Centre County Natural Gas Task Force
Meeting Notes
July 14, 2014 at 4:00 p.m.
Location: Central PA Institute of Science and Technology
540 North Harrison Road, Pleasant Gap, PA 16823

Present: Susan Benedict, John Ferguson, Tim Ziegler, Greg Myers, Ken Hall and Stan LaFuria.
Absent: Bob McDaniel, Dan Fisher, Jeff Kern, Mike Savage and Steve Greer.
Sub-Committee Members Present: John Spychalski, John Rodgers, Jack Mulfinger, Todd Taylor and Lynn Herman.
Sub-Committee Members Absent: Mike Schaul, Joe Urbanick, Art Dangel, Dean Lawrence, Steve Lyncha, Matt Blymire, Mary Carol Frier, Bruce Snyder, Colleen Williams, Mike Welch, Joe Hart, Andrew Sicree, Butch Davey, Dick Mulfinger, Jamie Walker, Alison Amaismeirer, Emily Gette-Doyle, Louis Glantz, and Rob Balsamo.
Liaison Members Present: Doug D’Amore
Liaison Members Absent: Dan Vilello, Paula Ballaron and Rick Lamkie
Ex Officio Members Present: Sue Mascolo for Rep. Conklin
Ex Officio Members Absent: Mitzi Gallagher for Rep., and Matt Wise for Senator Corman
Centre County Commissioners: None Present
Total Number Present: 37

The meeting was opened by Chairman Susan Benedict at 4:00 p.m. with a quorum present.

Welcome and Introductions: All meeting attendees provided a short introduction of themselves.

Declarations of Conflict of Interest and Ex Parte Communication: In order to remove any doubt of impropriety, the following task force and/or sub-committee members have declared interests. Bob McDaniel – now retired Business Development Coordinator, G.O. Hawbaker, Inc. supplying contract work for drilling companies; Susan Shoemaker Benedict -- property owner with natural gas lease; Steve Greer – Senior Project Manager with Arm Group, Inc., sub-contractor/consultant to various companies involved with the gas drilling industry; Ken Hall – actively involved with property lease management; Greg Myers -- providing services to the oil and gas industry; Steve Lyncha – employed by HRT, Inc. & PA Brine, who serve as sub-contractors to the natural gas industry; John Ferguson – employed by Columbia Gas of PA; Dean Lawrence – realtor with commercial real estate activity of interest to the natural gas companies; John Rodgers – banker with S&T Bank providing financial services to the gas industry; Steve Lyncha –
engineer with HRG providing consulting and engineering services to the industry: Colleen Williams working for Environmental Service Laboratories, Inc. resulting in frequent consultations with the industry; and Emily Gette-Doyle – employed by Christoff Mitchell Petroleum as Vice President of Business Development and working on the development of CNG fueling stations. No additional declarations were provided.

Approval of Prior Meeting Notes: March 10, 2014:

Please note: No task force meeting was held in May

Greg Myers made a motion to approve the March meeting minutes as distributed; John Ferguson seconded the motion and the task force approved the March 10, 2014 minutes with no changes.

Announcements:

- The Penn State Marcellus Education Team will be offering the webinar, “Industry Workforce and Training” on Thursday, July 17th from 1 – 2 p.m.
- Don Kiel, Principal Program Analyst with SEDA-COG provided an overview of the Regional Gas Utilization Initiative Study. He distributed the attached flyer.

Citizen Comment Period: None offered.


Bill Stewart, as panel moderator, provided an overview of the program and explained that the Keystone Energy Forum was an outgrowth of the American Petroleum Institute and the PA Independent Oil and Gas Association. Keystone Energy Forum is a fact-based outreach organization.

Mike Chilek reviewed the role of the PA Public Utility Commission (PUC) and their authority to enforce pipeline regulations. The PUC has NO involvement with roadways and well pads. He reviewed the four classes of gathering lines, stated that the money for expansion of pipelines is in transmission lines not distribution lines and that pipelines are NOT a public utility and therefore do not have access to public rights-of-way. Third party damage caused as a result of not calling PA OneCall results in approximately 6,000 line hits per year in Pennsylvania. Mike’s presentation is attached to these minutes.

Russ Miller, presentation attached, explained that the Leatherstocking Gas Company, a relatively new gas distribution company in Northeastern PA, evaluates pipeline extension based upon consideration of underserved areas with a potential large energy user, a close-by supply source of natural gas and a community benefit. They provide 50-feet of the main distribution line extension and 50-feet of the service line at no cost to the new customer. Using high density polyethylene (HDPE) pipe reduces their costs significantly. A $1million expansion by most distribution companies may only be $200,000 to Leatherstocking because of the installation savings and the fact that they are working in a rural geographic area. They have found that they need 300 customers for a return on their investment (ROI). One school is equivalent to 50 customers. On the customer side, they have found that the conversion costs to the homeowner who wishes to change from #2 fuel oil to natural gas is approximately $3000; and for a conversion from an all-electric home to a natural gas heating system, the cost ranges between $6000 and $7000.

