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Van Wyck Nearing Completion

However you pronounce it, the Van Wyck project was a large undertaking with the primary objective to eliminate a “bottleneck” within the PEG system, situated between 12-inch and 8-inch pipeline sections where pressures could drop significantly during cold winter periods. The 4.4 mile project was first considered in the summer of 2015 after replacing a 6-inch section of the Bowater Lateral, with a 12-inch gas pipeline from Bowater’s junction station in Chester County to the New Indy plant in York County. The Van Wyck project now extends the 12” line from Van Wyck station in Lancaster County, north to Sun City.



In the summer of 2016, a flow study was completed to see if replacement of the 6-inch pipeline from Lancaster’s Van Wyck delivery point to Lancaster’s Sun City delivery point would relieve the bottleneck in the panhandle pipeline delivery system. Indications were positive that the new 12-inch pipeline would substantially improve the panhandle pipeline’s capacity.

In 2016-2017, funding was approved in the PEG’s market development and market contingency budget for the purchase of right-of-way for the 4.4 miles of 12-inch pipeline to replace the 6-inch Lancaster’s pipeline (within highway right-of-way). The first right-of-way payment was made in August 2016.

PEG was able to take adequate time obtaining the 18 easements in this area without invoking eminent domain. Minor re-routes and other negotiations with property owners allowed this process to continue successfully. Easement acquisitions were completed in November 2019, and the funds expended for the right-of-way totaled \$330,894, well below the budgeted amount of \$378,000.

All 18 Tracts have been recorded in the Lancaster County Courthouse for this project. Telics Right of Way Services helped with many acquisitions and when we got down to the final three, Spencer & Spencer was instrumental in finalizing the more complicated parcels.

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PEG's Future Growth

Patriot's Energy Group (PEG) serves the three Gas Authorities (Chester, Lancaster and York County) in the southwestern part of one of the fastest growing metro regions in the United States (Charlotte Region). With a robust growth outlook, PEG is proactively evaluating strategies and system upgrades to meet future pressure requirements and market demand while maintaining system reliability and cost efficiency.

In 2019, PEG engaged an outside consultant firm to complete a 15-year gas load forecast study and provide PEG with facility recommendations. The long term forecast established projected peak daily demand of the natural gas load per Gas Authority creating the total forecast for PEG. The long term forecast is the basis of upstream capacity planning and system modeling to identify system enhancements to PEG's facilities required to meet future demand.

Identifying capital projects from the modeling results and the long term forecast allows both PEG and the Gas Authorities to not only ascertain the lead times required for their respective systems and investments required but also to determine actions for upstream capacity acquisitions.

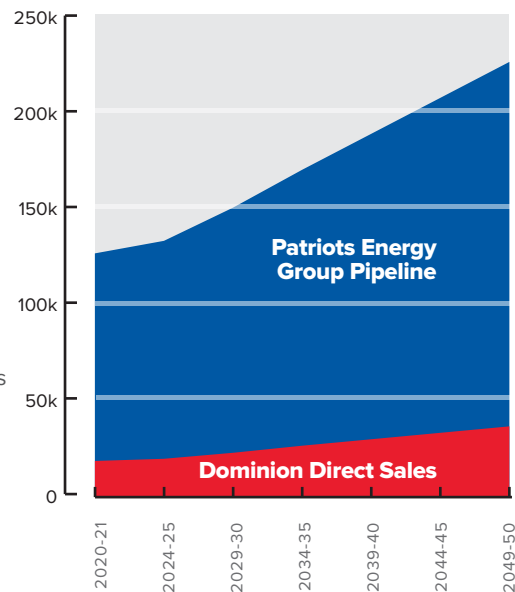
Examples of these lead times for new facilities and facility upgrades include selecting suppliers, determining key equipment lead time, acquiring right-of-way and land from property owners,

effectively managing public opinion, environmental due diligence, field-studies, surveys, environmental permitting, and engineering.

Each Gas Authority operates independently and is governed by each of their respective boards. In addition to their governance, there are Gas Authority operational preferences. Identifying preliminary capital expenditures and the resulting financing requirements for PEG requires the consent of all members and approval of the Authorities Boards for development of financing options and preparation or issuance of debt. Financing the capital projects is also a critical scheduling item.

