

**William H. Roberts II**  
Senior Counsel

**Peoples Service Company LLC**  
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June 8, 2015

**VIA ELECTRONIC FILING**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
P.O. Box 3265  
Harrisburg, PA 17105

Re: Peoples Natural Gas Company LLC - Equitable Division  
Petition for Approval of Refund Plan  
Docket No. P-2015-\_\_\_\_\_

Dear Secretary Chiavetta:

Please accept for electronic filing the enclosed Petition of Peoples Natural Gas Company LLC – Equitable Division (“Petition”). In the Petition, Peoples Natural Gas Company LLC - Equitable Division (“Peoples – Equitable Division”) requests approval of a plan to refund to customers over an eight-month period revenues collected from July 1, 2014, through March 31, 2015, pursuant to Peoples-Equitable Division’s approved Distribution System Improvement Charge (“DSIC”) and prior period over/under collections accumulated during the period October 2013 through June 2014.

As more fully explained in the Petition, Peoples-Equitable Division discovered a computational error that caused an understatement of the Company’s earnings in the three quarterly earnings reports filed on May 30, 2014, August 30, 2014 and November 30, 2014. With the correction of that error and the corresponding increase in earnings, Peoples-Equitable Division earned a rate of return for the reporting periods contained in these three reports that exceeded the allowable rate of rate of return used to calculate its fixed costs under its DSIC. But for the computational error, Peoples – Equitable Division would have reset its DSIC surcharge to zero during each of these quarters, and the proposed plan refunds to customers the resulting overcollection of DSIC revenues with applicable interest.

The proposed plan also contains a refund of prior period over collections accumulated during the period October, 2013, through June, 2014. This proposed refund is in accord with the settlement approved by order entered December 18, 2014, in Docket Nos. P-2014-2429346, G-2014-2448807, and G-2014-2448803.

Rosemary Chiavetta  
June 8, 2015  
Page 2

Since this is a petition under a new docket, there is no service list; however, I have mailed a copy of the Petition to the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, and the Pennsylvania Oil and Gas Association, who were the only parties in Docket No. P-2013-2342745, which is the underlying proceeding where Peoples – Equitable Division’s petition for approval of a DSIC was granted. In addition, some but not all of these same parties were the only parties in Docket Nos. P-2014-2429346, G-2014-2448807, and G-2014-2448803. Therefore, all parties to the underlying proceedings have been served a copy of the Petition.

Please contact me if you have any questions or concerns regarding this matter.

Very truly yours,

*/s/ William H. Roberts II*

Attorney for Peoples Natural  
Gas Company LLC-Equitable Division

cc: Bureau of Investigation and Enforcement  
Office of Consumer Advocate  
Office of Small Business Advocate  
Kevin J. Moody, Esq.  
(w/ enclosures)

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Peoples Natural Gas Company :  
LLC – Equitable Division for Approval of : Docket No. P-2015-  
Refund Plan Related to Overrecovery of :  
Distribution System Improvement Charges :

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**PETITION OF PEOPLES NATURAL GAS COMPANY LLC – EQUITABLE DIVISION**

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TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

Pursuant to Sections 1307(e) and 1358(e) of the Public Utility Code, 66 Pa.C.S. §§ 1307(e) and 1358(e), Peoples Natural Gas Company LLC – Equitable Division ("Peoples-Equitable Division" or the "Company") petitions for approval of a plan to refund to customers over an eight-month period (i) revenues collected from July 1, 2014, through March 31, 2015, pursuant to Peoples-Equitable Division's approved Distribution System Improvement Charge ("DSIC") and (ii) prior period over/under collections accumulated during the period October 2013 through June 2014.