Three hurdles for extending service to new customers were listed as:

- The utility costs to extend the line to new customers
- An economic source of supply
- Customers willing to pay for conversion.

Looking to the future, the following two points were made in response to questions:
• Future changes may impact franchise owners (a gas company with a PUC approved tariff) if provisions are implemented to require a franchise owner to serve their designated franchise area in a reasonable amount of time or loose geographic service area.
• Two gas companies in Minnesota (one of which is Summit Natural Gas) have overlapping franchises. This does not occur in Pennsylvania.

Committee Reports:
  Economic Development: No Report.
  Education: No Report.
  Environment / Infrastructure: No Report.
  Public Policy, Planning and Legal Issues: No Report.

Old Business: None.

New Business: None.

Meeting Schedule:
  • CCNGTF: September 8th at 4 p.m. – CPI, 540 North Harrison Rd, Pleasant Gap, PA
  • Economic Development Sub-Committee: August 14th at 8:00 a.m. – Willowbank Bldg. 3rd Floor
  • Environmental Sub-Committee: August 19th at 9:00 a.m. – Willowbank Bldg. 3rd Floor

Meeting Adjourned: With no further business, the July meeting of the Centre County Natural Gas Task Force was adjourned by consensus at 6:04 p.m.
Pennsylvania’s shale gas resources are providing new long-term opportunities for supporting the state’s economic growth and energy needs. Natural gas is increasingly being utilized as a source of environmentally cleaner power for industries, businesses, and residences. Better delivery systems are needed to make natural gas available, and can be provided through expansion of existing infrastructure.

PROJECT GOALS

- Investigate creation of a municipal authority, cooperative, corporation or other body for facilitating and expanding natural gas utility service.
- Identify opportunities for providing gas utility service to existing industrial sites and parks and residential areas.
- Identify at least one potential demonstration project in each of three counties.
- Identify the infrastructure needed to provide natural gas fueling for local private and public vehicle fleets.

PROJECT LOCATION

Centre, Clinton, and Mifflin Counties in Pennsylvania

PROJECT SPONSOR

U.S. Economic Development Administration

FOR MORE INFORMATION

Contact:
Don Kiel
Senior Principal Program Analyst
SEDA-COG
(570) 524-4491
dkiel@seda-cog.org

SEDA-COG is conducting a Regional Gas Utilization Initiative study to identify key investments in natural gas infrastructure that will help sustain existing and new industrial activity. The project will:

- Evaluate the feasibility of providing increased access to natural gas utility service
- Examine options for establishing a decision-making body tasked with finding and constructing these investments, and
- Identify potential funding mechanisms for implementing continuing investments.

The project consists of two main tasks:

- **Identification of targeted investment areas.** Identify concentrations of potential users, and evaluate and prioritize these areas for potential provision of gas service, including for fleet fueling operations.
- **Identification of supporting legal administrative structures.** Obtain legal advice, recommendations, and required input from the PA Public Utility Commission and other entities for funding the formation and operation of a multi-county entity to administer and/or operate natural gas line extensions.
Natural Gas Pipelines and the Public Utility Commission

Centre County Natural Gas Task Force

July 14, 2014

PA Pipeline Miles

• 46,000 miles of natural gas distribution pipeline
• 6,400 miles of gathering lines
  – including Class 1 lines, which are not subject to safety inspections
• 9,485 miles of transmission lines
  – All transmission lines in the Commonwealth fall under PHMSA’s or the PUC’s jurisdiction, regardless of class
Pipeline Development

• The development of shale gas is important to the economic recovery of Pennsylvania
  – Shale gas will also play a role in the growth of the national economy
  – Cheap energy = jobs
• It is impossible to develop shale gas without the development of pipelines
  – Natural Resources aren’t any good if you can’t get them to the people that need them

Pipeline Development

• Development of pipelines requires a “compact with the citizens”
  – Stringent environmental oversight of the siting and operations of pipelines
  – Stringent safety regulation
• Without these two things, the public trust will erode
Major Legislation Update

• Act 127
  – Expanded PUC authority to enforce federal pipeline safety laws; Requires PUC to develop and maintain a registry of pipeline operators

• Act 13
  – Made gathering systems subject to PA One Call

Act 127 Implementation

• PUC is charged with enforcing the federal pipeline safety regulations in Pennsylvania on Intrastate pipelines
  – Agent for federal Pipeline Hazardous Materials Safety Administration (PHMSA)