PEG has enhanced the 15-year forecast to provide 30-years of forecasting information. As with any forecast, the further out estimates occur, the more likely the information will be inaccurate because of

PEG Design Day Peak Day Deliveries
(Dekatherms per Day)



changes in every facet of the economy and of the natural gas industry. So, flexibility must be a part of the overall plan.

In subsequent newsletters, you will hear more about how PEG and its members will address future growth opportunities.

Year in Review

PEG's year in review (June 2019 - August 2020) was a mixed bag. But, PEG and its members, the three Gas Authorities, were able to maintain close to a typical year financially.

THE BAD:

The lack of winter weather had an effect on natural gas sales for the year, but the wet winter helped maintain some of the winter gas sales. We have not experienced close to normal HDDs since 2013-2014.

COVID-19 also had an effect on natural gas sales coming out of winter. Annual total gas sales were down for each Gas Authority for the 12-months ending August 2020.



5-Month Period (November - March)

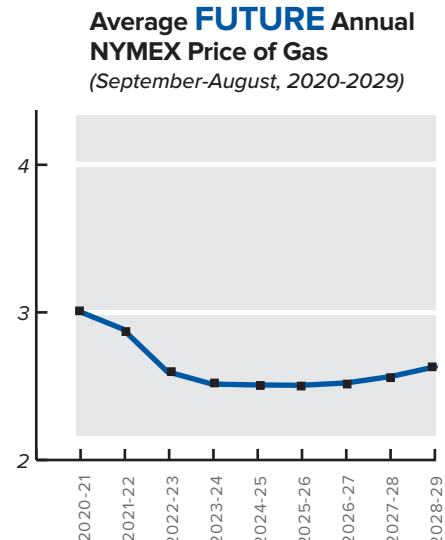
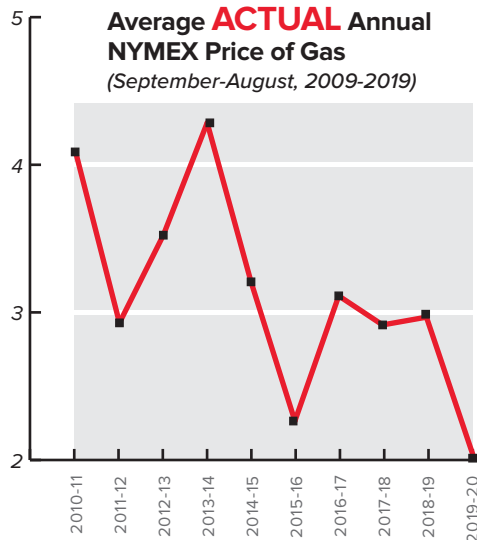
DEKATHERMS	CHESTER	YORK	LANCASTER	PEG	HDDS
2013-2014	1,760,613	5,084,307	1,468,860	8,313,780	3,049
2014-2015	1,767,931	5,106,844	1,471,257	8,346,032	2,975
2015-2016	1,735,781	4,533,005	1,203,762	7,472,548	2,217
2016-2017	1,688,625	4,250,351	1,220,462	7,159,438	2,206
2017-2018	1,935,049	5,054,792	1,514,033	8,503,874	2,643
2018-2019	1,949,943	5,354,915	1,525,132	8,829,990	2,580
2019-2020	1,923,645	4,741,096	1,427,202	8,091,943	2,280

Annual Gas Sales (12-Months Ending August)

	CHESTER	YORK	LANCASTER	PEG
2013-2014	3,576,630	7,773,478	1,983,323	13,333,431
2014-2015	3,632,191	7,663,684	1,957,139	13,253,014
2015-2016	3,690,034	7,340,179	1,765,021	12,795,234
2016-2017	3,633,128	6,876,565	1,772,021	12,281,714
2017-2018	4,043,762	7,709,429	2,121,049	13,874,240
2018-2019	4,087,242	7,974,460	2,151,169	14,212,871
2019-2020	3,848,546	7,273,021	1,995,257	13,116,824

THE GOOD:

Prices were at historical lows, which helped with margin on gas sales that were down.



PEG SIGNIFICANT EVENTS JUNE 2019 TO AUGUST 2020

JUNE 2019

- PEG budget approved
- Developed a monthly and daily unaccounted for lost gas report, hedging report and monthly executive committee report from the executive director.

JULY 2019

- Changed the PGP Assessment to minimize the impact on PEG members. Added 11,400 dts capacity from Dominion to solve the capacity shortage downstream until November 2025.
- Worked on Transco Priority of Service and changes to existing contracts.

