company LLC  
September 26, 2012  
Operational and Capacity Council Meeting

Agenda

1. Opening Remarks (L. Petrichevich)
2. Annual 1307(f) Approval received (L. Petrichevich)
3. Quarterly 1307(f) Update (Tony Caldro)
4. Transportation Programs (Steve Kolich)
5. Pipeline Capacity and Contract Update (Jon Skoog)
  - a. Capacity Release Recommendation/Action Plan
  - b. Fall/Winter 2012 Supply Deals
  - c. DT1 Two year notice of Termination
6. 2012 Base Rate Case Settlement (J. Gregorini)
7. Other Issues

## NOTES OF PEOPLES NATURAL GAS COMPANY LLC'S SEPTEMBER 26, 2012 OPERATIONAL AND CAPACITY COUNCIL MEETING

Pursuant to the directive in the Pennsylvania Public Utility Commission's ("PUC") September 11, 2008 S.E.A.R.C.H. Order at Docket M-2008-2082042 and the September 17, 2009 Notice regarding same, Peoples Natural Gas Company LLC ("Peoples") convened an Operational and Capacity Council ("OCC") meeting via telephone on September 26, 2012. In conformance with the established process for the conduct of these OCC meetings, these Notes have been prepared and are being circulated to all participants via email and filed with the Office of Market Oversight at the PUC.

### **Attendees**

Richard Kanaskie (Bureau of Investigation and Enforcement)  
Jerome Mierzwa (Office of Consumer Advocate)  
Brian Earhart, Tony Cusati (IGS)  
Craig Palleschi, Terence McInerney (Agway)  
Diane Smerecky (UGI)  
Vicki Karandrikas (PII)  
Dave Meyers, Mark Reese (Dominion Retail)  
Lynda Petrichevich, Jon Skoog, Anthony Caldoro, Steven Kolich, Andrew Wachter, William Roberts (Peoples)

An agenda was distributed in advance of the meeting, a copy of which is attached to these meeting notes. Five substantive issues were discussed on the call, although the participants were invited to discuss any other issues of concern.

### **Annual 1307(f) Proceeding**

Lynda Petrichevich provided information on Peoples' 1307(f)-2012 annual gas cost proceeding settlement, which was approved by a PUC order entered on August 30, 2012:

- OCC meetings will be held in the Spring and Fall with additional meetings scheduled for major items;
- the BB&A storage allocation will be 1.7 Bcf;
- retainage rates for Residential and Commercial ratepayers will be decreased from 8.6% to 8.0% and for Industrial ratepayers from 7.2% to 6.9%;
- Peoples agreed to study its hedging program and provide the study in its next 1307(f) proceeding;
- Peoples also agreed to examine its projected design day requirements and its projected gas supply and capacity portfolio.

### **Quarterly GCR Update**

Anthony Caldoro provided an update about Peoples' anticipated October 1, 2012 quarterly gas cost rate. He noted that while he would not be able to provide the exact rate, the Company anticipates an increase in the commodity component due to the shift from summer to winter

pricing, and the current under collected position is expected to become an over collected or refund position, and that Peoples anticipates an increase over the currently effective gas cost rate of \$3.3927/Mcf.

### Transportation Programs Update

Steven Kolich reported on changes to Peoples' Transportation Programs since the last OCC meeting. He first addressed Peoples' POR program, where there is currently only one active pool participating in POR but a number of new NGSs are inquiring about the program. The discount rate for Residential is 3.55% and for Commercial and Industrial is 0.77% with an administrative adder of 0.0417% for all classes. Additional details regarding POR service can be found within Rate SBS (Supplier Billing Service) in Peoples' Supplier Tariff.

Mr. Kolich also noted that effective October 1, the pooling fee will be decreased for NP-1 pools from \$0.08/Mcf to \$0.0436/Mcf, and the same reduced fee will also now apply to P-1 pools.

Mr. Kolich reported that there have been no significant changes to Peoples' two transportation programs since the first quarter 2012 OCC meeting. The two programs are the Priority One (or P-1) Program that serves residential and essential human needs customers and the Non-Priority One (or NP-1) Program that serves mostly larger transport customers.

Mr. Kolich stated that there was no significant change in the P-1 participation with participation down about 0.8% over the prior six months. He also noted that there are still three pool operators participating in the P-1 Program but four new NGSs have applied to serve this market and are currently undergoing Electronic Data testing with our IT department.

With regard to NP-1 participation, Mr. Kolich explained that participation is up about 14.7% over the prior six months. There are fourteen NP-1 pools operating on Peoples' system with three new NGSs undergoing testing.

Finally, 57% of the total throughput on Peoples' system is transportation gas supplied by a third party supplier which is up 1% from our last meeting in March.

### Pipeline and Capacity Contract Update

Jon Skoog addressed design day and pipeline capacity matters.

#### Pipeline Capacity Release Background

Per the 2010 1307(I) settlement, Peoples agreed to examine its gas supply and capacity portfolio to consider various options available in order to reduce its design day capacity by 15,000 Mcf or 15,450 dths. As a result of the study, Peoples released the 5,150 dths of Texas Eastern Transmission and 10,300 dths of Dominion Transmission capacity for both the past two winters. At the same time, we recommended not releasing either contract for the summer months due to our concern with filling both on-system and off-system storages.

### Recommendation

For the winter 2012, Peoples recommends the release all 15,450 Dths of capacity (5,150 dths TETCO M1-M3 and 10,300 dths DTI South Pool to South City-Gates). Peoples has already issued two separate RFPs and will be posting the winning "subject to bid" on the respective EBBs by the end of the week.

### Winter 2012 Supply Deals

Peoples recently issued a "Winter Only" RFP for 3,000 dth/d of TETCO M2 delivered supply to be delivered to the Peoples' Rockwood meter. In addition to the delivered supply option, Peoples will be evaluating the use of released capacity. In either case, this supply supports the operational requirements on the east side of the Peoples' system.

### DTI 2-Year Notice of Termination

Peoples received a letter of termination from Dominion Transmission related to our GSS Storage Agreement. The current agreement expires on March 31, 2014 and requires a 24 month notification of termination. Peoples responded preserving its Right of First Refusal or ROFR. The current contract includes a capacity of 10,411,533 dths and a demand of 240,525 dth/d. In Peoples' 2012 1307(f) settlement, we agreed to examine our projected design day requirements and gas supply and capacity portfolios. The results of the examination will be reviewed with the OCC no later than 12/31/2012 and reported in direct testimony in the upcoming 2013 1307(f) proceeding. This work has begun and we anticipate convening an OCC meeting in mid-November with results of the study and potential capacity change recommendations.

### **Other Issues**

Lynda Petrichevich provided information on Peoples' 2012 Base Rate Case settlement, which the ALJ had recommended to the PUC for approval, and which the PUC approved in its September 27<sup>th</sup> public meeting:

- Update POR rates; RS from 3.58% to 3.55% and C&I from 0.74% to 0.77%, with administrative adder reduced from 0.11% to 0.04%
- Pooling fee reduced from \$0.08/Mcf to \$0.436/Mcf and will also be applicable to RS volumes
- Implement a Gas Procurement Charge (GPC) of \$0.09/Mcf
- Restructure rate classes into RS, SGS, MGS, LGS 25,000 Mcf - 200,000 Mcf, and LGS > 200,000 Mcf