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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. 38 to Tariff Gas Pa. P.U.C. No. 46 of Peoples Natural Gas
Company, LLC - Equitable Division
Docket No. R-2016-**

Dear Secretary Chiavetta:

Enclosed for filing on behalf of Peoples Natural Gas Company, LLC – Equitable Division (“Peoples-Equitable Division” or the “Company”) is Supplement No. 38 to Tariff Gas Pa. P.U.C. No. 46, 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. 38, Peoples-Equitable Division 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-Equitable Division 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
Page 2

Peoples-Equitable Division will be represented by the following counsel in this proceeding:

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

Peoples-Equitable Division 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).

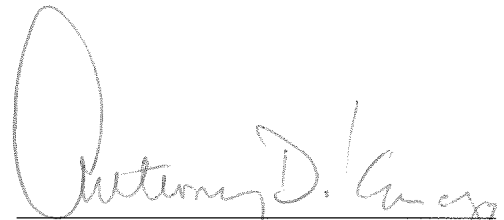
VIA E-MAIL AND FIRST CLASS MAIL

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Date: April 29, 2016


Anthony D. Kanagy

SUPPLEMENT NO. 38
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)

Rate MLX

ISSUED: April 29, 2016

EFFECTIVE: June 28, 2016

By: Morgan K. O'Brien
President

Peoples Natural Gas Company, LLC
225 North Shore Drive, Suite 300
Pittsburgh, PA 15212

PEOPLES NATURAL GAS COMPANY LLC

SUPPLEMENT NO. 38
TO GAS - PA. P.U.C. NO. 46
THIRTY-FIFTH REVISED PAGE NO. 2
CANCELING THIRTY-FOURTH REVISED PAGE NO. 2

LIST OF CHANGES MADE BY THIS TARIFF SUPPLEMENT

Table of contents (Page 3)

Rules and Regulations #1.2 (Page 9)

Pilot Rider H: Service Expansion Tariff is replaced with Rate MLX: Mainline
Extension (Page 83)

TABLE OF CONTENTS

	<u>Page</u>
Title Page.....	1
List of Modifications.....	2, 2.1
Summary of Rates.....	2A, 2B
Table of Contents.....	3
List of Communities Served.....	4
Classification of Customers.....	5
Rules and Regulations.....	6
 Rate Schedules as listed below:	
Rate RS - Residential Service.....	47
Rate GSS - General Service Small.....	48
Rate GSL - General Service Large.....	49
Rate GL - Gas Lights.....	50
Rate FDS - Firm Delivery Service.....	51
Rate GDS - General Delivery Service.....	53
Rate DDS - Daily Delivery Service.....	56
Rate FPS - Firm Pooling Service.....	59
Rate GPS - General Pooling Service.....	65
Rate LGA - Local Gas Aggregation.....	67A
Standby Service.....	68
State Tax Adjustment Surcharge	70
Rider A - (Purchased Gas Cost).....	71-73B
Rider B - (Transportation Migration Rider).....	74
Rider D - (Universal Service and Energy Conservation).....	75
Rider E - Distribution System Improvement Charge.....	76
Rider F - Merchant Function Charge.....	80
Rider G - Gas Procurement Charge.....	81
Rate AGS - Appalachian Gathering Service.....	82
Rate MLX - Mainline Extension Service.....	83

(C)

(C) Indicates Change.

RULES AND REGULATIONS - (CONTINUED)1.1 Meters and Fittings (Continued)

(f) Nothing contained in this Rule shall preclude the customer from installing additional meters behind the Company's meter for the purpose of measuring, controlling and/or determining the flow of gas to the customer's premises. The cost of such additional meters, including the installation thereof shall be borne by the customer and such installation shall comply with subsection (e) above.

(g) Exceptions to the requirements of subsections (a) through (e) may be permitted by the Company upon special circumstances and upon good cause shown.

1.2 Applications For Service Extension of Mains

The Company will extend its facilities to a new point of delivery within its service territory if, in its judgment and consistent with Pennsylvania Public Utility Commission regulations, the service to such a 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 which will be determined by the Company and consistent with any parameters approved or required by the Commission.

If the Company requests a CIAC from an applicant where service is not rendered under Rate MLX, and additional 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-rated refund during the three-year period immediately following completion of the extension. (C)

At the Company's discretion, all applicants for an extension may be offered service under Rate MLX as an alternative to a CIAC. (C)

(C) Indicates Change.