AUGUST 2019



- 2019 Table Top Mock Emergency Drill
- PEG Executive Committee and Operations Group meeting

SEPTEMBER 2019



- Developed new purchase screens in gas control for each Gas Authority.

OCTOBER 2019

- Worked on bond refinancing with many due diligence documents, with an anticipated closing date of December 2019.
- Received 1st PGP Pool #4 Refund. **(\$138,876)**
- Created PEG Newsletter and emailed inaugural Fall edition

NOVEMBER 2019

- Received Williams Transco's notification of their option to accept the turnback of PEG's capacity to be moved from zone 1 to zone 3. Annual estimated rate savings of **(\$492,000)**. No change in PEG's total capacity.

DECEMBER 2019

- Closing on the refinancing of 1/2 of PEG's long-term debt and adding an additional \$5,000,000 for the installation of 4.4 miles of 12" pipeline in the Van Wyck area of Lancaster County at no additional debt monthly service cost to PEG's members.

JANUARY 2020

- Adjustment to PEG's Debt Service budget for remaining fiscal year, to provide discount to its members because of the refinancing. It produces a debt service savings of **(\$212,090)**

FEBRUARY 2020

- Distributed PEGFA's 1st Annual Return. PEG = **(\$295,871)**. PEG's refund went to lower PGP assessments.
- Successful bidder for 2,788 Dts of capacity from Williams-Transco

MARCH 2020

- Installed E-logger in gas control for operational reporting
- Emailed PEG Winter newsletter

APRIL 2020

- Conducted 2-day PEG Virtual Workshop

MAY 2020

- Made original offer for the Chester 3" North Pipeline from DECGT.
- Approved PEG's New Budget

JUNE 2020

- Approved Advance Prepayment Transaction between BP and PEG creating **(\$183,608)** discount for PEG members. November 2020 – October 2021.
- Received Transco refund from rate case and lower rates. Refund = **(\$2,219,110)**
- Lower Transco rates provide **(\$1,388,511)** savings versus last 15 months.

JULY 2020

- The \$5.0 billion (original estimate) Atlantic Coast Pipeline project started in 2014 cancelled due to legal uncertainty.
- DECGT also with other transmission assets of Dominion Energy has been sold to Berkshire Hathaway Energy.
- PEAK (Public Energy Authority of Kentucky) changing their rate stabilization fund to annual return. Estimated PEG return in 2020-2021 = **(\$24,910)**

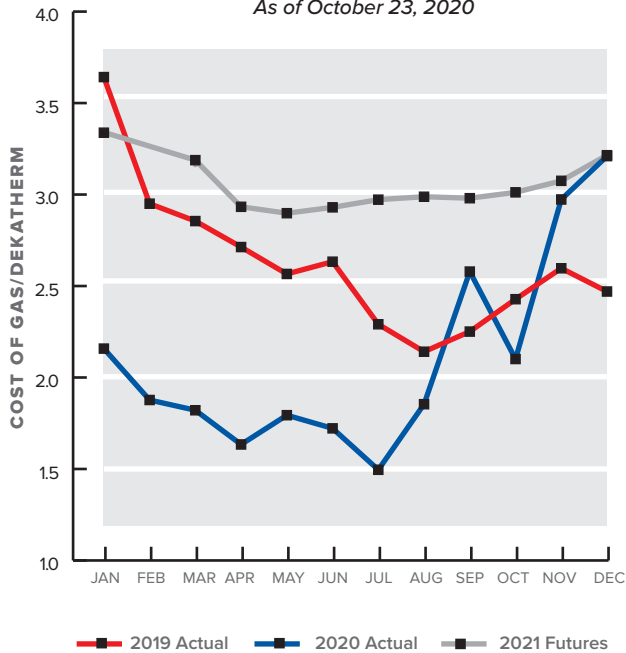
AUGUST 2020

- 12-Months Ending Unaccounted for Gas from August 2019 reduced by **(\$189,105)**.
- 2020 Table Top Mock Emergency Drill
- Completed construction of 4.4 mile of 12" line in Van Wyck.
- DECGT accepted PEG offer of \$291,243.93 for 15 miles of 3" from York County to Chester County. They originally asked for \$650,000.