• Act 127 expanded the PUC’s oversight to Non-Public Utilities:
  – Any entity who owns or operates equipment or facilities within the state for the transportation of gas or hazardous liquids by pipeline or pipeline facility regulated under federal pipeline safety laws
Act 127 Implementation

• Implementation Order adopted Feb. 20, 2012
  – Created a statewide registry for non-public utility gas and hazardous liquids pipeline equipment and facilities within Pennsylvania
  – Established the authority to conduct safety inspections to enforce Federal pipeline safety laws
  – Provided assessment mechanism of affected entities to recuperate the inspection costs

Act 127 Implementation

• PUC already monitors compliance with federal and state regulations by conducting frequent inspections of pipeline facilities and records of regulated gas utilities
  • More than 25 different types of inspections
  • The inspections of these newly regulated facilities will be similar
Act 127 Implementation

• PUC has developed a registry for all pipeline operators in the state
  – Will identify and track the development of pipelines in less populated areas that transport gas from unconventional gas wells
  – Pipeline operators who fail to register are subject to civil penalties of up to $10,000 a day that the violation persists

Act 127 Implementation

• 92 companies have registered with the Commission
• 51 of those companies have a total of 886.7 miles eligible for assessment.
  – Companies with assessable mileage will be paying $495 per mile registered
  – Some companies with a registration requirement do not have assessable mileage
Gas Safety is empowered to direct the pipeline operators to take necessary steps to correct safety violations.

Investigates all methods or practices of pipeline companies, including reports, records and other information.

Inspect jurisdictional pipelines and components, company records both paper and electronic documents relevant to the enforcement of the rules and regulations.

Act 13

Made operators of gathering systems subject to certain provisions of Pennsylvania’s “One Call” law.

PA One Call: anyone doing excavation must call 811 at least three days before starting work.

Third-party (i.e., non-operator) damage is generally regarded as the greatest safety challenge related to pipelines.
Pipeline Safety

• Evidence of a possible violation results in a written Non-Compliance Letter
• Appropriate Company Officials are notified of the results of inspections and which pipeline regulations are allegedly being violated
• Company must answer with a written response to the PUC within 30 days of notification
• PUC and company may work together to reach an agreement on how to correct the Non-Compliance
• If an agreement cannot be reached, alleged violation can be referred to the PUC’s Bureau of Investigation and Enforcement for formal resolution by issuing a complaint, setting a penalty/resolution

Pipeline Siting

• Transmission Lines
  – Definition: (a) Transports gas from a gathering line or storage facility to a distribution center, storage facility, or large volume customer that is not downstream from a distribution center; (b) Operates at a hoop stress of 20 percent or more of SMYS; or (c) Transports gas within a storage field.
  – Interstate
    • Federal Energy Regulatory Commission (FERC) has siting jurisdiction
  – Intrastate
    • No entity has jurisdiction over siting
    • Subject to state environmental permitting
Pipeline Siting

• Gathering Lines
  – Definition: a pipeline that transports gas from a current production facility to a transmission line or main
  – No entity has jurisdiction over siting
    • Laser Marcellus Case: a gathering line operator filed with the Pa. PUC for “utility” status
      – Would have had to serve any customer that requested service
      – Many parties opposed because would have acquired right of eminent domain
    – Subject to state environmental permitting

Natural Gas Distribution

• Natural gas distribution companies are subject to complete oversight by Pa. PUC
• Leatherstocking Gas Company was recently granted a certificate to serve in northern Susquehanna County
• May see more traditional utility gas systems expand or develop or may see “microsystems” develop
  – Small distribution companies that can serve small areas off of gathering lines
  – Huge benefit to consumers
In Closing

• Remember, call before you dig!
WHO ARE WE?

• LGC was formed as a Joint Venture between Corning Natural Gas Corporation and Mirabito Holdings Inc.

• Combined these companies have proudly served the energy needs of this region for over 190 years!

• LGC believes it can provide low cost, clean burning, locally produced natural gas to industry and residents of the region.
What is LGC?

- Local Gas Distribution Company (LDC) in Pennsylvania as of September 27, 2012
- Utilizing lower pressure, state of the art plastic pipe
- No compression
- Serving local customers and communities
- Regulated by the Pennsylvania Public Utility Commission (PUC) in PA. and the NYS Public Service Commission (PSC) in NY.

WHAT’S OUR PLAN?
To provide...
- Natural gas service in targeted areas of PA. & NY.
- Natural gas is...
  - Low cost
  - Abundant
  - Domestic
  - Clean
WHAT ARE THE BENEFITS?