**SUMMARY**

As more fully explained below, Peoples-Equitable Division discovered a computational error that caused an understatement of the Company's earnings in the three quarterly earnings reports filed on May 30, 2014, August 30, 2014 and November 30, 2014. With the correction of that error and the corresponding increase in earnings, Peoples-Equitable Division earned a rate of return for the reporting periods contained in these three reports that exceeded the allowable rate of rate of return used to calculate its fixed costs under its DSIC. Because Section 1358(a) of the

Public Utility Code requires the DSIC to be reset at zero in that situation, but for the computational error Peoples-Equitable Division would have reset its DSIC to zero. As a result, the Company has over-recovered its DSIC-eligible costs<sup>1</sup> and is now seeking Pennsylvania Public Utility Commission (“Commission”) approval of a plan to refund to customers the over-recovery with interest along with other remaining balances of over and under collections of DSIC revenue from 2013 and 2014 as described below. Peoples-Equitable Division is filing this petition for approval of a refund plan following direct discussions and consultations with the Commission’s Bureau of Audits Staff. The Company has also implemented procedures to help ensure that a similar error does not recur.

**BASIS FOR REQUESTED RELIEF**

1. Petitioner is a Commission-regulated natural gas distribution company providing sales, transportation, and supplier of last resort services to approximately 270,000 customers throughout its service territory, which includes all or portions of the following Pennsylvania counties: Allegheny, Armstrong, Butler, Clarion, Fayette, Greene, Indiana, Jefferson, Washington, and Westmoreland.

2. Peoples-Equitable Division’s address is:

Peoples Natural Gas Company  
225 North Shore Drive  
Pittsburgh, PA 15212

3. The name, address, phone number and email address of Peoples-Equitable

Division’s attorney are:

William H. Roberts II (ID # 54724)  
Peoples Service Company LLC  
225 North Shore Drive

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<sup>1</sup> To be clear, all of the costs recovered through Peoples-Equitable Division’s DSIC surcharge were costs that would have been properly recoverable through the DSIC rate had the Company not earned a rate of return during this period that exceeded the allowable rate of rate of return used to calculate its fixed costs under its DSIC.

Pittsburgh, PA 15212  
Phone: 412-208-6527  
E-mail: william.h.roberts@peoples-gas.com

4. By order entered on October 2, 2014, in Docket No. P-2013-2342745, *et al.*, the Commission approved Peoples-Equitable Division's Petition for Approval of a Distribution System Improvement Charge. Peoples-Equitable Division implemented its DSIC by a tariff filing made on September 20, 2013, at Docket No. M-2013-2342745.

5. In accordance with Commission-approved DSIC rate procedures, Peoples-Equitable Division made timely quarterly DSIC filings through March 20, 2015. Shortly after making the March 20 filing, designed to revise the DSIC rate effective April 1, 2015, Peoples-Equitable Division discovered the error in its first quarter 2014 earnings report that was filed on May 30, 2014. Correction of the error caused Peoples-Equitable Division's rate of return in the first quarter 2014 and in the subsequent two quarterly earnings reports to exceed the allowable rate of return used to calculate its fixed costs under its DSIC. Immediately upon discovery of the error that caused the understatement of earnings over this period, Peoples-Equitable Division contacted Commission staff and was advised to file revised tariff pages to reset its DSIC to zero effective April 1, 2015, which Peoples-Equitable Division did on March 31, 2015.

6. Since Peoples-Equitable Division mistakenly collected a DSIC charge during the nine-month period from July 1, 2014 through March 31, 2015 when its DSIC should have been reset to zero, Peoples-Equitable Division over-collected a total of \$3,388,723 in DSIC revenues over this three quarter collection period. The calculation of the over-collection amount is included in Exhibit 1 of this Petition. Exhibit 1 also displays an over-collection for the period from October 1, 2013 through June 30, 2014 of \$209,040 which Peoples is also proposing to return to customers through this petition. The actual DSIC over-collections for the period of

October 1, 2013 through June 30, 2014 have not been returned to ratepayers as a result of the rate freeze established in the Equitable acquisition settlement approved by the Commission by Order entered November 14, 2013 in Docket Nos. A-2013-2353647, A-2013-2353649, and A-2013-2353651. The Commission subsequently entered an Order on December 18, 2014 in Docket Nos. P-2014-2429346, G-2014-2448807, and G-2014-2448803 that approved a settlement authorizing the Company to reconcile the DSIC over/under collections for the period from October 1, 2013 through June 30, 2014. The actual monthly over/under collections for this period are set forth in Exhibit 1 attached to this petition.

