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File #: 159533

April 29, 2016

VIA ELECTRONIC FILING

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

**Re: Supplement No. 69 to Tariff Gas Pa. P.U.C. No. 45 of Peoples Natural Gas
Company, LLC
Docket No. R-2016-**

Dear Secretary Chiavetta:

Enclosed for filing on behalf of Peoples Natural Gas Company, LLC (“Peoples” or the “Company”) is Supplement No. 69 to Tariff Gas Pa. P.U.C. No. 45, which bears an issue date of April 29, 2016 and an effective date of June 28, 2016. Also enclosed is supporting data as required by 52 Pa. Code § 53.52 of the Pennsylvania Public Utility Commission’s (“Commission”) regulations.

In Supplement No. 69, Peoples is proposing to replace its Service Expansion Program (“Rider SET”) with Rate MLX. Rider SET was designed to reduce barriers to customers for receiving gas service in areas where gas service is currently unavailable. Rider SET allowed customers to make a fixed monthly payment of \$55 as an alternative to lump sum Contributions in Aid of Construction (“CIAC”). Peoples has determined that its customers are not receptive to paying the fixed \$55 monthly fee and would prefer to pay for their share of pipeline expansion costs through higher delivery charges. Therefore, Rate MLX allows for customers to pay for system expansion costs through higher delivery charges, and the highest delivery charge under Rate MLX would produce approximately the same incremental annual increase in non-gas revenue that would have been generated by the flat monthly SET payment of \$55. Additional detail is provided in response to the Commission’s standard data responses attached hereto.

Rosemary Chiavetta, Secretary
April 29, 2016
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Peoples will be represented by the following counsel in this proceeding:

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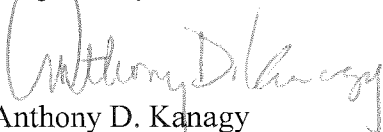
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Please serve copies of all documents in this proceeding on the above-listed counsel.

Peoples is providing a copy of this filing to the Bureau of Investigation & Enforcement, Office of Consumer Advocate and Office of Small Business Advocate as set forth on the Certificate of Service.

Please direct any questions regarding this filing to the undersigned.

Respectfully submitted,



Anthony D. Kanagy

ADK/skr
Enclosure

cc: Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing 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).

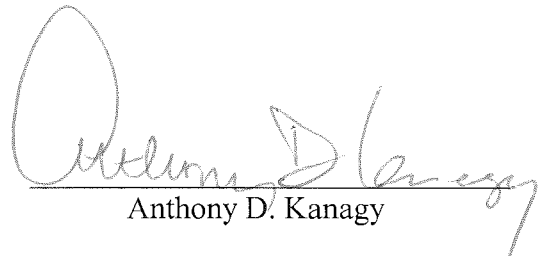
VIA E-MAIL AND FIRST CLASS MAIL

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Date: April 29, 2016



Anthony D. Kanagy

PEOPLES NATURAL GAS COMPANY LLC

**RATES AND RULES
GOVERNING THE
FURNISHING OF
NATURAL GAS SERVICE
TO RETAIL
GAS CUSTOMERS**

RATE MLX REPLACING RATE SET

**ISSUED: April 29, 2016
BY: Morgan K. O'Brien
President
225 North Shore Drive
Pittsburgh, PA 15212**

EFFECTIVE: June 28, 2016

NOTICE

This tariff makes changes to existing rates.
(See page 2)

LIST OF CHANGES

Table of Contents replacing Rider L Pilot Rate SET with Rate MLX (Page 5)
Rate MLX added to Rates available under this tariff (Page 10)
Rules and Regulations Section 4 (Page 20)
Rider L, Pilot Rate SET replaced by Rate MLX. See page 77.

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RATES AVAILABLE UNDER THIS TARIFF**Rate RS - Residential Service**

This rate is available to residential ratepayers throughout the territory served by the Company.

Rate CAP

This is available to residential ratepayers who meet the criteria as detailed in this Rate Schedule.