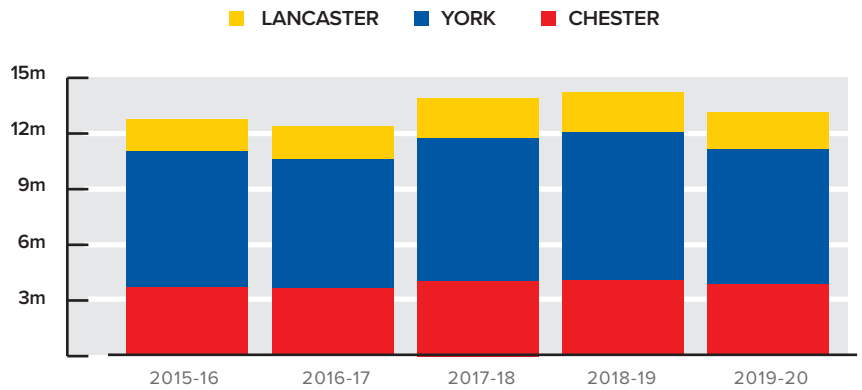
MONTHLY NATURAL GAS FUTURES MARKET CLOSING PRICE

January 2018 - December 2021
As of October 23, 2020



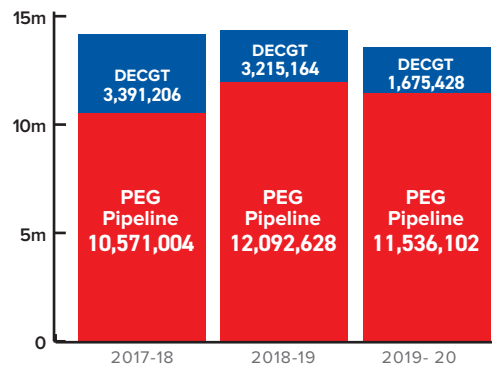
PEG TOTAL SALES IN DEKATHERMS

Year Ending August



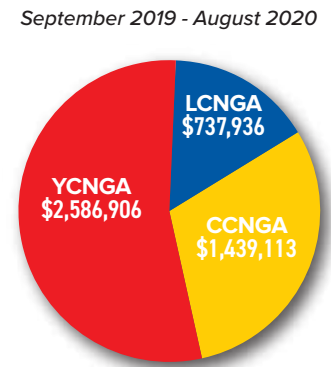
TOTAL PEG THROUGHPUT

Year Ending August



TOTAL PREPAY GAS SAVINGS TO PEG MEMBERS

September 2019 - August 2020



Van Wyck Nearing Completion continued...

On December 5, 2019, PEG priced the refinancing of the Gas System Revenue Bond, Series 2010B (Taxable Recover Zone Economic Development Bonds, \$19,305,000) and added \$5,000,000 to the debt to complete the 4.4 miles of 12" line in Lancaster County near Van Wyck to replace the existing 6" line.

The monthly debt assessment to each Gas Authority was actually lower than the previous assessment resulting in a cost that will be insignificant to each Gas Authority. There were a number of factors that helped with this significant savings.

1. Low Interest Rates;
2. Use of existing funds held in Existing Debt Service Reserve Funds to pay down debt;
3. Negotiations of Debt Service Reserve Fund Surety Policy for new issue;
4. 6-months of existing payments from 3 members to pay down debt.

The 4.4 miles of right-of-way clearing for this project started in April 2020. The 12-inch pipe was delivered the 1st week in June 2020 and

our contractor, B&G Pipeline, began with a planned completion date of July 2020. Installation occurred without delay and was completed the 2nd week in July 2020, at a record pace of 4.06 miles per month.

The contractor then completed the final stabilization of the right-of-way and hydro-testing. TD Williamson implemented a smart pig run during dewatering which showed no defects in the pipeline that met the standard 2% dent criteria. Final tie-ins with station modifications to Van Wyck and Sun City have been completed, along with the installed of a remote control valve to shut off flow and isolate the panhandle in case of emergency. By early November, a system will be installed with the capability to remotely adjust the panhandle pressure north from the Van Wyck station.

The 6" line and the Tree Tops measurement station have been turned back over to Lancaster County Natural Gas Authority. Patriots Energy Group has certainly appreciated the use of this line since 2005/06 and many Dts of gas have been safely transmitted through it over these past 15 years.



Thanks to all involved with the project. Special thanks to Terryn Adams, Stephen Comer, Greg Bradley (Lead Inspector) and Lancaster County Natural Gas Authority.