7. Peoples-Equitable Division proposes to return this total over-collection, with interest, to its customers by means of a refund to extend over a 8-month refund period from August 1, 2015 through March 31, 2016 which will allow this refund to be returned to the affected ratepayers as quickly as possible and be completed before the effective date (April 1) upon which any additional over/under collections occurring during the balance of 2015 would normally be included in the DSIC rate. The proposed form of refund is a negative DSIC surcharge of (3.87%), the calculation of which is shown on Exhibit 2 to this Petition. The proposed refund also includes interest calculated based on the PA Residential Mortgage rate. The interest calculations, as well as the combined monthly over-collection amounts are displayed on Exhibit 1. The refund plan and all supporting calculations, including both exhibits attached to this petition, have been reviewed by the Commission's Bureau of Audits. Providing the refund by negative DSIC surcharge will be an effective means of delivering the over-recovery amounts to customers.

8. If approved, Peoples intends to file a tariff supplement to implement the proposed over-recovery refund plan effective August 1, 2015.

**CONCLUSION**

9. Peoples desires to commence the refund of that over collection to customers effective August 1, 2015 or as soon as possible.

WHEREFORE, Peoples Natural Gas Company LLC-Equitable Division respectfully requests that the Commission approve the proposed negative DSIC surcharge of (3.87%) as a means of refunding to customers the over-collection of DSIC revenues as described in this Petition.

Respectfully submitted,

*/s/ William H. Roberts II*

William H. Roberts II

Counsel for Peoples Natural Gas Company LLC-  
Equitable Division

Dated: June 8, 2015

## Peoples Natural Gas Company LLC - Equitable Division

DSIC REVENUE RECONCILIATION  
(DSIC Implemented Oct 1, 2013)

|              |      | DSIC Eligible<br>Costs | Actual<br>Revenue | Over/(Under)<br>Difference | Mortgage<br>Lending<br>Rate | Interest                    | Time<br>Factor 1/ | Total<br>Interest |
|--------------|------|------------------------|-------------------|----------------------------|-----------------------------|-----------------------------|-------------------|-------------------|
| October      | 2013 | \$ 70,061              | \$ 31,069         | \$ (38,992)                |                             |                             |                   |                   |
| November     |      | \$ 70,061              | \$ 56,712         | \$ (13,349)                |                             |                             |                   |                   |
| December     |      | \$ 70,061              | \$ 50,757         | \$ (19,304)                |                             |                             |                   |                   |
|              |      | \$ 210,183             | \$ 138,537        | \$ (71,646)                |                             |                             |                   |                   |
| January      | 2014 | \$ 157,226             | \$ 201,639        | \$ 44,413                  | 5.75%                       | \$ 2,554                    | 1.9167            | \$ 4,895          |
| February     |      | \$ 157,226             | \$ 388,682        | \$ 231,456                 | 6.00%                       | \$ 13,887                   | 1.8333            | \$ 25,460         |
| March        |      | \$ 157,226             | \$ 284,418        | \$ 127,192                 | 6.25%                       | \$ 7,949                    | 1.7500            | \$ 13,912         |
| April        |      | \$ 179,463             | \$ 202,875        | \$ 23,412                  | 5.75%                       | \$ 1,346                    | 1.6667            | \$ 2,244          |
| May          |      | \$ 179,463             | \$ 125,543        | \$ (53,920)                | 5.75%                       | \$ (3,100)                  | 1.5833            | \$ (4,909)        |
| June         |      | \$ 179,463             | \$ 87,597         | \$ (91,866)                | 5.75%                       | \$ (5,282)                  | 1.5000            | \$ (7,923)        |
| July         |      |                        | \$ 88,428         | \$ 88,428                  | 5.50%                       | \$ 4,864                    | 1.4167            | \$ 6,890          |
| August       |      |                        | \$ 101,290        | \$ 101,290                 | 5.50%                       | \$ 5,571                    | 1.3333            | \$ 7,428          |
| September    |      |                        | \$ 102,031        | \$ 102,031                 | 5.50%                       | \$ 5,612                    | 1.2500            | \$ 7,015          |
| October      |      |                        | \$ 151,657        | \$ 151,657                 | 5.25%                       | \$ 7,962                    | 1.1667            | \$ 9,289          |
| November     |      |                        | \$ 252,059        | \$ 252,059                 | 5.50%                       | \$ 13,863                   | 1.0833            | \$ 15,019         |
| December     |      |                        | \$ 458,792        | \$ 458,792                 | 5.25%                       | \$ 24,087                   | 1.0000            | \$ 24,087         |
|              |      | \$ 1,010,067           | \$ 2,445,010      | \$ 1,434,943               |                             |                             |                   | \$ 103,404        |
| January      |      | \$ -                   | \$ 711,629        | \$ 711,629                 | 5.25%                       | \$ 37,361                   | 0.9167            | \$ 34,247         |
| February     |      | \$ -                   | \$ 834,155        | \$ 834,155                 | 5.00%                       | \$ 41,708                   | 0.8333            | \$ 34,756         |
| March        |      | \$ -                   | \$ 688,682        | \$ 688,682                 | 4.75%                       | \$ 32,712                   | 0.7500            | \$ 24,534         |
|              |      |                        |                   | \$ 2,234,466               |                             |                             |                   | \$ 93,538         |
| Grand Totals |      |                        |                   | \$ 3,597,763               |                             |                             |                   | \$ 196,942        |
|              |      |                        |                   |                            |                             | Overcollection and Interest |                   | \$ 3,794,706      |