Rate SGS – Small General Service–

This rate is available to commercial and industrial ratepayers and NGDCs consuming less than 1,000 Mcf of natural gas service annually throughout the territory served by the Company with the exception of commercial ratepayers qualifying under Rate NGPV.

Rate MGS – Medium General Service

This rate is available to commercial and industrial ratepayers and NGDCs consuming between 1,000 and 24,999 Mcf of natural gas service annually throughout the territory served by the Company with the exception of commercial ratepayers qualifying under Rate NGPV.

Rate LGS – Large General Service

This rate is available to commercial and industrial ratepayers and NGDC's consuming more than 25,000 Mcf annually throughout the territory served by the Company with the exception of commercial ratepayers qualifying under Rate NGPV.

Rate CER - Competitive Energy Rate

This rate is available to all ratepayers throughout the territory served by the Company who, in the determination of the Company, meet the criteria set forth under Rate Schedule CER.

Rate GS-T - General Service Transportation

This rate offers firm transportation service for residential, commercial, industrial, and NGDC ratepayers. Commercial, industrial, and NGDC ratepayers that consume less than 1,000 Mcf per year are classified as Small General Service ratepayers under this tariff. Commercial, industrial, and NGDC ratepayers that consume between 1,000 and 24,999 Mcf per year are classified as Medium General Service ratepayers under this tariff. Commercial, industrial, and NGDC ratepayers that consume more than 25,000 Mcf per year are classified as Large General Service ratepayers under this tariff.

Rate GS-SB - General Standby Service

This rate offers standby service for residential, commercial, and industrial transportation ratepayers.

Rate NGPV

This rate offers service for natural gas powered vehicles.

Rate MLX

This delivery rate is offered to new Residential and Commercial consumers who are replacing service from an alternate fuel with natural gas. (C)

RULES AND REGULATIONS**4. CONNECTIONS FOR SERVICE - EXTENSION OF FACILITIES****(C)**

The applicant hereby undertakes to furnish, be responsible for, and pay the necessary costs of service pipe, fixtures, fittings, valves, regulators, and appliances to make the necessary connections between the Company's lines and the place of consumption or the agreed upon delivery point to the applicant and keep the same in good repair, in a skillful and workmanlike manner, furnishing at his own expense said materials, and the labor, care, and supervision necessary and proper to safely conduct and burn the gas, but the applicant shall not otherwise make changes in or interfere with said pipes and appliances and material. The arrangement and location of all piping and appliances (including meters) shall be subject to the approval of the Company, but the Company shall not be responsible in any manner for the selection, maintenance, or use of said pipes and appliances, or for said labor, care, or supervisions, and shall have no duty or obligation with respect to the same. To facilitate this process, the Company makes available a manual entitled "Service Line Installation Standards'."

The Company shall make the necessary connections between its curb cock or shutoff valve and the applicant's service pipe, provide a meter and the necessary fittings, and connect the meter.

The meter and all pipe fittings and appliances furnished by the Company on the premises shall remain the property of the Company, and the Company shall have the right at all reasonable times to enter in and upon the premises for reading and change of meters, inspection, and reclaiming of its property.

The Company will extend its facilities to a new point of delivery within its service territory if, in its judgment and consistent with Commission regulations, the service to such new point of delivery will have no adverse effect upon the availability of gas to meet the present and reasonably foreseeable volume and pressure needs of existing customers. The Company may condition the extension of facilities upon the applicant's providing a contribution in aid of construction (CIAC), the amount of which will be determined by the Company and consistent with any parameters approved or required by the Commission. At the company's discretion, all applicants for an extension may be offered service under Rate MLX as an alternative to a CIAC. (C)

If the Company requests a CIAC from an applicant where service is not rendered under Rate MLX, and additional (C) customers are added to the extended facilities financed by the applicant's CIAC within three years of the date of completion of the facilities, the applicant who paid the CIAC will be entitled to a pro rata refund during the three-year period immediately following completion of the extension.