• Locally produced energy resource
• Local economic development
  • Property taxes
  • Operation/Construction
  • HVAC
• Help local residents reduce the cost to heat their homes
• Help local businesses stay competitive with lower energy costs
• Help local schools and municipal entities lower cost and save jobs
• Save local jobs, create new jobs
# Residential & Commercial Rates

## Leatherstocking Rates

<table>
<thead>
<tr>
<th>SERVICE CLASSIFICATION NO. 1</th>
<th>Residential Service and Residential Space Heating Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Service Charge</td>
<td>$20.00</td>
</tr>
<tr>
<td>2 Delivery Charge</td>
<td>$0.65 per Ccf</td>
</tr>
<tr>
<td>3 Gas Cost Rate</td>
<td>$0.48 per Ccf</td>
</tr>
<tr>
<td>4 CBOCF</td>
<td>$0.30</td>
</tr>
<tr>
<td>5 State Tax Adjustment Surcharge</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SERVICE CLASSIFICATION NO. 2</th>
<th>General Service for Non-Residential Space Heating Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Service Charge</td>
<td>$20.00</td>
</tr>
<tr>
<td>2 Delivery Charge</td>
<td>$0.65 per Ccf</td>
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<td>-</td>
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<td></td>
<td>$</td>
</tr>
</tbody>
</table>

## Retail Customers Potential Savings

### Energy Conversion

<table>
<thead>
<tr>
<th>Btus/Unit</th>
<th>Propane gallon</th>
<th>1,092 gal Propane</th>
<th>Ccf (100 cubic feet)</th>
<th>1,000 Ccf</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>91,600</td>
<td>0.916 = Ccf</td>
<td>139,000</td>
<td>100,000</td>
</tr>
</tbody>
</table>

\[
\text{1,000 Ccf} \times \text{719 gal Fuel Oil} = 1,092 \text{ gal Propane} = \frac{1,000 \times 1.67}{719} = 1,670.00 \text{ Propane Gallons}
\]

\[
\text{1,092 gal Propane} \times \text{1,670.00} = \frac{1,092 \times 1.67}{1.53} = 1,670.00 \text{ Fuel Oil Gallons}
\]

\[
\text{1,000 Ccf} \times \text{719 gal Fuel Oil} = 1,092 \text{ gal Propane} = \frac{1,000 \times 3.30}{4.10} = 2,949.64 \text{ Fuel Oil Gallons}
\]

\[
\text{1,092 gal Propane} \times \text{2,949.64} = \frac{1,092 \times 4.10}{3.30} = 1,392.62 \text{ Propane Gallons}
\]

\[
\text{(1,932.62) Saving Natural Gas vs. Propane}
\]

\[
\text{(1,279.64) Saving Natural Gas vs. Fuel Oil}
\]
WHAT WE LOOK FOR

• Un-served or underserved Markets
  • Areas with moderate population concentration with residential, commercial, municipal and process energy usage (Anchor customers)

• Location, Location, Location
  • Un-served or underserved areas in close proximity to existing gas supply, such as wells, gathering systems, interstate pipelines

• Community Benefit
  • Strive to develop a win-win atmosphere with community leaders and business

Granted Utility Franchise Area in PA

Susquehanna Co.
Great Bend Township
Borough of Great Bend
Borough of Hallstead
Oakland Township
Borough of Oakland
Borough of Susquehanna
Harmony Township
Borough of Lanesboro
New Milford Township
Borough of New Milford
Bridgewater Township
Borough of Montrose
Forest Lake Township
Dimock Township

Bradford Co.
Borough of Wyalusing
Wyalusing Township
Completed Bridgewater Project Map

Bridgewater Township Build
Completed 2013
6.2 Miles 4 & 6” Dia. HDPE
MAOP 124 psig currently 100
commercial & residential
services connected

Current Montrose Project Map

Montrose Borough Build
underway
Approximately 8 Miles 4 &
6” Dia. HDPE MAOP 124 psig
anticipate 300 commercial &
residential services connected
Typical Transportation Agreement

• Term 10 years
• Lock in all transportation charges for the period
• Terms of agreement must be allowed under PUC rules or agreement is not valid
• LGC responsible for all annual service line inspections and meter checks
• LCG will invoice customer on a monthly basis under the term of the agreement
HOW WE BUILD IT

• All construction will have prior approval by NYPSC or PAPUC

• All projects will have State inspectors during construction

• All LGC employees and sub-contactors will be drug tested and must have proper Operator Qualifications

• System will be constructed of High Density Polyethylene (HDPE) pipe black with yellow stripe.

• Maximum Allowable Operating Pressure (MAOP) 124 psig.

• Fitting are heat welded or electo-fused

Typical Plan View of Gas Service

Typical Main installation in the Road R.O.W. depicted by yellow lines along with service lines

Typical Main installation in residential area

Typical Gas line installation
1. Main
2. Service line
3. Meter Set
Typical Gas Service and Main Installation

Typical HDPE 4” main installation 36” to 60” of cover

Typical residential diaphragm gas meter with regulator and relief valve

Typical Service line installation

THANK YOU