1/ Time factor reflects refund period from August 1, 2015 - March 31, 2016.

SUPPLEMENT NO. \_\_\_  
TO

GAS - PA. P.U.C. NO. 46

Peoples Natural Gas Company LLC  
EQUITABLE Division

RATES and RULES

FOR

GAS SERVICE IN

CITY OF PITTSBURGH

AND TERRITORY ADJACENT THERETO

(For Lists of Communities Served, see Page No. 4)

DSIC Filing to Refund Over-collections

ISSUED: \_\_\_\_\_  
By: Morgan K. O'Brien  
President  
Peoples Natural Gas Company, LLC  
225 North Shore Drive, Suite 300  
Pittsburgh, PA 15212

EFFECTIVE: \_\_\_\_\_

PEOPLES NATURAL GAS COMPANY LLC

SUPPLEMENT NO. \_\_\_\_\_  
TO GAS - PA. P.U.C. NO. 46  
REVISÉD PAGE NO. 2  
CANCELING \_\_\_\_\_ REVISÉD PAGE NO. 2

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LIST OF CHANGES MADE BY THIS TARIFF SUPPLEMENT

Rider E - Distribution System Improvement Charge, page 76.

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ISSUED: \_\_\_\_\_

EFFECTIVE: \_\_\_\_\_

**PEOPLES NATURAL GAS COMPANY, LLC  
EQUITABLE DIVISION**

**SUPPLEMENT NO. \_\_\_ TO GAS—PA PUC NO. 46  
\_\_\_\_\_ REVISED PAGE NO. 2A  
CANCELING \_\_\_\_\_ REVISED PAGE NO. 2A**