Any CIAC, ratepayer advance, or other like amounts received from the ratepayer which shall constitute taxable income as defined by the Internal Revenue Service may include a gross up for federal income taxes. To the extent that federal taxes are not included in the CIAC, they shall be segregated in a deferred account for inclusion in rate base in a future rate case proceeding.

Where evidence is found that Company facilities or service lines, meters, or other appurtenances on the ratepayer's premises have been tampered with, the ratepayer shall be required to bear all costs incurred by the Company for investigations and inspections and for such protective equipment as, in the judgment of the Company, may be necessary. In addition, where the tampering has resulted in improper measurement of the service supplied, the ratepayer shall be required to pay for such natural gas service, including interest at the late-payment charge rate, based on the Company's estimate, from available information, of the amount of gas used but not registered by the Company's meters.

RATE MLX
MAINLINE EXTENSION SERVICE (C)

The Company, at its discretion, may offer service under this rider to a residential or commercial Applicant or group of Applicants who require extension of the Company's facilities to serve the Applicant(s) under Rule 4 of the Rules and Regulations Section of this tariff. This Rate provides the Applicant(s) with an option to pay a delivery rate from the range below in lieu of providing a contribution in aid of construction ("CIAC") determined in accordance with Rule 4 using rates RS or SGS. All applicants at the time of construction as well as any future applicants serviced by a facility extended under this rate will pay the same rate as the original applicants.

Residential and Commercial Customers MLX Delivery Charge

The charges under this Rate will include the otherwise applicable RS or SGS customer charge and riders. Only the delivery rate will differ as is shown below.

Rate MLX delivery rates will be applied for each Mcf of gas used. The applicable rate will be selected from the range below for the entire extension and will be at the sole discretion of the Company. The Company will select the rate based on the customer enrollment at the time of the extension.

	Rate Minimum	Rate Maximum
Residential Customers	\$6.79 per Mcf	\$10.32 per Mcf
Commercial Customers	\$5.10 per Mcf	\$9.37 per Mcf

The specific rate under Rate MLX for any project will be provided to any new customer on request.

Customer Service Line Costs

The rate chosen by the Company will provide for a specific level of maximum investment as determined under Rule 4. If the maximum investment using a delivery rate under Rate MLX exceeds the per customer costs of the Company's portion of the facility extension, the cost of the customer's service line may also be included in the cost of the extension.

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(C)

§53.52(a)(1) The specific reasons for each change.

Peoples is proposing to replace its Rider SET with Rate MLX. Rider SET, which was approved by Commission Order entered March 26, 2015 in Docket No. R-2014-2429610. Rider SET was a 5 year pilot program entitled 'Service Expansion Tariff' ("SET") designed to reduce the barriers to customers that are interested in receiving natural gas service in areas where natural gas is currently unavailable. Under Peoples' existing Rider SET, customers requesting an uneconomical extension of service to their property are required to pay a lump sum Contribution in Aid of Construction ("CIAC") or to use Rider SET and make flat monthly payments over a period of years to cover the CIAC. Upfront CIACs have proven to be burdensome to customers and customers do not generally pay a significant lump sum CIAC to extend gas service. Peoples' experience with Rider SET is that the monthly payment options made available under Rider SET led to confusion and encountered substantial resistance from customers. Despite substantial marketing efforts throughout 2015, Peoples was unsuccessful in enrolling sufficient new natural gas customers in order to initiate any service expansion projects under its Rider SET program.