RULES AND REGULATIONS - (CONTINUED)

(C)

1.3 Other Service Conditions

In the case of an industrial or commercial customer, the Company may condition the acceptance of a particular application for the initiation or increase of service, whether or not an extension of facilities is required to provide such service, by the establishment of guarantees of revenues or other appropriate conditions, including, but not limited to, the setting of maximum daily volumes to be provided, when such application involves the commitment of a gas supply to provide the service requested or involves conditions of service different from that normally provided to its other customers.

The Company, at its sole discretion, will maintain the necessary facilities to provide a back-up service to a customer for switching purposes between Natural Gas Distribution Companies or alternative fuels. The charge for facilities providing such a back-up service will be the Company's highest allowable monthly service charge per meter, plus the applicable volumetric charge per Mcf consumed.

The Company also reserves the right to charge a tap fee to recover the costs of constructing all facilities related to providing the backup service.

In the case of residential service, prior to providing utility service, the Company may require the Applicant to provide the names of each adult occupant residing at the location and proof of their identity.

1.4 Service Pipes and Fittings

The customer shall, at the customer's own expense, furnish and install all service pipes, fixtures, fittings, valves and appliances, and all materials necessary for meter installations, as required by the Company, between the Company's curb box and the point of consumption of the gas except as otherwise provided in Rule 1; maintain all of the same in good condition and repair, and renew the same when necessary, furnishing such materials, labor and supervision as may be necessary to transport and burn the gas with safety, and shall be liable for any failure to do so.

1.5 Subject to Company Inspection/Duty of Customer to Maintain

The character and arrangement of the facilities through which the gas is transported from the Company's curb box to the point of consumption shall be subject to the inspection and approval of an authorized agent of the Company, but the Company shall not be responsible in any manner for the installation, use and maintenance of those facilities, and shall have no duty or obligation with respect to the care, maintenance or supervision of the facilities.

**RATE MLX
MAINLINE EXPANSION 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 1.2 of the Rules and Regulations Section of this tariff. This Rate provides the Applicant(s) with an option to pay the contribution in aid of construction ("CIAC") determined in accordance with Rule 1.2 using rates RS or GSS. 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 GSS 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 entrollment at the time of the extension.

	Rate Minimum	Rate Maximum
Residential Customers	\$6.79 per Mcf	\$10.34 per Mcf
Commercial Customers	\$5.10 per Mcf	\$9.76 per Mcf

The specific rate under this 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 1.2. 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.

PEOPLES NATURAL GAS COMPANY LLC

SUPPLEMENT NO. 38
TO GAS - PA. P.U.C. NO. 46
SECOND REVISED PAGE NO. 84
CANCELLING FIRST REVISED PAGE NO. 84
AND FIRST REVISED PAGE NO. 84A

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(C)

ISSUED: April 29, 2016

EFFECTIVE: June 28, 2016

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

Peoples-Equitable Division (“Equitable Division”) 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-2014-2429606. 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 Equitable Division’ 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. Equitable Division’ 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, Equitable Division 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 Equitable Division 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 Equitable Division 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, Equitable Division 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. Equitable Division’ 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, Equitable Division 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 Equitable Division 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. Equitable Division 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 \$10.34 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 Equitable Division' 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 Equitable Division' current regular delivery rate for small commercial customers (Small General Service) by an increment equal to the difference between Equitable Division' 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, Equitable Division could justify mainline extension of up to 175 feet per residential customer without requiring an upfront CIAC. If approved, Rate MLX will allow Equitable Division to provide greater access to natural gas service to more potential customers without subsidy from existing ratepayers. Based upon its experience, Equitable Division believes that customers will be more amenable to paying higher delivery rates under Rate MLX than paying the fixed monthly SET fee.

Equitable Division' 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 – 248,749

Commercial – 15,992

Industrial -- 149

§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 Equitable Division 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, Equitable Division discovered that its attempts to utilize the Rate SET program were not well received. During 2015, Equitable Division 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, Equitable Division' 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 - Equitable Division
Statement of Income
For the Twelve Months Ending December 31, 2015**

Operating Revenues

Total Operating Revenues	\$	297,322,648
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Operating Expenses

Total Operating Expenses	\$	237,388,426
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Net Utility Operating Income

	\$	59,934,222
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Total Other Income and Deductions	\$	574,089
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Interest Charges	\$	17,304,232
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Income Before Extraordinary Items

	\$	43,204,080
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