DSIC Refund

|                                      | Rider A - Gas Cost Charges |            |                  | Base Rate<br>Charges | Rider STAS | Rider F<br>MFC | Rider D<br>USR | Rider G<br>GPC | Rider E<br>DSIC Charge | Bill Display<br>Total Rate |
|--------------------------------------|----------------------------|------------|------------------|----------------------|------------|----------------|----------------|----------------|------------------------|----------------------------|
|                                      | Capacity<br>(1)            | GCA<br>(2) | Commodity<br>(3) |                      |            |                |                |                |                        |                            |
| <b>Residential Sales</b>             |                            |            |                  |                      | -0.82%     |                |                |                | -3.87%                 |                            |
| Customer Charge                      |                            |            |                  | \$ 13.250            |            |                |                |                | \$ (0.513)             | \$ 12.737                  |
| Capacity                             | \$ 1.730                   |            |                  |                      |            |                |                |                | \$ -                   | \$ 1.730                   |
| Price to Compare - PTC               |                            | \$ 0.660   | \$ 2.090         |                      |            | \$ 0.068       |                | \$ 0.123       | \$ (0.007)             | \$ 2.933                   |
| Delivery Charge                      |                            |            |                  | \$ 3.183             |            |                | \$ 0.220       |                | \$ (0.132)             | \$ 3.271                   |
| State Tax Surcharge                  |                            |            |                  |                      | \$ (0.026) |                |                |                |                        | \$ (0.026)                 |
| Total per MCF                        |                            |            |                  |                      |            |                |                |                |                        | \$ 7.909                   |
| <b>General Service Small - Sales</b> |                            |            |                  |                      |            |                |                |                |                        |                            |
| Customer Charge                      |                            |            |                  |                      |            |                |                |                |                        |                            |
| < 500 MCF/Yr                         |                            |            |                  | \$ 17.000            |            |                |                |                | \$ (0.658)             | \$ 16.342                  |
| 500 to 1,000 MCF/Yr                  |                            |            |                  | \$ 28.000            |            |                |                |                | \$ (1.084)             | \$ 26.916                  |
|                                      |                            |            |                  |                      |            |                |                |                | \$ -                   | \$ -                       |
| Capacity                             | \$ 0.230                   |            |                  |                      |            |                |                |                | \$ -                   | \$ 0.230                   |
| Price to Compare - PTC               | \$ 1.500                   | \$ 0.660   | \$ 2.090         |                      |            | \$ 0.022       |                | \$ 0.123       | \$ (0.006)             | \$ 4.390                   |
| Delivery Charge                      |                            |            |                  | \$ 2.591             |            |                |                |                | \$ (0.100)             | \$ 2.491                   |
| State Tax Surcharge                  |                            |            |                  |                      | \$ (0.021) |                |                |                |                        | \$ (0.021)                 |
| Total per MCF                        | \$ 1.730                   |            |                  |                      |            |                |                |                |                        | \$ 7.089                   |
| <b>General Service Large - Sales</b> |                            |            |                  |                      |            |                |                |                |                        |                            |
| Customer Charge                      |                            |            |                  |                      |            |                |                |                |                        |                            |
| 1,001 to 4,999 MCF/Yr                |                            |            |                  | \$ 150.000           |            |                |                |                | \$ (5.805)             | \$ 144.195                 |
| 5,000 to 25,000 MCF/Yr               |                            |            |                  | \$ 300.000           |            |                |                |                | \$ (11.610)            | \$ 288.390                 |
| > 25,000 MCF/Yr                      |                            |            |                  | \$ 1,600.000         |            |                |                |                | \$ (61.920)            | \$ 1,538.080               |
| Capacity                             | \$ 0.230                   |            |                  |                      |            |                |                |                | \$ -                   | \$ 0.230                   |
| Price to Compare - PTC               | \$ 1.500                   | \$ 0.660   | \$ 2.090         |                      |            | \$ 0.022       |                | \$ 0.123       | \$ (0.006)             | \$ 4.390                   |
| Delivery Charge                      |                            |            |                  | \$ 2.495             |            |                |                |                | \$ (0.097)             | \$ 2.398                   |
| State Tax Surcharge                  |                            |            |                  |                      | \$ (0.020) |                |                |                |                        | \$ (0.020)                 |
| Total per MCF                        | \$ 1.730                   |            |                  |                      |            |                |                |                |                        | \$ 6.998                   |