The lack of success of the SET Program led to the filing of the Service Expansion Gas Exchange and Interconnection Agreement ("Service Expansion Agreement") between Peoples and Peoples TWP on August 5, 2015 at Docket No. G-2015-2496814. The Service Expansion Agreement, which received Commission approval on December 30, 2015, allows Peoples to interconnect its distribution lines with facilities to be built by Peoples TWP in order to facilitate the extension of service to new customers at the least possible cost and in a more streamlined manner that reduces customer confusion and reluctance to convert to natural gas service. Under the Service Expansion Agreement, customers are served by Peoples TWP and pay PTWP's higher applicable tariff delivery rate that justifies more capital costs, considerably longer system extensions, and eliminates the need for either CIAC or fixed monthly payments under Rider SET for certain extensions, thereby simplifying the process for the potential customers. Peoples TWP has enjoyed recent success with the Service Expansion Agreement option. Since approval of the Service expansion project, Peoples TWP has completed and initiated service to 3 expansion projects serving 25 new natural gas customers. In addition, two projects that potentially could serve 1,163 new customers are currently under construction and six other projects are in the pre-construction phase. Moreover, there are eleven additional project expansion areas that have been identified as service expansion projects and Peoples TWP plans to initiate marketing activities in these areas in the coming months.

Using this recent success and based on the approved pricing structures of both the Service Expansion Agreement model and SET tariff, Peoples is now proposing a new permanent program under its Rate MLX that would replace its existing pilot Rider SET and eliminate the need to utilize the Service Expansion Agreement for future new projects. Peoples' Rate MLX will be offered to Residential and Commercial customers wishing to convert from alternate, more costly fuels to natural gas. As proposed under Rate MLX, Peoples would charge a customized delivery rate, in lieu of the standard tariff delivery rates, that would be unique to and applicable to all customers within each project area. The customized project specific delivery rate would be determined by substituting a delivery rate within the range cited

in Rate MLX for Peoples base distribution delivery rate. The MLX delivery rate substitution will provide a revenue stream that is necessary, using the economic extension analysis model, to justify the cost of the extension and avoid the need for an upfront CIAC amount within each project area. Rate MLX also eliminates the need for the fixed charge per month included in Rider SET. Peoples proposes that the project specific delivery rate under Rate MLX for Residential customers could be as low as \$6.79 per Mcf, which equals the current Peoples TWP delivery rate as approved under Service Expansion Agreement program. The delivery rate under Rate MLX also could be as high as \$10.32 per Mcf, which would produce the same incremental annual increase in non-gas revenue that would have been generated by the flat monthly payment of \$55 approved for Peoples' existing Rider SET pilot program over the Company's current delivery rate. The minimum residential project delivery rate of \$6.79 per Mcf allows for an estimated average of 123 feet of mainline extension per Residential heating customer. The maximum residential delivery rate of \$10.32 per Mcf supports an estimated average mainline extension of about 175 feet per Residential heating customer. The project specific delivery rate will be determined by the Company and will be charged to all original and future customers connecting to the extended facilities. Commercial Rate MLX rates were designed in a consistent manner. The minimum Rate MLX delivery rate is equivalent to applicable PTWP small commercial (Small General Service) delivery rate, and the maximum Rate MLX delivery rate was set by increasing Peoples' current regular delivery rate for small commercial customers (Small General Service) by an increment equal to the difference between Peoples' current regular residential delivery rate and the proposed maximum residential delivery rate under Rate MLX. The actual Residential and Commercial rates to be applied will be chosen by the Company for each project based on estimated construction costs and customer participation. The chosen rates will remain in effect indefinitely unless changed by the Commission.

Due to the abundance of lower cost natural gas in the region and the higher costs of alternative fuel sources and inconveniences associated with heating oil, coal, wood, and propane, natural gas service provided at delivery rate levels within the proposed range would be very attractive to conversion customers and result in average customer bills below the cost of alternative fuel sources. Further, the Rate MLX proposal would also enable the Company to more easily extend service to natural gas customers that are located beyond the distance to extend service under the current Service Expansion Agreement program (123 feet per residential). Under Rate MLX, Peoples could justify mainline extension of up to 175 feet per residential customer without requiring an upfront CIAC. If approved, Rate MLX will allow Peoples to provide greater access to natural gas service to more potential customers without subsidy from existing ratepayers. Based upon its experience, Peoples believes that customers will be more amenable to paying higher delivery rates under Rate MLX than paying the fixed monthly SET fee.

Peoples' proposed Rate MLX also contains a provision to help customers with the installation cost of the customer owned service line. To the extent that the delivery rate established under Rate MLX would cover more than the mainline and Company service line investment for a customer, the Company is also proposing that the costs of the customer-owned service line be included along with the cost of the mainline extension and the Company's service line be included as a cost to be incurred by the Company.

In this way, the cost of the customer-owned service line would also be removed as a barrier to conversion.

§53.52(a)(2) The total number of customers served by the utility.

Number of customers as of March 31, 2016

Residential – 334,679

Commercial – 27,499

Industrial -- 209

§53.52(a)(3) A calculation of the number of customers, by tariff subdivision, whose bills will be affected by the change.

None. Current customers will not be affected by the change.

§53.52(a)(4) The effect of the change on the utility's customers.

None. Current customers will not be affected by the change.

§53.52(a)(5) The direct or indirect effect of the proposed change on the utility's revenues and expenses.

As new customers are added through this program, revenue will be increased. Capital expenditures and O&M costs will also increase related to the extension of the main line and installation of service lines. Capital expenditure costs will be recovered through Rate MLX and increased O&M expenses will be offset by the increase in distribution revenues generated by the new customer additions.

§53.52(a)(6) The effect of the change on the service rendered by the utility.

The change will not impact the service currently rendered by the Company, but will increase the availability of adequate, efficient, safe, reliable and reasonable service to additional customers in the Company's service territory.

§53.52(a)(7) A list of factors considered by the utility in its determination to make the change. The list shall include a comprehensive statement about why these factors were chosen and the relative importance of each. This subsection does not apply to a portion of a tariff change seeking a general rate increase as defined in 66 Pa.C.S. §1308.

The Company recognizes the abundance of low cost, locally produced gas supplies in the western Pennsylvania region. The Company also recognizes the barriers to customers, particularly residential customers, who would benefit substantially from reduced fuel costs, but are unable to avail themselves of natural gas service due to the upfront costs needed to transition or are unwilling to accept the payments necessary under Rider SET. The Company also considered not only the CIAC and payment

barrier to choosing natural gas, but also the cost of customer-owned service lines and replacing appliances and installing associated plumbing (i.e. house lines).

§53.52(a)(8) Studies undertaken by the utility in order to draft its proposed change. This paragraph does not apply to a portion of a tariff change seeking a general rate increase as defined in 66 Pa.C.S. §1308.

Based on information obtained from potential new natural gas customers in our service territory, the Company performed a cost analysis of natural gas and other fuels such as heating oil and propane to determine the potential savings a typical customer could experience through transitioning to natural gas for heating service. The Company also reviewed cost data for potential extension projects within its service territory to groups of customers that have previously expressed a desire for natural gas service. This study showed that potential new customers could expect to experience a monthly cost savings under the Rate MLX tariff proposal.

§53.52(a)(9) Customer polls taken and other documents which indicate customer acceptance and desire for the proposed change. If the poll or other documents reveal discernible public opposition, an explanation of why the change is in the public interest shall be provided.

The Company has not conducted any customer polls but has received information from potential new customers that indicates that the existing upfront CIAC has created a barrier in receiving natural gas service from the Company. See the response to §53.52(a)(8). Further, although Peoples has Commission authority to extend service to potential customers under its Rate SET, which provides the option of financing the CIAC through monthly payments of \$55 per month, Peoples discovered that its attempts to utilize the Rate SET program were not well received. During 2015, Peoples met and shared information about the SET Program with township officials, potential residential and commercial customers, school board representatives and/or community leaders from many municipalities. At the meetings, the Company presented information regarding costs to connect to gas service under the SET Program and energy savings that could be experienced. The Company followed up these meetings with additional marketing efforts such as direct mailings, telephone calls and door-to-door marketing efforts. Throughout 2015, the Company did not experience a sufficient response from customers to implement a single SET project. Customers expressed opposition to paying the SET fee and conversion costs as reasons for not enrolling in the SET program. These same customers indicated that various terms and conditions of Rate SET were confusing and troublesome. These areas included: the uncertain length of the payment period; the level of the financing rate; the potential obligation to pay for customers who do not make required Rate SET payments; and the impacts of customers moving to and from the project area.