ISSUED: \_\_\_\_\_

EFFECTIVE: \_\_\_\_\_

PEOPLES NATURAL GAS COMPANY, LLC  
EQUITABLE DIVISION

SUPPLEMENT NO. \_\_\_ TO GAS—PA PUC NO. 46  
\_\_\_\_\_ REVISED PAGE NO. 2B  
CANCELING \_\_\_\_\_ REVISED PAGE NO. 2B

DSIC Refund

|  | Base Rate<br>Charges | Capacity<br>Charge | Balancing<br>Charge | Rider F<br>MFC | Rider D<br>USR | Rider A<br>Capacity | Rider STAS | Rider E<br>DSIC Charge | Bill Display<br>Total Rate |
|--|----------------------|--------------------|---------------------|----------------|----------------|---------------------|------------|------------------------|----------------------------|
|  | (1)                  | (2)                | (3)                 | (4)            | (5)            | (6)                 | (7)        | (8)                    | (9=SUM 1 to 8)             |
| <b>Residential - Transport</b>           |                      |                    |                     |                |                |                     | -0.82%     | -3.87%                 |                            |
| Customer Charge                          | \$ 13.250            |                    |                     |                |                |                     |            | \$ (0.513)             | \$ 12.737                  |
| Capacity                                 |                      | \$ 1.730           |                     |                |                |                     |            | \$ -                   | \$ 1.730                   |
| Delivery Charge                          | \$ 3.183             |                    |                     |                | \$ 0.220       |                     |            | \$ (0.132)             | \$ 3.271                   |
| State Tax Surcharge                      |                      |                    |                     |                |                |                     | \$ (0.026) |                        | \$ (0.026)                 |
| Total per MCF                            |                      |                    |                     |                |                |                     |            | \$                     | \$ 4.975                   |
| <b>General Service Small - Transport</b> |                      |                    |                     |                |                |                     |            |                        |                            |
| Customer Charge                          |                      |                    |                     |                |                |                     |            |                        |                            |
| < 500 MCF/Yr                             | \$ 17.000            |                    |                     |                |                |                     |            | \$ (0.658)             | \$ 16.342                  |
| 500 to 1,000 MCF/Yr                      | \$ 28.000            |                    |                     |                |                |                     |            | \$ (1.084)             | \$ 26.916                  |
| Capacity/BB&A                            |                      |                    | \$ 0.230            |                |                |                     |            | \$ -                   | \$ 0.230                   |
| Delivery Charge                          | \$ 2.591             |                    |                     |                |                |                     |            | \$ (0.100)             | \$ 2.491                   |
| State Tax Surcharge                      |                      |                    |                     |                |                |                     | \$ (0.021) |                        | \$ (0.021)                 |
| Total per MCF                            |                      |                    |                     |                |                |                     |            | \$                     | \$ 2.699                   |
| <b>General Service Large - Sales</b>     |                      |                    |                     |                |                |                     |            |                        |                            |
| Customer Charge                          |                      |                    |                     |                |                |                     |            |                        |                            |
| 1,001 to 4,999 MCF/Yr                    | \$ 150.000           |                    |                     |                |                |                     |            | \$ (5.805)             | \$ 144.195                 |
| 5,000 to 25,000 MCF/Yr                   | \$ 300.000           |                    |                     |                |                |                     |            | \$ (11.610)            | \$ 288.390                 |
| > 25,000 MCF/Yr                          | \$ 1,600.000         |                    |                     |                |                |                     |            | \$ (61.920)            | \$ 1,538.080               |
| Capacity/BB&A                            |                      |                    | \$ 0.230            |                |                |                     |            |                        | \$ 0.230                   |
| Delivery Charge                          | \$ 2.495             |                    |                     |                |                |                     |            | \$ (0.097)             | \$ 2.398                   |
| State Tax Surcharge                      |                      |                    |                     |                |                |                     | \$ (0.020) |                        | \$ (0.020)                 |
| Total per MCF                            |                      |                    |                     |                |                |                     |            | \$                     | \$ 2.608                   |

ISSUED: \_\_\_\_\_

EFFECTIVE: \_\_\_\_\_

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RIDER E

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC)

In addition to the net charges provided for in this Tariff, a charge of <3.87%> will apply consistent with the Commission Order dated July 16, 2013 at Docket No. P-2013-2342745, approving the DSIC. (D)

**1. General Description**

**A. Purpose:** To recover the reasonable and prudent costs incurred to repair, improve, or replace eligible property which is completed and placed in service and recorded in the individual accounts, as noted below, between base rate cases and to provide the Company with the resources to accelerate the replacement of aging infrastructure, to comply with evolving regulatory requirements and to develop and implement solutions to regional supply problems.

The costs of extending facilities to serve new customers are not recoverable through the DSIC.