Alternatively, the option of simply paying Peoples TWP's tariff rates for service, as was made available through the Service Expansion Agreement, was well received by customers. As discussed in §53.52(a)(1), considerable success is being achieved with the Service Expansion Agreement option. Based on the feedback received from potential customers under both the Rate SET and Service Expansion Agreement programs, Peoples' Rate MLX proposal is patterned after the Service Expansion Agreement option in

that no upfront or separate monthly financing payments are required and the customers would be required to pay the normal monthly customer service charge, a delivery charge (set under rate MLX), and any applicable riders.

§53.52(a)(10) Plans the utility has for introducing or implementing the changes with respect to its ratepayers.

The Company plans to provide information regarding the proposed tariff change to potential new customers in areas of our existing service territory that currently do not have natural gas service and will make this tariff provision available to any customer who meets the requirements of the tariff provision and desires natural gas service.

§53.52(a)(11) FCC, FERC or Commission orders or rulings applicable to the filing.

The Company is aware that the Commission by Order entered February 20, 2014 at Docket No. P-2013-2356232, approved a proposal by UGI Utilities, UGI Penn Natural Gas, Inc. and UGI Central Penn Gas, Inc. to implement a tariff change that allows customers to pay the CIAC costs on monthly basis over an extended time frame (10 years).

The Commission by Order entered October 23, 2014 at Docket No. R-2014-2407345, approved a proposal of Columbia Gas of Pennsylvania (“Columbia”) for a Pilot Rider New Area Service. The Columbia program was designed to expand natural gas service by providing customers an option to pay for the uneconomical portion of a line extension over a twenty year period. In its 2015 base rate case at Docket No. R-2015-2468056, Columbia received Commission approval to modify its Pilot Rider New Area Service program by providing: a footage allowance of 150 feet of main line per applicant without the need for an NPV analysis; an allowance of 150 feet of service line; and reimbursement of up to \$1,000 for the installation of house piping under certain circumstances.

The Commission also approved a service expansion program for PECO Energy Company under which customers are permitted to pay CIAC costs over a 20 year period, and PECO can consider revenue from expected customers along the extension into the CIAC calculation. PECO’s program was approved by Commission Order entered October 1, 2015 at Docket No. P-2014-2451772. The Company is unaware of any other FCC, FERC, or Commission orders or rulings applicable to this tariff proposal.

§53.52(b)(1) The specific reasons for each increase or decrease.

Current customers will not receive any increase or decrease to their existing bills as result of this proposal.

§53.52(b)(2) The operating income statement of the utility for a 12-month period, the end of which shall not be more than 120 days prior to such filing.

Refer to the attached income statement for the 12 months ending December 31, 2015.

§53.52(b)(3) A calculation of the number of customers, by tariff subdivision, whose bills will be increased.

Rates for existing customers will not change under this proposal.

§53.52(b)(4) A calculation of the total increases, in dollars, by tariff subdivision, projected to an annual basis.

No current customer's bills will be increased by this change.

§53.52(b)(5) A calculation of the number of customers, by tariff subdivision, whose bills will be decreased.

None.

§53.52(b)(6) A calculation of the decreases, in dollars, by tariff subdivision, projected to an annual basis.

None.

- (2) The operating income statement of the utility for a 12-month period, the end of which shall not be more than 120 days prior to such filing.

Peoples Natural Gas Company LLC
Statement of Income
For the Twelve Months Ending December 31, 2015

Operating Revenues

Total Operating Revenues	\$	418,802,461
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Operating Expenses

Total Operating Expenses	\$	351,302,852
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Net Utility Operating Income

	\$	<u>67,499,609</u>
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Total Other Income and Deductions	\$	(6,663,962)
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Interest Charges	\$	19,402,123
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Income Before Extraordinary Items

	\$	<u>41,433,524</u>
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