**B. Eligible Property:** The DSIC-eligible property will consist of the following:

- Piping (account 376);
- Couplings (account 376);
- Gas services lines (account 380) and insulated and non-insulated fittings (account 378);
- Valves (account 376);
- Excess flow valves (account 376);
- Risers (account 376);
- Meter bars (account 382);
- Meters (account 334, 369, 381);
- Unreimbursed costs related to highway relocation projects where a natural gas distribution company or city natural gas distribution operation must relocate its facilities;
- Other related capitalized costs (accounts 303, 387, 391.02 and 392);
- Field Lines (account 332); and
- Transmission Lines (account 367).

**C. Effective Date:** The DSIC will become effective for bills rendered on or after October 1, 2013.

(I) Indicates Increase.

(C) Indicates Change.

**PEOPLES NATURAL GAS COMPANY - EQUITABLE DIVISION**  
**DSIC COMPUTATION**  
**Special Filing - August 2015**

| <b>DSIC =</b>             | <b><u>(DSI x PTRR) + Dep + e</u></b>             |                | <b>Annual</b> | <b><u>Quarterly</u></b> |                            |
|---------------------------|--|----------------|---------------|-------------------------|----------------------------|
|                           | <b>PQR</b>                                       |                |               |                         |                            |
|                           | Distribution System Improvement Costs            |                |               |                         |                            |
|                           | Less Accumulated Depreciation                    |                |               |                         |                            |
| DSI                       | Net Distribution System Improvement Costs        |                |               | \$ -                    |                            |
| PTRR                      | <i>Annual Pretax Rate of Return</i>              |                |               |                         |                            |
|                           | <i>Quarterly Pretax Rate of Return</i>           |                |               |                         |                            |
| DSI x PTRR                | Quarterly Capital Cost Recovery                  |                |               | \$ -                    |                            |
| Dep                       | Annual Depreciation Expense                      |                |               |                         | Monthly Recoverable Amount |
|                           | Quarterly Depreciation Expense                   |                |               | \$ -                    |                            |
| <i>(DSI x PTRR) + Dep</i> | <i>Current Period Recoverable Cost Amount</i>    |                |               | \$ -                    | \$ -                       |
|                           | (Over)/Under Collection 1/                       | \$ (3,794,706) |               |                         |                            |
|                           | Audit Adjustment                                 |                |               | \$ -                    | \$ -                       |
|                           | Interest Refundable                              |                |               | \$ -                    | \$ -                       |
|                           | Prior Period 'E' Factor Residual                 |                |               | \$ -                    | \$ -                       |
|                           | Misc. Adjustments (Refund)/Recoup                |                |               | \$ -                    | \$ -                       |
|                           | Net 'E' Factor Amount                            |                |               | \$ -                    | \$ -                       |
| e                         | Quarterly 'E' Factor Amount                      |                |               | \$ -                    | \$ -                       |
| <i>(DSI x PTRR)</i>       |  |                |               |                         |                            |
| Dep + e                   | Total DSIC Revenue Requirement                   |                |               | \$ -                    | \$ -                       |
| PQR                       | Projected Revenue 2/                             | \$ 98,114,667  |               |                         |                            |
| <b>DSIC</b>               | <b>DSIC Surcharge Rate (Aug 2015 - Mar 2016)</b> |                |               | <b>-3.87%</b>           |                            |

1/ Over collection from inception of DSIC through March 31, 2015, inclusive of interest. Reviewed by Bureau of Audits.

2/ Projected revenue reflects projection for 8 months of refund period.

|  |               |
|--|---------------|
| Projected Quarterly Revenue from April 2015 Quarterly Filing | \$ 36,793,000 |
| Projected Annual Revenue (Quarterly Revenue times 4)         | \$147,172,000 |
| Projected Revenue for August 2015 - March 2016               | \$ 98,114,667 |

VERIFICATION

I, Lynda W. Petrichevich, hereby state that I am Director, Rates and Requirements Forecasting, of Peoples Natural Gas Company LLC; that I am authorized to and make this verification for it; that the facts above set forth are true and correct (or are true and correct to the best of my knowledge, information and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Date: June 8, 2015

Lynda Petrichevich  
(Signature)